



Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

INDEX

Part I.	FINANCIAL INFORMATION	PAGE
Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheet at September 30, 2004 (Unaudited)	1
	Consolidated Statement of Operations--for the three and nine months ended September 30, 2004 and 2003 (Unaudited)	2
	Consolidated Statement of Cash Flows-- for the nine months ended September 30, 2004 and 2003 (Unaudited)	3
	Notes to Consolidated Financial Statements (Unaudited)	4
Item 2.	Management's Discussion and Analysis or Plan of Operation	14
Item 3.	Controls and Procedures	16
Part II.	OTHER INFORMATION	
Items 1-6	Exhibits and Reports on Form 8-K	18
	Signatures	19
	Exhibits	20
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 ss. 1350	
32.2	Certification of Chief Financial Officer Pursuant to 18 USC ss. 1350	

AMEN PROPERTIES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2004  
(UNAUDITED)

CURRENT ASSETS

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Cash and cash equivalents (notes A3 and D)	\$ 2,378,596
Accounts receivable (notes A6 and A12)	38,064
	-----
Total current assets	
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$1,126,616 (notes A7 and A8)	
ROYALTY INTERESTS, at cost net of accumulated amortization of \$8,461 (notes A7 and C)	
OTHER ASSETS	
Note receivable (note E)	249,555
Deferred costs (note A9)	164,425
Rents receivable (notes A6 and A12)	78,323
Other Investments (note D)	62,350
	-----
Total other assets	
TOTAL ASSETS	
CURRENT LIABILITIES	
Current portion of long-term obligations (note I)	\$ 236,957
Accounts payable	185,867
Accrued liabilities (note F)	226,074
Deferred revenue (note G)	48,320
Other liabilities	252,355
	-----
Total current liabilities	
LONG-TERM OBLIGATIONS	
Deferred revenue (note G)	155,543
Long-term debt, less current portion (note I)	8,941,510
	-----
Total long-term liabilities	
MINORITY INTEREST (note A11)	
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY (note K)	
Preferred stock, \$.001 par value, 5,000,000 shares authorized; 80,000 Series "A" shares issued and outstanding	80
80,000 Series "B" shares issued and outstanding	80
Common stock, \$.01 par value, 20,000,000 shares authorized; 2,201,356 shares issued and outstanding	22,014
Common stock warrants	127,660
Additional paid-in capital	42,481,507
Accumulated deficit	(38,508,276)
	-----
Total stockholders' equity	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	

The accompanying footnotes are an integral part of these consolidated financial statements

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

AMEN PROPERTIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS  
(UNAUDITED)

	For the Three Months Ended September 30,		
	2004	2003	
Rental revenue	\$ 1,107,570	\$ 1,091,741	\$ 3
Expense			
Sales and marketing	2,158	1,728	
General and administrative	99,621	105,844	
Depreciation and amortization	112,709	103,027	
Insurance	27,911	22,766	
Travel and entertainment	308	--	
Utilities	247,979	230,426	
Building maintenance	179,824	148,364	
Other expense	105,356	124,487	
Taxes, except income	64,460	52,170	
Startup expense	79,660	--	
Total expenses	919,986	788,812	2
Net income from operations	187,584	302,929	
Other income (expense)			
Interest income	2,641	7,700	
Interest expense	(146,518)	(153,562)	
Other income	15,987	42,004	
Total other income (expense)	(127,890)	(103,858)	
Net income before income taxes and minority interest	59,694	199,071	
Income taxes (note A10)	--	--	
Minority interest	(73,062)	(102,191)	
	(73,062)	(102,191)	
NET INCOME (LOSS)	\$ (13,368)	\$ 96,880	\$
Net income (loss) per common share - basic	\$ (.01)	\$ .04	\$
Net income (loss) per common share - diluted	\$ (.01)	\$ .03	\$
Weighted average number of common shares outstanding - basic	2,201,356	2,201,356	2
Weighted average number of common shares outstanding - diluted	2,201,356	3,051,079	3

The accompanying footnotes are an integral part of these consolidated financial statements

2

AMEN PROPERTIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

	For the Nine Months Ended	
	September 30,	
	2004	
Increase (Decrease) in Cash and Cash Equivalents	2004	
Cash flows from operating activities:		
Net income	\$ 108,332	\$
Adjustments to reconcile net income to net cash provided by operating activities:		
Net loss / (gain) on investments	520	
Allowance for doubtful accounts	--	
Depreciation, amortization and depletion	330,210	
Minority interest	232,297	
Loss on sale of fixed asset	--	
Changes in operating assets and liabilities:		
Accounts receivable	12,899	
Deposits and other assets	--	
Deferred costs	(19,161)	
Accounts payable	8,687	
Accrued and other liabilities	29,504	
Deferred revenue	(11,141)	
Net cash provided by operating activities	692,147	
Cash flows from investing activities:		
Purchases of property and equipment	(570,408)	
Proceeds from sale of property and equipment	--	
Sales and maturity of investments	50,000	
Purchase of royalty interests	(162,854)	
Purchase of investments	--	
Acquisition of limited partnership interest	(99,296)	
Repayments of notes receivable	14,216	
Net cash used in investing activities	(768,342)	
Cash flows from financing activities:		
Minority interest distributions	(129,905)	
Repayments of notes payable	(156,831)	
Repayments of capitalized leases	--	

**Edgar Filing: AMEN PROPERTIES INC - Form 10QSB**

Net cash used in financing activities	(286,736)	
	-----	
Net (decrease) / increase in cash and cash equivalents	(362,931)	
Cash and cash equivalents at beginning of period	2,741,527	
	-----	
Cash and cash equivalents at end of period	\$ 2,378,596	\$
	=====	==

The accompanying footnotes are an integral part of these consolidated financial statements

AMEN PROPERTIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

4

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. Effective July 2004 Amen formed W Power and Light, LP ("W Power"), a Delaware limited partnership to enter into the retail electricity market in Texas. AMEN Properties, Inc. and Subsidiaries and affiliates (collectively referred to as the "Company") is a self-administered and self-managed Delaware corporation.

The Company's business purpose is to acquire investments in commercial real estate, oil and gas royalties and stabilized cash flowing businesses or assets. As of September 30, 2004, the Company, through Delaware's investment in a limited partnership, has a commercial real estate portfolio consisting of majority ownership in three office properties, two properties located in Midland, Texas and one property located in Lubbock, Texas, comprising an aggregate of approximately 639,259 square feet of gross leasable area ("GLA"). The investment was obtained through Delaware's acquisitions of a partnership interest in TCTB Partners, Ltd. ("TCTB") a Texas limited partnership, totaling approximately 71.3%. Through its investment in Minerals, AMEN has acquired an investment interest in an oil and gas royalty trust and other oil and gas royalties. Through the Company's investment in W Power, Amen is positioned to enter the retail electricity market in the state of Texas. The real estate operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner and the retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner.

2. BASIS OF PRESENTATION

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

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

### 3. CASH EQUIVALENTS

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

4

## AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

### 4. INVESTMENTS

The Company invests in U.S. government bonds and treasury notes, municipal bonds, 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 and accounts receivable approximate fair value because of the relatively short maturity of these instruments.

### 6. TENANT ACCOUNTS RECEIVABLE

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

### 7. DEPRECIATION, AMORTIZATION AND DEPLETION

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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.

5

### AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

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

### 9. DEFERRED COSTS

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

### 10. INCOME TAXES

The Company accounts for income taxes in accordance with SFAS 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



## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

established when necessary to reduce deferred tax assets to the amount expected to be realized.

### 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 September 30, 2004.

### 12. REVENUE RECOGNITION

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As a result of recording rental revenue on a straight-line basis, accounts receivable include \$78,323 of tenant receivables at September 30, 2004, which is expected to be collected over the remaining lives of the leases.

### 13. START UP COSTS

Starts up expenses are associated with certain expenses incurred with W Power and Light, LP. These expenses include but are not limited to salary, fees and licenses, travel and legal expense. Starts up costs are expensed as incurred.

### 14. EARNINGS PER SHARE

The effects of Series "A" and "B" convertible Preferred Stock are not included in the computation of diluted earnings per share for any periods in which their effect is antidilutive.

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

6

## AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

### 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.

### 16. NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued a revised Interpretation No. 46,

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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.

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.

7

### AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

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 2004 presentation.

#### NOTE B - BUSINESS COMBINATIONS

Effective January 1, 2004, Delaware completed the acquisition of approximately 6.5% of additional limited partnership interest in TCTB

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

for an aggregate consideration of approximately \$459,124 including approximately \$208,346 of cash paid. This acquisition has been accounted for under the purchase method of accounting. The purchase price has been allocated based on the estimated fair values of the approximate 6.5% acquired interest at the acquisition date as follows:

Fair value of assets acquired	\$1,028,255
Liabilities assumed	(448,277)
Notes payable to sellers	(250,778)
Minority interest	(120,854)
	-----
Cash used for the acquisition	208,346
Less: cash acquired	109,050
	-----
Net cash paid	\$ 99,296
	=====

For purposes of financial reporting, the Company has accounted for the acquisition as if it occurred on January 1, 2004, the effective date of the transaction. Management considers this acquisition to be immaterial to the financial statements taken as a whole.

### NOTE C - ROYALTY INTERESTS

Earlier in 2004, the Company, through its wholly owned subsidiary Amen Minerals, LP, completed the acquisition of two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was \$162,854. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Royalty income is generally received one to two months following the month of production and the Company uses estimates to accrue royalty income for the quarter ended September 30, 2004.

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

The Company invests in cash in banks, U.S. government bonds, oil and gas royalty trust funds and various other investments. All highly liquid instruments with original maturities of three months or less are considered cash equivalents; those with original maturities greater than three months but less than twelve months from the balance sheet date are considered short-term investments; and those with original maturities greater than twelve months from the balance sheet date are considered 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 shareholders' equity. Realized gains and losses and permanent declines in value, if any, on available-for-sale securities are reported in other income or expense as incurred. The cost of securities sold is determined by the specific identification method.

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

of the following:

Cash in banks	\$2,378,596
	=====

Other investments at September 30, 2004 are comprised of oil and gas royalty interests with a cost basis of \$62,350.

### NOTE E - 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 margin of the Offline Business operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. As of September 30, 2004, the outstanding principal balance on the note receivable was \$249,555. Because the current maturities are not reasonably estimable at September 30, 2004, the entire principal balance is reported as non-current.

### NOTE F - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2004:

Accrued property taxes	\$191,165
Other liabilities	34,909
	-----
	\$226,074

### NOTE G - DEFERRED REVENUE

In April 2003, the Company received a one time cash payment of \$238,871 from a tenant in the Lubbock building. This represents a prepayment of a buildout loan between the tenant and TCTB, which was structured and recognized as additional rent. The payment was deferred and is being amortized over the term of the lease, approximately seven years.

### NOTE H - OPERATING SEGMENTS

On July 30, 2004 the Company formed and initiated the development of W Power and Light, LP (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 three office properties, two located in Midland, Texas and one located in Lubbock, Texas, and comprise an aggregate of approximately 639,259 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.

# Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

(UNAUDITED)

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 months ending September 30, 2004.

	REP	Real Estate Operations	Other
Revenues from external customers	-	1,107,570	-
Depreciation, Amortization and Depletion	-	108,329	4,114
Segment net income (loss)	(79,660)	129,274	13,959
Segment assets (net of accumulated depreciation)	-	12,110,328	-
Expenditures for segment assets	-	455,680	-

## RECONCILIATION OF SEGMENT INFORMATION

### REVENUES

Total revenues for reportable segments \$

Consolidated revenues \$

### PROFIT / (LOSS)

Reportable segment REP \$

Reportable segment real estate operations -

Other segmental profit -

Total allocated segmental profit 63,573 Unallocated amounts:

Corporate expenses -

Consolidated net loss \$

### DEPRECIATION, AMORTIZATION AND DEPLETION

Total reportable segments \$

Unallocated amounts:

Corporate depreciation -

Consolidated depreciation, amortization and depletion -

### ASSETS

Total assets for reportable segments \$

Corporate assets -

Consolidated assets (net of accumulated depreciation) -

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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 was required to start 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.

Delaware entered into nine promissory notes, in an aggregate amount of \$2,789,087, to purchase the 64.9% ownership interest in TCTB. The notes are due in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is equal to the Wall Street Journal Prime Lending Rate plus 1.5%. The annual payments are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment.

Delaware entered into a promissory note in the amount of \$250,778 to purchase approximately 6.5% additional ownership interest in TCTB. The note is due in quarterly installments of principal and interest beginning on April 1, 2004 with a final maturity of October 1, 2009. The term note bears interest at a fixed rate per annum of 5%.

Maturities of long-term debt at September 30, 2004 are as follows:

2005	\$ 236,957
2006	253,985
2007	271,068
2008	290,643
2009	5,312,857
Thereafter	2,812,957
	-----
Total	9,178,467
Less current portion	236,957
	-----
Long-term portion	\$8,941,510
	=====

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

(UNAUDITED)

### NOTE J - RELATED PARTY TRANSACTIONS

At September 30, 2004, related parties leased approximately 29,000 square feet. TCTB received rental income from these related parties of approximately \$65,834 and \$198,451 during the three months and nine months ended September 30, 2004, respectfully.

Prior to Amen Properties, Inc. acquiring a limited partnership interest in TCTB, TCTB Partnership had entered into an agreement with Priority Power Management, Ltd to provide aggregation and consulting services in the management of TCTB Partnership's electricity use and costs. This agreement is due to expire December 31, 2004 and is scheduled to be renegotiated prior to the expiration date. The Company's Chief Operating Officer has an indirect 18% ownership in Priority Power Management, Ltd.

During the quarter ended June 30, 2004 the Company, through its subsidiary Amen Minerals, LP, 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 a 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 C for further discussion).

### NOTE K - STOCKHOLDERS' EQUITY

At a special meeting held January 30, 2003, the Company's stockholders approved a 1-for-4 reverse stock split, which became effective on February 3, 2003. This action brought the closing bid price of AMEN's common stock over the \$1.00 per share criteria required before the February 14, 2003 deadline issued by the Nasdaq Listing Panel. Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split in accordance with generally accepted accounting principles in the United States of America. The Company entered into agreements effective May 30, 2003 with its Series A and Series B Preferred Shareholders pursuant to which the Preferred Shareholders agreed to the suspension of the accrual of dividends on the Series A and Series B Preferred Stock from and after April 1, 2003. Additionally, the Company agreed to declare and pay the accrued and unpaid dividends of \$360,000 on the Preferred Stock through March 31, 2003 in shares of the Company's common stock. As a result, the Company issued 209,300 unregistered shares of common stock of the Company to satisfy the accrued dividend as of March 31, 2003. Further, the Company received shareholder approval at the 2004 annual stockholder meeting, and filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. on May 28, 2004 to amend the Series A and Series B Preferred Stock Designations. The amendment effectuates the elimination of the Preferred A and Preferred B Shareholders dividend other than for dividends with respect to the common stock of the Company.

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

### AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

#### NOTE L - SUBSEQUENT EVENTS

On October 29, 2004 the Midland Development Corporation ("MDC") approved an Economic Development Agreement with W Power and Light, LP. Upon approval by the City Council of Midland, Texas, the agreement will provide for a maximum of \$210,000 in forgivable loans to W Power and Light, LP. The forgivable loans will be disbursed in \$70,000 increments beginning on or before February 28, 2005 and ending on or before February 28, 2007. During the entire term of this agreement, W Power shall post with the MDC a letter of credit unconditionally indemnifying the MDC in the event of any default by the Company on the payments it has agreed to make to the MDC under the agreement. During the term of the agreement, W Power is to provide a minimum of 10 jobs in Midland, Texas with an annualized rate of \$500,000 by December 31, 2005, 17 jobs with an annualized rate of \$800,000 by December 31, 2006, and 23 jobs with a an annualized rate of \$1,000,000 by December 31, 2007.

13

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the Company's audited consolidated financial statements and related footnotes included in the Annual Report on Form 10-KSB.

#### FORWARD LOOKING STATEMENTS

Certain information in this section may contain "forward-looking statements" within the meaning of Section 21e of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including, but not limited to, any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, "forward-looking statements" can be identified by the use of terminology such as "may," "will," "expects," "believes," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although the Company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its "forward-looking statements" will prove to be correct, and actual results could differ materially from those projected or assumed in the Company's "forward-looking statements." Our financial condition and results, as well as any other "forward-looking statements," are subject to inherent risks and uncertainties, including but not limited to those risk factors disclosed in the Company's definitive Schedule 14A dated August 27, 2002 and year end December 31, 2003 Annual Report on Form 10-KSB.

#### BACKGROUND

Amen Properties, Inc. (formerly Crosswalk.com) consisted primarily of the operation of CROSSWALK.COM(TM) (the "Online Business") and a direct mail advertising service (the "Offline Business") prior to the end of 2002. During the last quarter of 2002, the Company sold substantially all of the assets used,



## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

required, useful, or otherwise relating to the operations of both the Online and Offline Business. The Company then changed its name to Amen Properties, Inc. effective February 3, 2003. Following shareholder approval of a new business plan the Company initially acquired 64.86% of a limited partnership interest in TCTB Partnership (TCTB) and in early 2004 the Company acquired an additional 6.485533% interest in TCTB. This additional interest purchased combined with the initial limited partnership interest purchased in 2002 gives the Company a total of 71.348013% limited partnership interest in TCTB.

During 2003, the Company reported net income for the first time in the Company's history. The buildings in TCTB performed well. We fully anticipate that 2004 operations will mirror 2003 for the buildings in TCTB. The Company's investments during 2003 in two royalty trust performed well. Amen Properties, Inc. liquidated one royalty trust position in late 2003 and currently still maintains a position in another royalty trust.

Although 2003 was not a breakout year for AMEN, it did serve to establish a baseline operating history in which future performance of our fully transitioned Company can be measured. During 2003, the Company pursued numerous acquisition opportunities. None of the acquisitions were consummated due to not meeting our four acquisition criteria, as stated in our 2003 annual 10-KSB.

Management continues to assess opportunities to add value for our shareholders. We are focusing our efforts on value-added oil and gas properties, royalty trusts, commercial real estate, and on the deregulated electricity industry in the State of Texas. On July 30, 2004 the Company was able to acquire an additional multi-tenant office building in downtown Midland. This building is synergistic in that it is located across the street from our current Midland building and will allow the Company to utilize our current building management team in its operation. The Company is further pursuing opportunities for it shareholders by trying to enter into the retail electricity market in Texas by forming a Retail Electric Provider (REP) to compete in the Texas market. On July 30, 2004, the Company created W Power and Light, LP, a Delaware limited partnership with Amen Properties being the sole general partner and NEMA, LLC being the sole limited partner. The creation of W Power and Light, LP will allow the Company to enter a new market created when the Texas legislature, in June 1999, adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in Texas. The Company recently released an 8-K discussing the creation of W Power and Light, LP.

14

In addition, management intends to pursue other types of cash generating assets, consisting primarily of office buildings in secondary stagnant markets, office building in out of favor growth markets and oil and gas royalties. Management also intends to pursue other types of property and business endeavors, including but not limited to, real estate investment trusts and partnership interests, for which there is a reasonable degree of accuracy in ascertaining the risks associated with their future. In particular, we are interested in existing businesses with management in place that have a stable cash flow history.

The Company makes available, free of charge, its Annual Report on Form 10-K or 10-KSB, Quarterly Reports on Form 10-Q or 10-QSB, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file or furnish them to the Securities Exchange Commission. These reports may also be obtained directly from the SEC via an Internet site ([HTTP://WWW.SEC.GOV](http://www.sec.gov)) and at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

### RESULTS OF OPERATIONS

The Company experienced a decrease in net income of approximately \$110,248 and \$139,970 for the three months and nine months ended September 30, 2004 and 2003, respectfully. During the three months ended September 30, 2004, the Company moved forward with the start up of W Power and Light, LP. The company incurred approximately \$80,000 in start up expenses which consist of payroll and office expenses and third-party services. Additionally during the quarter ended September 30, 2004, the Company experienced a decrease in other income of approximately \$26,000. This decrease is mainly due to the Company selling its investment in a royalty trust during the fourth quarter of 2003. For the nine months ended September 30, 2004, the net decrease in net income is mainly due to the Company tithing approximately \$40,000 as required by the Company's By-Laws and the start up costs associated with W Power and Light, LP.

For the three months and nine months ended September 30, 2004 and 2003, rental revenue increased approximately \$15,829 and \$4,278, respectfully. The increase during the three months and nine months ending September 30, 2004 is mainly due to the purchase of a twelve floor multi-tenant office building in downtown Midland, Texas on July 30, 2004. The current year increase for the three and nine months ending September 30, 2004 over the same periods ending September 30, 2003 have been partially offset by a decline in parking revenue and amortized pre-paid rent.

The increase in expenses of approximately \$130,000 during the three months ending September 30, 2004 consist mainly of operating costs of approximately \$50,000 related to additional operating expenses associated with the purchase of the twelve floor multi-tenant office in downtown Midland, Texas and approximately \$80,000 of start up expenses associated with W Power. For the three months ended September 30, 2004 and 2003 the decline in interest is mainly due to a decline in the interest rate on the Delaware notes (see note I to the Financial Statements for further discussion) from 4.9% to 4.15%. The notes are adjusted every October 1st to equal the prime rate plus 15 basis points. Beginning October 1, 2004 the newly adjusted rate will be equal to 4.9%. Additionally, during the nine months ending September 30, 2003 the Company incurred approximately \$42,000 in preferred stock dividends. Effective March 31, 2003 the preferred stock dividends were suspended and effectively eliminated by shareholder vote at the 2004 annual stockholder meeting on May 18, 2004.

Other income primarily consists of royalty income and distributions received from the Company's royalty trust investments and royalty interests.

15

### LIQUIDITY AND CAPITAL RESOURCES

The net cash provided by operating activities during the nine months ended September 30, 2004 and 2003 was \$692,147 and \$814,847, respectfully. The net decrease of approximately \$122,700 is mainly attributable to two factors. During the nine months ended September 30, 2004 the Company tithed approximately \$40,000 to two separate National Christian Organizations and incurred approximately \$80,000 in startup expense in the creation of wholly owned subsidiary, W Power and Light LP. Neither of which the Company experienced during 2003.

Net cash used in investing activities for the nine months ending September 30, 2004 and 2003 was \$768,342 and \$269,534, respectfully. The net increase in investing activities of approximately \$499,000 is attributable to several

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

investments during the nine months ending September 30, 2004. During the first quarter of 2004, the Company purchased an additional 6.485533% limited partnership interest from certain limited partners in TCTB (see note B to the Financial Statements for further discussion). During the second quarter of 2004, the Company purchased two separate royalty interests (see note C to the Financial Statements for further discussion) and during the third quarter of 2004 the Company purchased a twelve floor multi-tenant office building in downtown Midland, Texas on July 30, 2004. During the nine months ending September 30, 2003 investing activities mainly consisted of the purchase and sales of investments related to the Company's royalty trust investments.

Net cash used in financing activities for the nine months ending 2004, mainly consist of partnership distributions and the repayment of notes payable. The partnership distributions are at TCTB and were paid during the first quarter of 2004 and 2003. The repayments of notes payable mainly consist of the repayment of the Wells Fargo note at TCTB.

Management is actively seeking acquisition opportunities that meet our criteria in accordance with the Business Plan. Should an acquisition be made, expenditure and required resources could change significantly. The Company's ability to raise funds by the issuance of new equity is limited due to IRC Section 382 restrictions on utilization of the NOL. However, if an opportunity presents itself that would be more valuable to the shareholders than the present value we have assigned the NOL, we will strongly consider pursuing the deal and would consider issuing equity to do so. Absent this, we intend on using certain limited partnership structures and traditional bank borrowings to implement the Business Plan and meet our growth targets. No assurances can be made that such financing will be available on terms considered acceptable to the Company.

### 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 September 30, 2004, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and include 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.

16

Other than arising from the review described below, there have been not 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 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 and changes in personnel within the accounting department.

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Based on the evaluation performed under the supervision of management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, the Company has concluded that, except as noted above the Company's current disclosure controls and procedures are sufficient to timely alert the Company's management to material information relating to the Company that is required to be included in the Company's periodic Securities and Exchange Commission filings, and that the internal controls are sufficient to provide reasonable assurance that the consolidated financial statements are fairly 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. CHANGE IN SECURITIES

None to 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, LIST AND REPORTS ON FORM 8-K

##### (a) EXHIBITS:

##### EXHIBIT

NUMBER	DESCRIPTION
--------	-------------

-----

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 ss. 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 USC ss. 1350.

##### (b) Reports on Form 8-K

On August 13, 2004, the Company filed an Item 5 Form 8-K to disclose that the TCTB Limited Partnership purchased a twelve floor multi-tenant office building in downtown Midland known as Century Plaza at a negotiated purchase price of \$436,500. The Company also reported as an Item 5 on Form 8-K the creation of W Power and Light, LP (W Power). The Company was unsuccessful in an attempt to acquire a retail electric provider ("REP") entity earlier in the year and

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

therefore initiated the formation of the new entity. W Power is a wholly owned subsidiary of the Company and was created in order for the Company to enter the retail electricity market in Texas. W Power and Light LP entered into an employment agreement with Mr. Kevin Yung effective July 1, 2004. Mr. Yung is responsible for the oversight of operations including initial licensing and approvals necessary from the Public Utility Commission of the State of Texas (PUCT) and Electrical Reliability Council of Texas (ERCOT) to become a REP in the State of Texas. The Company anticipates licensing requirements to be finalized by year end. As a REP, W Power will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers. The Texas regulatory structure permits independent REPs to procure and sell electricity at unregulated prices and pay the local transmission and distribution utilities a regulated tariff rate for delivering electricity to the customers. Since, January 1, 2002, Texas electricity users have had the option to purchase electricity at competitive pricing from REPs.

18

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 12 2004

By: /s/ Eric Oliver

-----  
Eric Oliver  
Chairman and Chief Executive Officer

November 12, 2004

By: /s/ John M. James

-----  
John M. James  
Chief Financial Officer and Secretary

19

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
-------------------	-------------

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 ss. 1350.

32.2 Certification of Chief Financial Officer Pursuant to 18 USC ss. 1350.