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AMEN PROPERTIES INC
Form 10KSB/A
May 12, 2005

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

FORM 10-KSB/A
Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2004

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

For the transition period from _____ to _____

Commission File No. 000-22847

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

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

54-1831588

(IRS Employer Identification No.)

303 West Wall St., Suite 2300
MIDLAND, TX

(Address or Principal Executive Offices)

79701

(Zip Code)

432-684-3821

Issuer's telephone number, including area code

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

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

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

COMMON STOCK, \$0.01 PAR VALUE

Title of each class

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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB []

The issuer's revenues from continuing and discontinued operations for the twelve months ended December 31, 2004 were \$4,309,886.

The Company is not considered an investment company.

The aggregate market value of common stock held by non-affiliates, based on the closing price at which the stock was sold at February 11, 2005 was approximately \$11.8 million. The total number of shares outstanding of the issuer's common stock as of February 11, 2005 was 2,201,356.

Transitional Small Business Disclosure Format (Check One): Yes____ No__X__

DOCUMENTS INCORPORATED BY REFERENCE

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

Portions of the Company's definitive proxy statement for its 2005 annual shareholders meeting filed before April 29, 2005, are incorporated by reference in Part III.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-KSB/A (the "Amendment") amends the Annual Report on Form 10-KSB of Amen Properties, Inc. (the "Company") for the year ended December 31, 2004 which was filed on March 31, 2005 (the "Original Report"). This Amendment is being filed in order to reflect the signature of the Company's independent auditor on the audit opinion included with the Financial Statements included under Item 7 of the Original Report. Except for the foregoing and the exhibits filed herewith and listed in Item 15, this Amendment does not modify or update the Company's previously reported financial statements or any other financial disclosures or other information contained in, or exhibits to, the Original Report. Unaffected items of the Original Report have not been repeated in this Amendment.

ITEM 7. FINANCIAL STATEMENTS

The Financial Statements prepared in accordance with Regulation S-B are included in this report commencing on page 7.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS:

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| EXHIBIT NUMBER | DESCRIPTION |
|-------------------|---|
| 3.1+ | Certificate of Incorporation and Certificates of Amendments thereto of DIDAX INC. |
| 3.1(a)+ | Certificate of Correction regarding Certificate of Incorporation |
| 3.1(b)** | Certificate of Amendment thereto of DIDAX INC. |
| 3.2+++ | Certificate of Amendment thereto of Crosswalk.com, Inc. |
| 3.3+ | Bylaws and amendments thereto of the Company |
| 3.4 ~ | Certificate of Designation for Series A Preferred Stock |
| 3.4(a)~~ | Amended Certificate of Designation for Series A Preferred Stock |
| 3.5~~~ | Certification of Designation for Series B Preferred Stock |
| 3.6*** | Certificate of Amendment of Certificate of Incorporation dated May 26, 2004 |
| 3.7@ | Certificate of Designation for Series C Preferred Stock |
| 2 | |
| 4.1+ | Warrant Certificate between the Company and Robert Varney dated July 10, 1996 |
| 4.2+ | Warrant Certificate between the Company and Robert Varney dated September 26, 1996 |
| 4.3+ | Warrant Certificate between the Company and Bruce Edgington dated July 30, 1996 |
| 4.4+ | Warrant Certificate between the Company and Bruce Edgington dated October 30, 1996 |
| 4.5@ | Form of Warrant Certificate dated March 1, 2005 |
| 10.1// | Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002 |
| 10.2+ | Form of Stock Option Agreement |
| 10.3+ | 1997 Stock Option Plan |
| 10.4* | 1997 Stock Option Plan, as amended April 6, 1998 |
| 10.5* | 1998 Stock Option Plan |
| 10.6** | 1998 Stock Option Plan, as amended February 26, 1999 |
| 10.7## | 1998 Stock Option Plan, as amended March 3, 2000 |
| 10.8++ | Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000 |
| 10.9++ | Stock Purchase Agreement between the Company and John R. Norwood for |

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Series A Preferred Stock dated September 29, 2000

- 10.10++ Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000
- 10.11++ Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000
- 10.12++ Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000
- 10.13++ Stock Purchase Agreement between the Company and John D. Bergman for Series A Preferred Stock dated September 29, 2000
- 10.14++ Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000
- 10.15++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000
- 10.16++ Stock Purchase Agreement between the Company and Soft Op, L.P. for Series A Preferred Stock dated September 29, 2000
- 10.17++ Stock Purchase Agreement between the Company and Lighthouse Partners, L.P. for Series A Preferred Stock dated September 29, 2000
- 10.18++ Stock Purchase Agreement between the Company and Ray McGlothlin, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.19++ Stock Purchase Agreement between the Company and Gary J. Lamb for Series A Preferred Stock dated September 29, 2000

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- 10.20++ Stock Purchase Agreement between the Company and Frosty Gilliam, Jr. for Series A Preferred Stock dated September 29, 2000
- 10.21++ Stock Purchase Agreement between the Company and Bruce Edgington for Series B Preferred Stock dated December 31, 2001
- 10.22++ Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series B Preferred Stock dated December 31, 2001
- 10.23++ Stock Purchase Agreement between the Company and Earl E. Gjelde for Series B Preferred Stock dated December 31, 2001
- 10.24++ Stock Purchase Agreement between the Company and Jon M. Morgan for Series B Preferred Stock dated December 31, 2001
- 10.25++ Stock Purchase Agreement between the Company and Soft Op, L.P. for Series B Preferred Stock dated December 31, 2001
- 10.26++ Annex to the Stock Purchase Agreement for Series A Preferred Stock dated September 29, 2000
- 10.27# Agreement to Suspend Dividends and Consent of the Holders of Series A Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
- 10.28# Agreement to Suspend Dividends and Consent of Holders of Series B Convertible Preferred Stock of Amen Properties, Inc. dated May 30, 2003.

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- 10.29@@@ Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder)
 - 10.30@@@ Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder)
 - 10.31++ Annex to the Stock Purchase Agreement for Series B Preferred Stock dated December 31, 2001
 - 10.32// Agreement and Transfer of Limited Partnership Interest between the Company and the Selling Partners of TCTB Partners, Ltd. dated October 31, 2002
 - 10.33// Amended Promissory Note between the Company and A. Scott Dufford dated October 31, 2002, with schedule describing all outstanding Amended Promissory Notes between the Company and the Selling Partners of TCTB Partners, Ltd, which are identical other than differences stated in the schedule.
 - 10.34// Credit Agreement between TCTB Partners, Ltd. and Wells Fargo Bank Texas, N.A. dated June 5, 2002, the exhibits of which are not included due to their size.
 - 10.35// Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
 - 10.36// Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
 - 10.37 Agreement and Transfer of Limited Partnership Interest dated February 18, 2004.
 - 10.38### Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004
 - 10.39@@ Agreement to Distribute Assets among TCTB Partners, Ltd. and its partners dated as of December 31, 2004
 - 10.40@@ Purchase Agreement between certain partners of TCTB Partners, Ltd. and 1500 Broadway Partners, Ltd. dated as of December 31, 2004
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- 10.41@ Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
 - 11@@@ Statement of computation of earnings per share
 - 21.1@@@ Subsidiaries of the Company
 - 23.1@@@ Consent of Johnson, Miller & Co.
 - 23.2 Consent of Johnson, Miller & Co.
 - 31.1 Certification of Chief Executive Officer.
 - 31.2 Certification of Chief Financial Officer.

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32.1 Certification of Chief Executive Officer Pursuant to 18 USC ss.1350.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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@@@ Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the last fiscal quarter

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covered by this report.

SIGNATURES

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

AMEN Properties, Inc.

May 12, 2005

By: /s/ Eric L. Oliver

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

May 12, 2005

By: /s/ John M. James

John M. James, Chief Financial
Officer and Secretary

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

May 12, 2005

By: /s/ Jon Morgan

Director and Chief Operating Officer

May 12, 2005

By: /s/ Bruce Edgington

Director

May 12, 2005

By: /s/ Randy G. Nicholson

Director

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of AMEN Properties, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMEN Properties, Inc. and Subsidiaries at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

JOHNSON, MILLER & CO.

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Midland, Texas
March 15, 2005

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AMEN PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

ASSETS

| | 2004 |
|--|-----------|
| | ----- |
| CURRENT ASSETS | |
| Cash and cash equivalents (notes A3, D and F) | \$ 4,147 |
| Accounts receivable (notes A6 and A14), net of allowance of \$91,066 in 2004 and 2003, respectively | 72 |
| Short-term investments (notes A4 and F) | 77 |
| Other current assets | ----- |
| Total current assets | 4,298 |
| RESTRICTED CERTIFICATE OF DEPOSIT (Note G) | 2,100 |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$873,883 and \$822,301 in 2004 and 2003, respectively (notes A7, A8, and I) | 7,986 |
| ROYALTY INTERESTS, at cost net of accumulated depletion of \$12,484 (Notes A7 and E) | 150 |
| LONG-TERM INVESTMENTS (notes A4 and F) | 62 |
| OTHER ASSETS | |
| Note receivable (note H) | 249 |
| Deferred costs (note A9) | 52 |
| Rents receivable (notes A6 and A14) | 72 |
| Deposits and other assets | ----- |
| Total other assets | 373 |
| TOTAL ASSETS | \$ 14,971 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|--|----------|
| CURRENT LIABILITIES | |
| Accounts payable | 115 |
| Accrued liabilities (note J) | 319 |
| Deferred revenue (note K) | 70 |
| Accrued interest payable | 286 |
| Current portion of long-term obligations (note N) | \$ 1,634 |
| Total current liabilities | ----- |
| | 2,426 |
| LONG-TERM OBLIGATIONS, less current portion (note N) | 7,476 |

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DEFERRED REVENUE (note K)

MINORITY INTEREST (note A12)

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COMMITMENTS AND CONTINGENCIES (notes A18, L and P)

STOCKHOLDERS' EQUITY (notes S and T)

Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized;
80,000 Series "A" shares issued and outstanding, convertible into
a total of 616,447 shares of common stock at the option of the holders (note A13)

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 A13)

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 (loss)

22
127
42,481
(37,815)

Total stockholders' equity

4,815

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 14,971

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,

| | 2004 | 2003 |
|--|--------------|-----------|
| | ----- | ----- |
| Rental revenue | \$ 4,309,886 | 4,345,099 |
| Operating expenses: | | |
| Sales and marketing | 4,580 | 7,351 |
| General and administrative | 583,473 | 488,107 |
| Depreciation, amortization and depletion | 444,760 | 408,335 |
| Insurance | 105,244 | 68,439 |
| Travel and entertainment | 837 | 827 |
| Utilities | 933,014 | 854,140 |
| Building maintenance | 710,063 | 621,905 |
| Office expense | 433,338 | 479,486 |
| Taxes, except income | 262,558 | 238,873 |
| Start-up costs (note A16) | 156,841 | -- |

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| | | |
|--|------------|-----------|
| Total operating expenses | 3,634,708 | 3,167,463 |
| Net income from operations | 675,178 | 1,177,636 |
| Other income (expense): | | |
| Interest income | 11,946 | 31,020 |
| Interest expense | (579,487) | (654,319) |
| Other income | 972,456 | 253,306 |
| Total other income (expense) | 404,915 | (369,993) |
| Net income before income taxes and minority interest | 1,080,093 | 807,643 |
| Income taxes (notes A11 and L) | -- | -- |
| Minority interest | (278,838) | (415,814) |
| NET INCOME | \$ 801,255 | 391,829 |
| Net income per common share (basic) | \$.36 | .19 |
| Net income per common share (diluted) | \$.26 | .13 |
| Weighted average number of common shares outstanding - basic | 2,201,356 | 2,111,328 |
| Weighted average number of common shares outstanding - diluted | 3,051,120 | 2,961,051 |

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2004 AND 2003

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Common Stock Warrants | Accum Def |
|---|-----------------|--------|--------------|----------|----------------------------------|-----------------------------|--------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2002 | 160,000 | \$160 | 1,992,056 | \$19,920 | 42,123,601 | 127,660 | (39,000) |
| Common stock issued pursuant to a deferral of preferred stock dividend | -- | -- | 209,300 | 2,094 | 357,906 | -- | |
| Other comprehensive loss | -- | -- | -- | -- | -- | -- | |

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| | | | | | | | |
|----------------------------|---------|-------|-----------|----------|------------|---------|---------|
| Net income | -- | -- | -- | -- | -- | -- | 39 |
| TOTAL COMPREHENSIVE INCOME | -- | -- | -- | -- | -- | -- | |
| Balance, December 31, 2003 | 160,000 | 160 | 2,201,356 | 22,014 | 42,481,507 | 127,660 | (38,61) |
| Other comprehensive income | -- | -- | -- | -- | -- | -- | |
| Net income | -- | -- | -- | -- | -- | -- | 80 |
| TOTAL COMPREHENSIVE INCOME | -- | -- | -- | -- | -- | -- | |
| Balance, December 31, 2004 | 160,000 | \$160 | 2,201,356 | \$22,014 | 42,481,507 | 127,660 | (37,81) |

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

| | 2004 | 2003 |
|---|------------|-----------|
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash flows from operating activities: | | |
| Net income | \$ 801,255 | 391,829 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and depletion | 444,760 | 408,335 |
| (Gain) loss on sale of fixed assets | (905,118) | 9,125 |
| Loss (gain) on sale of investments | 479 | (120,405) |
| Minority interest | 278,838 | 415,814 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (20,976) | 109,924 |
| Deposits and other assets | 7,808 | 5,300 |
| Deferred costs | 5,657 | (5,572) |
| Accounts payable | (18,242) | (63,037) |
| Accrued and other liabilities | 206,326 | (72,069) |
| Deferred revenue | (93,149) | 106,077 |
| Net cash provided by operating activities | 707,638 | 1,185,321 |
| Cash flows from investing activities: | | |

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| | | |
|---|--------------|-------------|
| Purchases of property and equipment | (565,949) | (151,518) |
| Proceeds from sale of property, equipment and intangible assets | 3,924,141 | -- |
| Sales and maturity of investments | 53,400 | 1,839,223 |
| Purchase of investments | (2,266,213) | (1,497,201) |
| Acquisition of limited partnership interest (note B) | (208,346) | -- |
| Repayments of notes receivable | 1,208 | 24,237 |
| | ----- | ----- |
| Net cash provided by investing activities | 938,241 | 214,741 |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Repayments of notes payable | (224,209) | (175,467) |
| Repayments of capitalized leases | -- | (10,284) |
| Minority interest distributions | (129,905) | (13,967) |
| Minority interest contributions | 114,608 | -- |
| | ----- | ----- |
| Net cash used in financing activities | \$ (239,506) | (199,718) |
| | ----- | ----- |

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31,

| | 2004 | 2003 |
|--|-------------|-----------|
| | ----- | ----- |
| Net increase in cash and cash equivalents | \$1,406,373 | 1,200,344 |
| Cash and cash equivalents at beginning of year | 2,741,527 | 1,541,183 |
| | ----- | ----- |
| Cash and cash equivalents at end of year | \$4,147,900 | 2,741,527 |
| | ===== | ===== |
| CASH PAID DURING THE YEAR FOR: | | |
| Interest | \$ 468,387 | 470,783 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| In December 2004, the Company distributed certain net assets to minority interest owners (see note C) | \$ 978,775 | -- |
| In January 2004, the Company acquired additional partnership interests with a note payable to the sellers (see note B) | \$ 250,778 | -- |
| Changes in unrealized appreciation on available -for- sale securities | \$ 295 | (7,457) |
| In March 2003, the Company issued 209,300 shares of stock pursuant to a deferral of preferred stock dividend | \$ -- | 360,000 |

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

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

2. 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

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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. INVESTMENTS

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

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

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

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. The fair value of the fixed rate debt, based upon current interest rates for similar debt instruments with similar payment terms and expected payoff dates, would be approximately \$8,922,000 as of December 31, 2004. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2004.

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

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

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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.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2004 AND 2003

9. DEFERRED COSTS

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

10. STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with Accounting Principles Board Opinion (APB) 25, Accounting for Stock Issued to Employees, which uses the intrinsic value method. As required by Statement of Financial Accounting Standards (SFAS) No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, the Company has disclosed the pro forma impact on the consolidated financial statements assuming the measurement provisions of SFAS No. 123 and additional disclosure requirements of SFAS No. 148 have been adopted.

11. INCOME TAXES

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

12. MINORITY INTEREST

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

13. CONTINGENTLY CONVERTIBLE SECURITIES

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

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

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

14. REVENUE RECOGNITION

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As a result of recording rental revenue on a straight-line basis, accounts receivable include \$75,288 of tenant

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receivables at December 31, 2003, which was expected to be collected over the remaining lives of the leases. As of December 31, 2004 there were no such tenant receivables.

15. ADVERTISING EXPENSE

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

16. START-UP COSTS

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

17. EARNINGS PER SHARE

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

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

18. ENVIRONMENTAL

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

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

19. NEW ACCOUNTING PRONOUNCEMENTS

In 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

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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.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

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

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

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

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

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

20. RECLASSIFICATIONS

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

NOTE B - BUSINESS COMBINATIONS

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

NOTE C - DISPOSITION OF ASSETS

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

In accordance with an Agreement to Distribute Assets, effective December 31, 2004, the Lubbock office building (the "Property") was distributed to the TCTB partners according to their partnership sharing ratios. The Property distribution to the TCTB minority interest partners resulted in an approximate \$979,000 reduction in the Company's property, plant and equipment and a corresponding reduction in minority interest. The Property and two other Midland, Texas office properties owned by TCTB are subject to a lien securing TCTB's \$6,100,000 note payable to Wells Fargo Bank Texas, N.A. The Bank agreed to release its lien on the Property in exchange for a \$2,100,000 restricted certificate of deposit (see note G) pledged by TCTB to the Bank as additional collateral.

Immediately following the Property distribution, the Company and the selling minority interest partners agreed to sell their undivided interest in the Property for a negotiated purchase price of \$4,568,614, in accordance with a Purchase Agreement, to 1500 Broadway Partners, Ltd., a limited partnership, in which certain TCTB limited partners (non-selling minority interest partners) are partners and are tenants in one of TCTB's Midland office buildings. The Company received net proceeds of \$3,688,094 for its undivided interest in the Property that resulted in a gain of \$905,118.

The Company used \$1,681,346 of the net proceeds to reduce the principal amount of certain debt by \$1,394,544 and to pay accrued interest of \$286,802. The remaining proceeds will be used for start-up working capital purposes for W Power and Light, LP, a newly created retail electric provider.

NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at three financial institutions, which at times may exceed federally insured limits. At December 31, 2004 and 2003, the Company had approximately \$3,673,300 and \$2,201,200, respectively, of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

NOTE E - ROYALTY INTERESTS

In 2004, the Company, through its wholly-owned subsidiary Amen

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

NOTE F - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

NOTE G - RESTRICTED CERTIFICATE OF DEPOSIT

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

AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

NOTE H - NOTE RECEIVABLE

On December 13, 2002, the Company received a note receivable in the amount of \$275,000, with an annual interest rate of 6.00%, from a third-party for the sale of substantially all assets associated with a direct mail advertising service. The note receivable is due in quarterly installments, beginning April 10, 2003, equal to 20% of the gross profit from operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. As of December 31, 2004 and 2003, the outstanding principal balance on the note receivable was \$249,555 and \$250,763, respectively. Because the current maturities are not reasonably estimable at December 31, 2004, the entire principal balance is reported as non-current.

NOTE I - PROPERTY, PLANT AND EQUIPMENT

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

| | 2004 | 2003 |
|-----------------------------------|--------------|-------|
| | ----- | ----- |
| Buildings | \$ 8,447,862 | |
| Furniture, fixtures and equipment | 90,321 | |
| Tenant improvements | 163,300 | |
| Land | 158,998 | |
| | ----- | ----- |
| | 8,860,481 | |
| Less: accumulated depreciation | (873,883) | |
| | ----- | ----- |
| | \$ 7,986,598 | |
| | ===== | ===== |

Depreciation expense for 2004 and 2003 was \$408,229 and \$387,024, respectively.

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

| | 2004 | 2003 |
|------------------------|------------|-------|
| | ----- | ----- |
| Accrued property taxes | \$ 185,344 | 2 |

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| | | |
|-------------------|------------|-------|
| Other liabilities | 134,154 | ----- |
| | \$ 319,498 | ----- |
| | ===== | ===== |

NOTE K - 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 was being amortized over the term of the lease, approximately seven years. On December 31, 2004 the Lubbock building was sold. As of December 31, 2004 no deferred revenue exists.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

NOTE L - INCOME TAXES

There was no income tax expense or benefit to report for the years ended December 31, 2004 and 2003. A reconciliation of income taxes at the statutory rate to the Company's effective rate is as follows for the years ended December 31:

| | | |
|---|------------|-------|
| | 2004 | ----- |
| Computed at the expected statutory rate | \$ 272,000 | |
| Less valuation allowance | (272,000) | ----- |
| Income taxes | \$ -- | ===== |

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

| | | |
|----------------------------------|---------------|-------|
| | 2004 | ----- |
| Deferred tax assets | | |
| Net operating loss carry-forward | \$ 10,506,860 | |
| Start-up costs | 42,977 | |
| Other | 30,963 | ----- |
| Gross deferred tax assets | 10,580,800 | ----- |

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| | |
|------------------------------------|--------------|
| Deferred tax liabilities | |
| Rents receivable | -- |
| Property, plant and equipment | (109,686) |
| Other | -- |
| | ----- |
| Gross deferred tax liabilities | (109,686) |
| Valuation allowance | (10,471,114) |
| | ----- |
| Net noncurrent deferred tax assets | \$ -- |
| | ===== |

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

NOTE M - OPERATING SEGMENTS

On July 30, 2004, the Company formed and initiated the development of W Power. W Power was established to enter into the retail electricity market in Texas. The formation of W Power resulted in the diversification of the Company's business activities into two reportable segments: real estate operations and a retail electricity provider (REP). The real estate operations consisted of three office properties, two located in Midland, Texas and one located in Lubbock, Texas, and comprised an aggregate of approximately 639,259 square feet of gross leaseable area. The Lubbock, Texas building was sold on December 29, 2004 (see note C). The REP segment will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

Each segment's accounting policies are the same as those described in the summary of significant accounting policies and the following tables reflect totals for the year ending December 31, 2004 and 2003, respectfully.

December 31, 2004:

| | REP | Real Estate Operations | Other and Corporate |
|--|-------|---------------------------|------------------------|
| | ----- | ----- | ----- |
| Revenues from external customers | \$ - | 4,309,886 | - |
| | ===== | ===== | ===== |
| Depreciation, amortization and depletion | 864 | 430,204 | 13,692 |
| | ===== | ===== | ===== |
| Interest expense | - | 579,487 | - |

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| | | | |
|--|-----------|------------------------|---------------------|
| Segment net income (loss) | (157,705) | 1,375,171 | (416,211) |
| Segment assets | 159,453 | 14,001,398 | 810,413 |
| Expenditures for segment assets | \$ 25,919 | 531,461 | 8,569 |
| December 31, 2003: | | | |
| | REP | Real Estate Operations | Other and Corporate |
| Revenues from external customers | \$ - | 4,345,099 | - |
| Depreciation, amortization and depletion | - | 407,578 | 757 |
| Interest expense | - | 612,319 | 42,000 |
| Segment net income (loss) | - | 532,428 | (140,599) |
| Expenditures for segment assets | \$ - | 148,792 | 2,726 |

NOTE N - LONG-TERM OBLIGATIONS

On June 5, 2002, TCTB entered into a loan agreement with a financial institution for a term note of \$6,800,000. The term note bears interest at a fixed rate per annum of 7.23%. TCTB is making monthly payments of principal and interest in the amount of \$53,663 for the term note until maturity of the note on May 31, 2009. The loan agreement is secured by substantially all of the assets of TCTB. The loan agreement restricts cash distributions to TCTB's owners. TCTB shall not declare or pay any distributions in excess of tax liability due annually (but in any event, no more than 40% of net income, which is approximately \$309,000 at December 31, 2004), either in cash or any property to any owners. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. Such events of default include (a) non-payment of loan agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (c) a final judgment or order for the payment of money in excess of \$100,000.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

Delaware entered into nine promissory notes, certain of which are with related parties, in an aggregate amount of \$2,789,087, to purchase the

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64.9% ownership interest in TCTB. The notes are due in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is equal to the Wall Street Journal Prime Lending Rate plus .15% (4.9% at December 31, 2004). The annual payments are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment. Due to the distribution and sale of the Lubbock building (see note C) the Company elected to forgo the payment as described above and paid one half of the principal balance along with the entire accrued interest balance in January 2005. This payment is in excess of the required payment and is shown in the current maturities table below for the year 2005.

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

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

| | | |
|------|----------------------|--------------|
| 2005 | | \$ 1,634,935 |
| 2006 | | 258,968 |
| 2007 | | 276,383 |
| 2008 | | 296,336 |
| 2009 | | 6,644,467 |
| | | ----- |
| | Total | 9,111,089 |
| | Less current portion | 1,634,935 |
| | | ----- |
| | Long-term portion | \$ 7,476,154 |
| | | ===== |

NOTE O - RELATED PARTY TRANSACTIONS

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

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

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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).

NOTE P - 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.

NOTE Q - RENTAL ARRANGEMENTS

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

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

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

AMEN PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2004 AND 2003

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

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\$ 160,417

NOTE R - SIGNIFICANT TENANTS

For the years ended December 31, 2004 and 2003, rent income that accounted for more than ten-percent of the Company's revenue was derived from two entities, as follows:

| | 2004 | 2003 |
|------------------------------|--------------|-----------|
| | ----- | ----- |
| Wells Fargo Bank Texas, N.A. | \$ 662,000 | 668,000 |
| Bank of America | 591,000 | 594,000 |
| | ----- | ----- |
| | \$ 1,253,000 | 1,262,000 |
| | ===== | ===== |

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

NOTE S - STOCKHOLDERS' EQUITY

At a special meeting held January 30, 2003, the Company's stockholders approved a 1-for-4 reverse stock split, which became effective on February 3, 2003. This action brought the closing bid price of AMEN's common stock over the \$1.00 per share criteria required before the February 14, 2003 deadline issued by the NASDAQ Listing Panel. Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split in accordance with generally accepted accounting principles in the United States of America. The Company entered into agreements effective May 30, 2003 with its Series A and Series B Preferred Shareholders pursuant to which the Preferred Shareholders agreed to the suspension of the accrual of dividends on the Series A and Series B Preferred Stock from and after April 1, 2003. Additionally, the Company agreed to declare and pay the accrued and unpaid dividends of \$360,000 on the Preferred Stock through March 31, 2003 in shares of the Company's common stock. As a result, the Company issued 209,300 unregistered shares of common stock of the Company to satisfy the accrued dividend as of March 31, 2003. Further, the Company received shareholder approval at the 2004 annual stockholder meeting, and filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. on May 28, 2004 to amend the Series A and Series B Preferred Stock Designations. The amendment effectuates the elimination of the Preferred A and Preferred B Shareholders dividend other than for dividends with respect to the common stock of the Company (see note A13).

NOTE T - STOCK OPTION PLAN

Since the inception of the Company, various options have been granted by the Board of Directors to founders, directors, employees, consultants and ministry partners. In February 1997, the Company authorized 67,100 additional shares of common stock to underlie additional options reserved for key employees and for future compensation to members of the Board of Directors. The Board of Directors also adopted and the Stockholders approved, the 1997 Stock Option Plan ("1997 Plan"), which provides for the granting of either qualified or non-qualified options to purchase an aggregate of up to

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514,484 shares of common stock, inclusive of the 67,100 shares mentioned above, and any and all options or warrants granted in prior years by the Company. As of December 31, 2004, all options available under the 1997 Plan have been granted: 373,609 options are outstanding, 43,160 warrants are outstanding to directors included in the plan, and 62,579 options have been exercised.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors in April 1998, with approved amendment in May 2000. The 1998 Plan gives the Company the authority to issue 300,000 options to purchase AMEN common stock. If any stock options granted under the 1998 Plan terminate, expire or are canceled, new stock options may thereafter be granted covering such shares. In addition, any shares purchased under the 1998 Plan subsequently repurchased by the Company, if management elects, pursuant to the terms hereof may again be granted under the 1998 Plan. The shares issued upon exercise of stock options under the 1998 Plan may, in whole or in part, be either authorized but unissued shares, or issued shares reacquired by the Company. As of December 31, 2004, 81,384 options from the 1998 Plan have been granted and are outstanding.

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

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

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

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

| Options Outstanding | Number of Shares | Per Unit Exercise Price |
|---------------------|---------------------|----------------------------|
| ----- | ----- | ----- |

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| | | |
|--------------------------------|----------|----------------|
| Outstanding, December 31, 2002 | 492,220 | \$ 3.52 -61.36 |
| | ----- | ----- |
| Options granted | 14,450 | \$ 1.98 |
| Options forfeited | (50,872) | \$ 3.50 -45.00 |
| | ----- | ----- |
| Outstanding, December 31, 2003 | 455,798 | \$ 1.98 -61.36 |
| | ----- | ----- |
| Options forfeited | (805) | \$ 31.50-45.50 |
| | ----- | ----- |
| Outstanding, December 31, 2004 | 454,993 | \$ 1.98 -61.36 |
| | ===== | ===== |

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

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

The Company accounts for its options granted to employees in accordance with APB 25. Stock-based awards to non-employees are accounted for under the provisions of SFAS No. 123 based on their fair value as determined by the Black-Scholes option-pricing model. Had compensation expense been determined based on the fair value of the options at the grant dates consistent with the method of accounting under SFAS No. 123, the Company's net income and net income per share for the years ended December 31, 2004 and 2003 would have been decreased to the proforma amounts indicated below:

| | 2004 | 2003 |
|--|------------|-----------|
| | ----- | ----- |
| Net income, as reported | \$ 801,255 | 391,829 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method | (21,576) | (102,124) |
| | ----- | ----- |
| Net income, pro forma \$ | 779,679 | 289,705 |
| | ===== | ===== |
| Net income per common share | | |
| Basic | | |
| As reported | .36 | .19 |
| Pro forma | .35 | .14 |
| Diluted | | |
| As reported | .26 | .13 |
| Pro forma | .26 | .10 |

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

For the year ended December 31, 2004, the following assumptions were used: dividend yield of 0%; risk-free interest rates based on the Treasury bond yield at the date of grant for three- to five-year bonds, depending on the expected term; volatility range approximating 121.0% depending on the grant date; and an expected term of ten years. For the year ended December 31, 2003, the following assumptions were used: dividend yield of 0%; risk-free interest rates based on the Treasury bond yield at the date of grant for three- to five-year bonds, depending on the expected term; volatility range approximating 64.9%, depending on the grant date; and an expected term of ten years.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2004 AND 2003

NOTE U - EMPLOYEE BENEFIT PLAN

In January 1998, the Company adopted a defined contribution 401(k) plan which covers substantially all of its eligible employees. The maximum employee contribution allowed is 15% of compensation or \$13,000 in 2004 or \$12,000 in 2003, whichever is lower. The Company is not required to contribute to the 401(k) plan. The Company made discretionary contributions of approximately \$10,000 and \$2,000 for 2004 and 2003, respectively.

NOTE V - SUBSEQUENT EVENTS

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. 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

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growth of the Company's retail electric provider subsidiary, W Power, and for general corporate purposes.

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

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AMEN PROPERTIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2004 AND 2003

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

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

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(iii) the voting rights of the Series C Preferred are limited and restricted as set forth in the Certificate of Designation.

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

NOTE W - QUARTERLY FINANCIAL DATA

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - QUARTERLY (UNAUDITED)

| | March 31 | June 30 | 2004 Quarter Ended September 30 | December 31 | To |
|--|--------------|-----------|---------------------------------------|-------------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Rental revenue | \$ 1,074,301 | 1,073,582 | 1,107,570 | 1,054,433 | 4,3 |
| Operating expenses, excluding start-up costs | 785,803 | 839,083 | 840,326 | 1,012,655 | 3,4 |
| Start-up costs | -- | -- | 79,660 | 77,181 | 1 |
| | 785,803 | 839,083 | 919,986 | 1,089,836 | 3,6 |
| Net income from operations | 288,498 | 234,499 | 187,584 | (35,403) | 6 |
| Gain on sale of assets | -- | -- | -- | 905,118 | 9 |
| Interest expense | (133,409) | (147,183) | (146,518) | (152,377) | (5 |
| Other income (expense) | 20,333 | 18,197 | 18,628 | 22,126 | |
| | (113,076) | (128,986) | (127,890) | 774,867 | 4 |
| Net income before income taxes and minority interest | 175,422 | 105,513 | 59,694 | 739,464 | 1,0 |
| Income taxes | -- | -- | -- | -- | |
| Minority interest | (82,815) | (76,420) | (73,062) | (46,541) | (2 |
| NET INCOME | \$ 92,607 | 29,093 | (13,368) | 692,923 | 8 |
| Net income per share - basic | \$ 0.04 | 0.01 | (0.01) | 0.32 | |
| Net income per share - diluted | 0.03 | 0.01 | (0.01) | 0.23 | |
| Weighted average number of | | | | | |

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| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| common shares outstanding - basic | 2,201,356 | 2,201,356 | 2,201,356 | 2,201,356 | 2,201,356 |
| Weighted average number of common shares outstanding - diluted | 3,051,079 | 3,051,079 | 2,201,356 | 3,051,120 | 3,051,120 |

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AMEN PROPERTIES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2004 AND 2003

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - QUARTERLY (UNAUDITED)

| | March 31 | June 30 | 2003 Quarter Ended September 30 | December 31 | To |
|--|--------------|-----------|---------------------------------------|-------------|----|
| Rental revenue | \$ 1,071,271 | 1,088,162 | 1,091,741 | 1,093,925 | |
| Operating expenses, excluding start-up costs | 676,367 | 826,683 | 788,812 | 875,601 | |
| Net income from operations | 394,904 | 261,479 | 302,929 | 218,324 | |
| Interest expense | (193,000) | (154,264) | (153,562) | (153,493) | |
| Other income (expense) | 47,214 | 34,275 | 49,704 | 153,133 | |
| | (145,786) | (119,989) | (103,858) | (360) | |
| Net income before income taxes and minority interest | 249,118 | 141,490 | 199,071 | 217,964 | |
| Income taxes | -- | -- | -- | -- | |
| Minority interest | (142,636) | (96,549) | (102,191) | (74,438) | |
| NET INCOME | \$ 106,482 | 44,941 | 96,880 | 143,526 | |
| Net income per share - basic | \$ 0.05 | 0.02 | .04 | 0.08 | |
| Net income per share - diluted | 0.04 | 0.02 | .03 | 0.04 | |
| Weighted average number of common shares outstanding - basic | 1,992,056 | 2,047,256 | 2,201,356 | 2,111,328 | |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| | ===== | ===== | ===== | ===== |
| Weighted average number of common shares outstanding - diluted | 2,841,779 | 2,896,979 | 3,051,079 | 2,961,051 |
| | ===== | ===== | ===== | ===== |