

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

AMEN PROPERTIES INC
Form 10QSB
May 16, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the Period Ended March 31, 2005

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 [X] 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: 2,201,356 shares outstanding as of May 3, 2005.

Transitional Small Business Disclosure Format (check one):

Yes [] No [X]

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

INDEX

	PAGE
Part I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Balance Sheet at March 31, 2005 (Unaudited)	1
Consolidated Statement of Cash Operations -- for the three months ended March 31, 2005 and 2004 (Unaudited)	2
Consolidated Statement of Cash Flows -- for the three months ended March 31, 2005 and 2004 (Unaudited)	3
Notes to Consolidated Financial Statements (Unaudited)	4
Item 2. Management's Discussion and Analysis or Plan of Operation	18
Item 3. Controls and Procedures	24
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	25
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3-6 Exhibits	25
Signatures	27
Exhibits	28
11. 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 Section 1350.	
32.2 Certification of Chief Financial Officer Pursuant to 18 USC Section 1350.	

AMEN Properties, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEET March 31, 2005 (Unaudited)

ASSETS

CURRENT ASSETS

Cash and cash equivalents (notes A3, D and F)	\$ 3,749
Accounts receivable (notes A6 and A13)	296
Other current assets	151

Total current assets	

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

RESTRICTED CERTIFICATE OF DEPOSIT (note G)

PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$956,529 (notes A7, A8 and I)

ROYALTY INTERESTS, at cost net of accumulated depletion of \$ 16,257 (notes A7 and E)

LONG-TERM INVESTMENTS (notes A4 and F)

OTHER ASSETS

Note receivable (note H)

Deferred costs (note A9)

Deposits and other assets

Total other assets

TOTAL ASSETS

241

46

228

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable

Accrued liabilities (note J)

Current portion of long-term obligations (note L)

Accrued interest payable

Deferred revenue

Total current liabilities

\$ 258

275

244

17

79

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

DEFERRED REVENUE

MINORITY INTEREST (note A11)

COMMITMENTS AND CONTINGENCIES (note N)

STOCKHOLDERS' EQUITY (note C)

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 A12)

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 A12)

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 A12)

Common stock, \$.01 par value, 20,000,000 shares authorized;

2,201,356 shares issued and outstanding

Common stock warrants

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive income

Total stockholders' equity

22

127

44,481

(37,979)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

1

AMEN Properties, Inc. and Subsidiaries CONSOLIDATED STATEMENT OF OPERATIONS For the Three Months Ended March 31, (Unaudited)

	2005
Rental revenue	\$ 670
Retail electricity revenue	310
Total operating revenue	980
Operating expenses:	
Cost of goods and services	277
Rental property operations	407
General and administrative	206
Depreciation and amortization	91
Total operating expenses	984
Net (loss) income from operations	(3)
Other (expense) income	
Interest income	11
Interest expense	(114)
Loss on sale of investments	
Other (expense) / income	(17)
Total other (expense) income	(119)
Net (loss) income before income taxes and minority interest	(122)
Income taxes (note A10)	
Minority interest	(40)
NET (LOSS) INCOME	\$ (163)
Net (loss) income per common share (basic)	\$
Net (loss) income per common share (diluted)	\$
Weighted average number of common shares outstanding - basic	2,201
Weighted average number of common shares outstanding - diluted	2,201

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

2

AMEN Properties, Inc. and Subsidiaries CONSOLIDATED STATEMENT OF CASH FLOWS For the Three Months Ended March 31, (Unaudited)

	2005

Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Net (loss) income	\$ (163)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Depreciation, amortization	91
Loss on sale of investments	
Minority interest	40
Changes in operating assets and liabilities:	
Accounts receivable	(223)
Deposits and other assets	(156)
Deferred costs	(74)
Accounts payable	143
Accrued and other liabilities	(312)
Deferred revenue	64

Net cash (used in) provided by operating activities	(589)

Cash flows from investing activities:	
Purchases of property and equipment	(361)
Sales and maturity of investments	
Purchase of investments	
Acquisition of limited partnership interest (note B)	
Repayments of notes receivable	8

Net cash used in investing activities	(353)

Cash flows from financing activities:	
Repayments of notes payable	(1,454)
Net proceeds from issuance of preferred stock	2,000
Partner distributions	

Net cash provided by (used in) financing activities	\$ 545

Net decrease in cash and cash equivalents	\$ (398)

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Cash and cash equivalents at beginning of period

4,147

Cash and cash equivalents at end of period

\$ 3,749

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

3

AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2005
(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.

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

2. Basis of Presentation

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

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

assets and liabilities. Actual results could differ from these estimates.

3. Cash Equivalents

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

4. Investments

4

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

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

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

5. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. The fair value of the fixed rate debt, based upon current interest rates for similar debt instruments with similar payment terms and expected payoff dates, would be approximately \$7,387,223 as of March 31, 2005. Disclosure about fair value of financial instruments is based on pertinent information available to management as of March 31, 2005.

6. Accounts Receivable

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

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

As of March 31, 2005 the Company's billed accounts receivables were less than forty five days old and the Company did not have adequate historical data to determine the allowance for doubtful accounts. The Company considers accounts receivable to be fully collectible; accordingly, no

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

allowance for doubtful accounts is required. If amounts become uncollectible they will be charged to operations when that determination is made.

At March 31, 2005, accounts receivable consisted of the following:

Tenant receivables	\$ 28,850
Billed electricity receivables	118,100
Unbilled electricity receivables	88,127
Other receivables	61,532
Allowance for doubtful accounts	--

Accounts receivable, net	\$ 296,609
	=====

5

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

7. Depreciation, Amortization and Depletion

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

8. Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles by monitoring and evaluating changes in circumstances that may indicate that the carrying amount of the asset may not be recoverable. Examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed include but are not limited to the following: a significant decrease in the market value of an asset, a significant change in the extent or matter in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and/or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue. The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairments are present, the Company evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and nondiscounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value.

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

9. Deferred Costs

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

10. Income Taxes

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

6

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

11. 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 March 31, 2005.

12. Contingently Convertible Securities

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

Series	Number of Shares	Purchase Price	Conversion Rate	Number of 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 where their effect is antidilutive.

13. Revenue and Cost Recognition

Leases with tenants are accounted for as operating leases. Minimum annual

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

rentals are recognized on a straight-line basis over the terms of the respective leases. As of March 31, 2005, there were no such deferred tenant receivables.

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

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

7

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

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. 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.

14. Earnings Per Share

There were no preferred stock dividends for the quarters ended March, 31, 2005 or 2004. The effects of Series A, Series B and Series C convertible Preferred Stock is not included in the computation of diluted earnings per

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

share for any periods in which their effect is antidilutive.

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

15. 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.

8

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

16. New Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board (FASB) issued a revised Interpretation No. 46, Consolidation of Variable Interest Entities, replacing the original Interpretation issued in January 2003. The revised Interpretation provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under the revised Interpretation, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities and the interests that enterprises have in these entities are called variable interests. These interests can derive from certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities. The provisions of the revised Interpretation must be immediately applied for variable interest entities created after January 31, 2003 and for variable interests in entities commonly referred to as "special purpose entities." For all other variable interest entities, implementation is required by March 31, 2004.

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

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

In December 2004, the FASB issued a revised Statement No. 123, Accounting for Stock-Based Compensation. This Statement eliminates the alternative to use Accounting

9

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

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

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

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets. This Statement amends APB Opinion No. 29, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

that do not have commercial substance. The provisions of this Statement shall be effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

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

17. Reclassifications

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

NOTE B - BUSINESS COMBINATIONS

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

NOTE C - ISSUANCE OF SERIES C PREFERRED STOCK

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 above. No underwriting

10

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

discounts or commissions were paid in connection with this issuance. Certain facts related to the exemption from registration of the issuance of the securities under securities law are set forth in the Amended Purchase Agreement as representations of the investors, including without limitation their investment intent, their status as accredited investors, the information provided to them, the restricted nature of the securities, and similar matters.

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at three financial institutions, which at times may exceed federally insured limits. At March 31, 2005, the Company had approximately \$3,221,958 of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

The Company's revenues are derived principally from uncollateralized rents from tenants and retail power customers. The concentration of credit risk in two industries affects its overall exposure to credit risk because tenants/customers may be similarly affected by changes in economic and other conditions.

NOTE E - ROYALTY INTERESTS

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

11

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

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 used estimates to accrue royalty income for the quarters ended March 31, 2005 and 2004.

NOTE F - CASH, CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2005 the Company's cash and cash equivalents consist of cash in banks of approximately \$3,749,877.

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

NOTE G - RESTRICTED CERTIFICATE OF DEPOSIT

The Company holds a \$2,100,000 certificate of deposit with a financial institution which bears interest of 1.98% and matures on December 28, 2005. The certificate of deposit collateralizes the term note with a financial institution (see note L) and is restricted. The certificate of deposit is recorded at cost, which approximates market value. The certificate is non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity.

NOTE H - NOTE RECEIVABLE

On December 13, 2002, the Company received a note receivable in the amount of \$275,000, with an annual interest rate of 6.00%, from a third-party for the sale of substantially all assets associated with a direct mail advertising service. The note receivable is due in quarterly installments, beginning April 10, 2003, equal to 20% of the gross profit from operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. As of March 31, 2005, the outstanding principal balance on the note receivable was \$241,555. Because the current maturities are not reasonably estimable at March 31, 2005, the entire principal balance is reported as non-current.

NOTE I - PROPERTY, PLANT AND EQUIPMENT

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

Buildings	\$ 8,447,862
Tenant improvements	514,713
Furniture, fixtures and equipment	100,038
Land	158,998

12

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

	9,221,611
Less: accumulated depreciation	(956,529)

	\$ 8,265,082
	=====

Depreciation expense for the quarters ended March 31, 2005 and 2004 was \$91,835 and \$106,453, respectively.

NOTE J - ACCRUED LIABILITIES

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Accrued liabilities consisted of the following at March 31:

Accrued property taxes	\$	42,865
Accrued TDSP charges		24,935
Accrued tithing		89,028
Other liabilities		118,942

	\$	275,770
		=====

NOTE K - OPERATING SEGMENTS

On July 30, 2004, the Company formed and initiated the development of W Power. W Power was established to enter into the retail electricity market in Texas. The formation of W Power resulted in the diversification of the Company's business activities into two reportable segments: real estate operations and a retail electricity provider (REP). The real estate operations consist of two office properties located in Midland, Texas and comprise an aggregate of approximately 428,560 square feet of gross leaseable area. The REP segment will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers.

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

March 31, 2005:

	REP	Real Estate Operations	Other and Corporate	Inter- Trans Elimin
	-----	-----	-----	-----
Revenues from external customers	\$ 406,273	678,495	--	(
	=====	=====	=====	=====
Depreciation, amortization and depletion	1,522	62,985	27,328	
	=====	=====	=====	=====
Interest expense	11,228	94,061	82,267	
	=====	=====	=====	=====
Segment net income (loss)	(85,018)	142,481	(150,642)	
	=====	=====	=====	=====
Segment assets	972,650	7,371,158	7,068,636	(
	=====	=====	=====	=====
Expenditures for segment assets	\$ 7,125	351,412	2,592	
	=====	=====	=====	=====

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED March 31, 2005 (Unaudited)

March 31, 2004:

	REP	Real Estate Operations	Other and Corporate	Inter- Trans Elimin
	-----	-----	-----	-----
Revenues from external customers	\$ --	1,074,301	--	
	=====	=====	=====	=====
Depreciation, amortization and depletion	--	80,902	25,551	
	=====	=====	=====	=====
Interest expense	--	114,788	18,621	
	=====	=====	=====	=====
Segment net income (loss)	--	289,038	(196,431)	
	=====	=====	=====	=====
Segment assets	--	9,857,605	5,072,275	
	=====	=====	=====	=====
Expenditures for segment assets	\$ --	23,594	1,461	
	=====	=====	=====	=====

NOTE L - LONG-TERM OBLIGATIONS

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

Delaware entered into nine promissory notes, certain of which are with related parties, in an aggregate amount of \$2,789,087, to purchase the 64.9% ownership interest in TCTB. The notes are due in annual payments of

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is equal to the Wall Street Journal Prime Lending Rate plus .15% (4.9% at March 31, 2005). The annual payments

14

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

are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment. Due to the distribution and sale of the Lubbock building on December 31, 2004, the Company elected to forgo the payment as described above and paid one half of the principal balance along with the entire accrued interest balance during January 2005.

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

On February 28, 2005 the Company entered into a loan agreement (the "Note") with Western National Bank, Midland, Texas. The Note is a certain Revolving Line of Credit in an amount of \$5,000,000. Under the Note, the Bank may, but is not obligated to advance more than \$2,500,000. Borrowings under the Note are subject to a borrowing base equal to the 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 (5.75% at March 31, 2005). Interest is computed on the unpaid principal balance of the Note and is due and payable as it accrues monthly, commencing March 31, 2005, and thereafter on the last day of each and every succeeding month until maturity, March 31, 2008, when the entire amount of the Note, principal and accrued, unpaid interest, shall be due and payable. The Note is secured by a security agreement to all of the accounts receivable of W Power. In addition, the Note is guaranteed by certain accredited investors which guarantees are partially secured by letters of credit. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. The proceeds from the Note are intended to be used to fund potential capital requirements in order to facilitate the growth of the Company's retail electric provider subsidiary, W Power, and for general corporate purposes.

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

2005	\$ 244,578
2006	262,304
2007	281,226
2008	302,596
2009	6,565,478

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Total	7,656,182
Less current portion	244,578

Long-term portion	\$ 7,411,604
	=====

15

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

NOTE M - RELATED PARTY TRANSACTIONS

At March 31, 2005 and 2004, related parties leased from TCTB, office space of approximately 32,000 and 29,000 square feet, respectfully. TCTB received rental income from these related parties of approximately \$75,279 and \$67,256 during the quarters then ended, respectively.

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

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

The Company closed the sale and issuance of 125,000 shares of Series C Preferred Stock and 250,000 Warrants (see note C) 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. To ensure that the Company is in full compliance with Nasdaq marketplace rules, (i) the conversion of the Series C and the exercise of the Warrants are subject to a cap in the number of shares of Common Stock issuable upon such conversion or exercise equal to twenty percent (20%) of the number of shares of Common Stock outstanding on March 1, 2005 unless and until the issuance and sale of the Series C and the Warrants are approved by the stockholders of the Company under such rules of the Nasdaq Stock Market, (ii) the officers and directors purchasing securities under the Amended Purchase Agreement (being Eric Oliver, Jon Morgan and Bruce Edgington) are further restricted from converting or exercising the purchased securities until the transaction is approved by the stockholders

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

of the Company or they exchange the purchased securities for similar securities with a greater conversion/exercise price, and (iii) the voting rights of the Series C are limited and restricted as set forth in the Certificate of Designation.

The following table reflects the Series C issuance to the Company's Officers and Directors.

16

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

	Number of Preferred C Shares	Common Stock Equivalent	Preferred C 20% Limited Voting Equivalent	Purchase Price
Eric Oliver	14,063	56,252	48,430	\$ 225,008
Jon M. Morgan	14,062	56,248	48,430	224,992
Bruce Edgington	3,125	12,500	13,208	50,000
Total	31,250	125,000	110,068	\$ 500,000

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

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

NOTE N - COMMITMENTS AND CONTINGENCIES

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.

17

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 and related footnotes presented in Item 1 and the Company's December 31, 2004 Form 10-KSB.

Overview

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

Application of Critical Accounting Policies

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

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

- Acquisition of operating properties,
- Revenue and cost recognition,
- Allowance for doubtful accounts

Acquisition of Operating Properties

We allocate the purchase price of acquired properties to tangible and identified intangible assets

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

In making estimates of fair value for purposes of allocating purchase price, management utilizes sources, including, but not limited to, independent value consulting services, independent appraisals that may be obtained in connection with financing the respective property, and other market data. Management also considers information obtained about each property as a result of its

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

pre-acquisition due diligence, marketing and leasing activities in estimating the fair value of the tangible and intangible assets acquired.

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

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

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

below-market lease values would be charged to expense.

Revenue and Cost Recognition

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

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

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

Because flow data for resettlements and final resettlements are not available in sufficient time to be booked to the appropriate period, the effect of such resettlements are booked in the month in which the cost of goods sold ("COGS") effect of those resettlements are realized.

Sales represent the total proceeds from energy sales, including pass through charges from the TDSPs billed to the customer at cost. 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").

Allowance for Doubtful Accounts

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

At the end of each quarter, revenue is accrued to unbilled receivables based on the estimated amount of power delivered to customers using the flow technique. 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.

All charges that were physically billed to customers in the calendar month are recorded from the unbilled account to the customer receivables account. Accounts receivables are customer obligations billed at the conclusion of a month's

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

electricity usage and due within 15 days of the date of the invoice. Balances past due are subject to a late fee that is assessed on the succeeding month's billing.

The large number of customers and significant volume of transactions create a challenge to manage receivables as well as to estimate the account balances that ultimately will not be paid by the customers ("bad debt write-offs). The Company uses a variety of tools to estimate and provide an accurate and adequate allowance for doubtful accounts reserve; the allowance for doubtful accounts will be expensed each month as a percentage of revenue based on the historical bad debt write-off trends that will result from that month's gross revenues. As of March 31, 2005 the Company's billed accounts receivables were less than forty five days old and the Company did not have adequate historical data to determine the allowance for doubtful accounts. The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible they will be charged to operations when that determination is made.

Results of Operations

Overview

For the quarter ended March 31, 2005 the Company showed a net loss of \$163,650 or a net loss \$.07 per share as compared to net income of \$92,607, or \$.04 per share for the same period ended March 31, 2004 for a net change of approximately \$256,000. This change is mainly due to the Company's newly created, wholly owned subsidiary W Power. For the quarter ending March 31, 2005, the operations of W Power incurred a net operating loss of approximately \$85,018. This loss is due to management restraining the customer growth of W Power to ensure that adequate credit was available to meet W Power's growth. Additionally, the Company has experienced a decrease in net income from it's investment in TCTB due to the distribution and sale of the Company's undivided interest in a commercial real estate property in Lubbock, Texas on December 31, 2004. This sale reduced the Company's income from its limited partnership interest in TCTB for the quarter ending March 31, 2005 as compared to March 31, 2004 by approximately \$146,500 (approximately \$104,500, net to the Company's interest in TCTB of 71.348%). Additionally, during the quarter ending March 31, 2005 the Company incurred additional legal fees and other general and administrative costs of approximately \$34,500 associated with the issuance the Company's Series C Preferred Stock.

Revenues

Rental revenue declined for the period ending March 31, 2005 over the same period ending March 31, 2004, by approximately \$404,000. The decline is mainly due to the sale of the commercial real estate building in Lubbock, Texas and a decrease in parking permits issued to tenants in the surrounding buildings in downtown Midland.

Retail electricity sales for the period ending March 31, 2005 were \$310,789. As of March 31, 2005, W Power has served approximately 785 meters and W Power's customers have consumed approximately 4,807 megawatt hours ("mwh"). Management believes that W Power's growth will be seen in the following months as W Power sees an increase in meters served as well as an increase in the average size of the customer being served. Due to W Power not being in operations during the three months ended March 31, 2004, comparative information is not available.

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Operating expenses

Total operating expenses for the quarters ended March 31, 2005 and 2004 were \$984,131 and \$785,803, respectively. The increase of approximately \$198,000 in operating expense is mainly related to W Power's purchase of whole sale electricity of \$277,688, which is partially offset by the decrease in the rental property operations.

W Power's cost of goods and services were 277,688 or 89% of retail electricity sales for the period ending March 31, 2005. W Power's gross profit was \$33,101 or 11% of retail electricity sales for the three months ending March 31, 2005. Due to W Power not being in operations during the three months ended March 31, 2004, comparative information is not available.

Rental property operations and depreciation expense experienced a decrease of approximately \$157,000 and 14,600, respectively, for the three months ending March 31, 2005 as compared to March 31, 2004. The decrease for property operations and depreciation is attributable to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004.

For the three months ended March 31, 2005 general and administrative costs increased approximately \$92,600 as compared to the same period ending March 31, 2004. This increase is due to W Power beginning operations in January of 2005.

Other (expense) income

For the three months ended March 31, 2005, the Company experienced an increase of approximately \$8,000 in interest income as compared to the three months ended March 31, 2004. This increase is due the interest income the Company received on the \$2,100,000 certificate deposit with the Wells Fargo Bank, N.A. This certificate of deposit is pledged by TCTB to the Bank as additional collateral for the Bank's agreement to release its lien on the commercial real estate building in Lubbock, Texas in order for the TCTB to distribute and sell the Lubbock Building.

For the three months ended March 31, 2005 and 2004 the Company incurred a net change in other expense of approximately \$34,500. This change is related entirely to the Company expensing all legal expenses associated with the issuance of the Company's Series C Preferred Stock and bank fees associated with the limited guarantees the Company received from the Series C Preferred Stock investors in favor of Western National Bank.

Minority interest

Minority interest expense for the three months ended March 31, 2005 and 2004 was \$40,824 and \$82,815, respectively, and reflects the minority interest owners of TCTB. The decrease in minority interest is related to the Company's purchase of an additional 6.485533% interest in TCTB effective January 1, 2004 and the decrease in the Minority Interest's income from its limited partnership interest in TCTB for the quarter ending March 31, 2005 as compared to March 31, 2004.

Liquidity and capital resources

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Though we have not abandoned the 2003 business model, our focus is to support W Power for the immediate future. Our immediate objectives are to actively monitor TCTB, assess opportunities as they present themselves, and support W Power in building a strong customer base.

As a retail electric provider, W Power will have to focus on its credit needs over the next 12 to 18 months. As with any exponential growth business model, W Power is also attempting to manage its growth prudently. They must also continue incremental development of their computing systems and business processes to minimize the time and effort associated with performing certain core retail electric provider business activities such as pricing, contracting, scheduling, and billing. With efficiency in these processes, strong internal controls and procedures, and sufficient credit, W Power will accelerate its acquisition of customers through aggressive marketing and sales efforts later this year. We think maintaining sufficient credit availability and managing a hyper-growth business model are the two biggest risks facing W Power. W Power hopes to achieve break even by the third quarter of this year. We are confident W Power can attain its market share benchmarks during 2005.

Though we think 2005 will be a banner year in regards to building intrinsic value with the development of the brand and customer base of W Power, we are not as optimistic with regards to projected earnings. With the absence of our Lubbock building and with the majority of the year dedicated to establishing W Power, we anticipate negative to neutral earnings this year in our quest to finalize this start up phase.

During the three months ended March 31, 2005 and 2004, net cash (used in) provided by operating activities was \$(589,987) and \$85,928, respectfully. The net decrease of approximately \$675,900 used in operating activities is related to several items. During the three months ending March 31, 2005, the Company paid the balance, approximately \$286,800, of the accrued interest on the nine promissory notes, certain of which are with related parties, entered into by Delaware in October 2002 to purchase the original 64.9% ownership interest in TCTB. With W Power's increased operations in January 2005, the Company incurred additional cash outlays of approximately \$156,000 for the required collateral deposits with W Power's wholesale electricity providers and ERCOT. The remaining decrease is mainly due to an increase in operating expenses associated with the W Power's operating expensing during the three months ending March 31, 2005, and comparative information is not available for the period ending March 31, 2004.

Net cash used in investing activities was \$353,129 and \$280,365 for the three months ended March 31, 2005 and 2004, respectively. For the three months ending March 31, 2005, the Company used approximately \$350,000 on remodeling lease space for new tenants which was approximately \$73,000 more than the three months ended March 31, 2004. During the first three months ending March 31, 2005 the Company did not purchase or sale any investments.

Net cash provided by (used in) financing activities was \$545,093 and (\$176,106) for the three months ending March 31, 2005 and 2004, respectively, for a net change of approximately \$721,000. During the three months ending March 31, 2005, the Company paid approximately \$1,395,000 representing one half of the outstanding principal balance on the nine promissory notes entered into by Delaware in October 2002. Additionally, the Company received \$2,000,000 from the issuance of the Company's Series C Preferred Stock on March 1, 2005. During the three months ending March 31, 2004, minority interest distributions were \$129,905 and were related to the minority interest owners in TCTB. For the three months ending March 31, 2005, minority interest owners in TCTB did not receive a distribution.

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Currently, the Company has a net operating tax loss ("NOL") carry forward in excess of \$29 million. This NOL is related to the Company's operations prior to the Company presenting the 2002 business plan to shareholders. Management believes the present value of this NOL is between at \$2.5 to \$5 million and has been diligent in its efforts to ensure its preservation and utilization. The Company anticipates being able to offset 2005's taxable income against the NOL.

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 Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chairman and Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2005, except as discussed below with respect to internal control over financial reporting, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is assembled and reported to the Company's management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There have not been changes in internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has identified and has reported to the Audit Committee of the Company's Board of Directors certain matters involving internal control deficiencies. The deficiencies noted were (a) a lack of documented control procedures (b) the lack of segregation of duties and (c) insufficient supervision of the Company's accounting personnel. The Company believes such deficiencies were primarily attributable to the transition the Company went through during the end of 2002 and 2003, changes in personnel within the accounting department, the growth and development of the Company's new start up subsidiary W Power, and the Company currently having only one full time employee at the corporate level. Except as noted above the Company believes that its internal control over financial reporting are sufficient to provide reasonable assurance that the consolidated financial statements are fairly

24

presented in conformity with accounting principles generally accepted in the United States of America.

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

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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 Designation of Series and Determination of Rights and Preferences of Series C Convertible Preferred Stock of Amen Properties, Inc. (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
4.1	Form of Warrant Certificate dated March 1, 2005 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
10.1	Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
10.2	Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by
	reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
10.3	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 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005)
10.4	Loan Agreement Between Amen Properties, Inc. and Western National Bank (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
10.5	Western National Bank Revolving Line of Credit Note (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
11	Computation of Earnings Per Share

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

- 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 Section. 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USC Section. 1350.
- 99.1 Press release First Quarter 2005 Form 10-QSB

26

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.

May 15, 2005

By: /s/ Eric Oliver

Eric Oliver
Chairman and Chief Executive Officer

May 15, 2005

By: /s/ John M. James

John M. James
Chief Financial Officer and Secretary

27

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
3.1	Certificate of Designation of Series and Determination of Rights and Preferences of Series C Convertible Preferred Stock of Amen Properties, Inc. (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
4.1	Form of Warrant Certificate dated March 1, 2005 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
10.1	Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

- 10.2 Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
- 10.3 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 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005)
- 10.4 Loan Agreement Between Amen Properties, Inc. and Western National Bank (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
- 10.5 Western National Bank Revolving Line of Credit Note (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
- 11 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 Section. 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USC Section. 1350.
- 99.1 Press release First Quarter 2005 Form 10-QSB