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AMEN PROPERTIES INC
Form 10QSB
August 12, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Period Ended June 30, 2005

or

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

Commission file number 000-22847

AMEN Properties, Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware 54-1831588

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

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

(Address of Principal Executive Offices)

(432-684-3821)

(Issuer's Telephone Number, Including Area Code)

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

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

Yes No

Applicable Only to Corporate Issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: Common Stock, \$.01 Par Value:
2,201,356 shares outstanding as of July 31, 2005.

Transitional Small Business Disclosure Format (check one):

Yes No

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AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET
June 30, 2005
(Unaudited)

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ASSETS

CURRENT ASSETS

Cash and cash equivalents (notes A3, D and F)	\$	2,989,596
Accounts receivable (notes A6 and A13)		850,282
Other current assets		153,597

Total current assets

RESTRICTED CERTIFICATE OF DEPOSIT (note G)

PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation of \$1,052,270 (notes A7, A8 and I)

ROYALTY INTERESTS, at cost net of accumulated depletion of \$ 19,771 (notes A7, A8 and E)

LONG-TERM INVESTMENTS (notes A4 and F)

OTHER ASSETS

Note receivable (note H)		241,555
Deferred costs (note A9)		41,525
Deposits and other assets		706,512

Total other assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$	682,157
Accrued liabilities (note J)		360,291
Current portion of long-term obligations (note L)		250,155
Accrued interest payable		34,634
Deferred revenue		68,683

Total current liabilities

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

DEFERRED REVENUE

MINORITY INTEREST (note A11)

COMMITMENTS AND CONTINGENCIES (note N)

STOCKHOLDERS' EQUITY (note C)

Convertible preferred stock, \$.001 par value, 5,000,000 shares authorized;		
80,000 Series "A" shares issued and outstanding, convertible into a total of 616,447 shares of common stock at the option of the holders (note A12)		80
80,000 Series "B" shares issued and outstanding, convertible into a total of 233,317 shares of common stock at the option of the holders (note A12)		80
125,000 Series "C" shares issued and outstanding, convertible into a total of 500,000 shares of common stock at the option of the holders (note A12)		125

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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	44,481,382
Accumulated deficit	(38,190,339)

Total stockholders' equity	

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

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

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AMEN Properties, Inc. and Subsidiaries CONSOLIDATED STATEMENT OF OPERATIONS For the Three and Six Months Ended June 30, (Unaudited)

	For the Three Months Ended June 30,		For the Si Ju
	2005	2004	2005
Operating Revenue			
Rental revenue	\$ 672,137	\$ 1,073,582	\$ 1,342,31
Retail electricity revenue	1,125,596	-	1,436,38
	1,797,733	1,073,582	2,778,70
Operating Expense			
Cost of goods and services	1,143,727	-	1,423,37
Rental property operations	452,447	585,079	858,10
General and administrative	223,579	142,956	430,56
Depreciation and amortization	104,671	111,048	196,50
	1,924,424	839,083	2,908,55
Net (loss) income from operations	(126,691)	234,499	(129,851)
Other (expense) income			
Interest income	15,693	2,603	27,53
Interest expense	(148,149)	(147,183)	(262,495)
Loss on sale of investments	-	-	
Other income	43,578	15,594	26,41
	(88,878)	(128,986)	(208,544)

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	-----	-----	-----
Net (loss) income before income taxes and minority Interest	(215,569)	105,513	(338,395)
	-----	-----	-----
Income taxes (note A10)	-	-	
Minority interest	4,231	(76,420)	(36,593)
	-----	-----	-----
	4,231	(76,420)	(36,593)
	-----	-----	-----
NET (LOSS) INCOME	\$ (211,338)	\$ 29,093	\$ (374,988)
	=====	=====	=====
Net (loss) income per common share (basic)	\$ (.10)	\$.01	\$ (.17)
	=====	=====	=====
Net (loss) income per common share (diluted)	\$ (.10)	\$.01	\$ (.17)
	=====	=====	=====
Weighted average number of common shares outstanding - basic	2,201,356	2,201,356	2,201,356
	=====	=====	=====
Weighted average number of common shares outstanding - diluted	2,201,356	3,051,120	2,201,356
	=====	=====	=====

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

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AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended June 30,
(Unaudited)

		2005

Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net (loss) income	\$	(374,988)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation, depletion and amortization		196,506
Loss on sale of investments		-

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Minority interest	36,593
Changes in operating assets and liabilities:	
Accounts receivable	(777,547)
Deposits and other assets	(634,512)
Deferred costs	(76,198)
Accounts payable	567,053
Accrued and other liabilities	(211,375)
Deferred revenue	46,389

Net cash (used in) provided by operating activities	(1,228,079)

Cash flows from investing activities:	
Purchases of property and equipment	(424,348)
Sales and maturity of investments	-
Purchase of royalty interests	-
Acquisition of limited partnership interest (note B)	-
Repayments of notes receivable	8,000

Net cash used in investing activities	(416,348)

Cash flows from financing activities:	
Repayments of notes payable	(1,513,877)
Net proceeds from issuance of preferred stock	2,000,000
Minority interest distributions	-

Net cash provided by (used in) financing activities	486,123

Net decrease in cash and cash equivalents	(1,158,304)
Cash and cash equivalents at beginning of period	4,147,900

Cash and cash equivalents at end of period	\$ 2,989,596
	=====

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

AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005
(Unaudited)

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

1. Organization

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Effective October 2002, AMEN formed NEMA Properties, LLC ("NEMA"), a Nevada limited liability company; AMEN Minerals, LP ("Minerals"), a Delaware limited partnership; and AMEN Delaware, LP ("Delaware"), a Delaware limited partnership, to pursue acquisitions as authorized by stockholders on September 19, 2002. AMEN Properties, Inc. and Subsidiaries is a self-administered and self-managed Delaware corporation. Effective July 2004, AMEN Properties, Inc. and Subsidiaries and affiliates (collectively referred to as the "Company") formed W Power and Light, LP ("W Power"), a Delaware limited partnership to enter into the retail electricity market in Texas.

The Company's business purpose is to acquire investments in commercial real estate, oil and gas royalties, retail electricity operations and stabilized cash flowing businesses or assets. As of June 30, 2005, the Company, through Delaware's investment in a limited partnership, has a commercial real estate portfolio consisting of majority ownership in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. The investment was obtained through Delaware's acquisitions of a partnership interest in TCTB Partners, Ltd. ("TCTB") a Texas limited partnership, totaling approximately 71.3%. Through its investment in Minerals, AMEN has acquired an investment interest in an oil and gas royalty trust and other oil and gas royalties. Through the Company's investment in W Power, Amen entered the retail electricity market in the state of Texas. The real estate operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner and the retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner.

2. Basis of Presentation

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

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

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

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

5. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments, accounts receivable, notes receivable, and accounts payable approximate fair value because of the relatively short maturity of these instruments. The fair value of the fixed rate debt, based upon current interest rates for similar debt instruments with similar payment terms and expected payoff dates, would be approximately \$7,189,979 as of June 30, 2005. Disclosure about fair value of financial instruments is based on pertinent information available to management as of June 30, 2005.

6. Accounts Receivable

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

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

At June 30, 2005, accounts receivable consisted of the following:

Tenant receivables	\$	50,093
Billed electricity receivables		112,554
Unbilled electricity receivables		630,993
Other receivables		57,375
Allowance for doubtful accounts		(733)

Accounts receivable, net	\$	850,282
		=====

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

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
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over the shorter of the life of the asset or the remaining lease term. Intangible assets are amortized over the useful lives of five to ten years using the straight-line method. Costs for the repair and maintenance of property and equipment are expensed as incurred. Royalty acquisitions are stated at cost. Depletion is determined using the units-of-production method based on the estimated oil and gas reserves.

8. Impairment of Long-Lived Assets

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

9. Deferred Costs

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

10. Income Taxes

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

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

AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
 June 30, 2005
 (Unaudited)

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 June 30, 2005.

12. Contingently Convertible Securities

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

Series	Number of Shares	Purchase Price	Conversion Rate	Number of Common Shares
-----	-----	-----	-----	-----
A	80,000	\$ 2,000,000	\$ 3.2444	616,447
B	50,000	500,000	3.2444	154,111
B	10,000	100,000	3.424	29,206
B	20,000	200,000	4.000	50,000
C	125,000	2,000,000	4.000	500,000

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

13. Revenue and Cost Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As of June 30, 2005, there were no deferred tenant receivables.

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

The flow technique of revenue calculation relies upon ERCOT settlement

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

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

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

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

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

14. Earnings Per Share

There were no preferred stock dividends for the periods ended June 30, 2005 or 2004. The effects of Series A, Series B and Series C convertible Preferred Stock is not included in the computation of diluted earnings per share for any periods in which their effect is antidilutive.

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

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

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
(Unaudited)

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.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs. SFAS No.

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

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

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
(Unaudited)

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.

In May 2004, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. This Statement replaces APB Opinion 20 and FASB Statement No.3 and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be

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followed. The provisions of this Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

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

17. Reclassifications

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

NOTE B - BUSINESS COMBINATIONS

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

NOTE C - ISSUANCE OF SERIES C PREFERRED STOCK

On February 3, 2005, the Company finalized an agreement involving a private placement under Regulation D for the new Series C Preferred Stock and common stock purchase warrants (the "Warrants") to accredited investors (the "Purchase Agreement"). The Company closed the sale and issuance of 125,000 Series C Preferred Stock and 250,000 Warrants pursuant to the Purchase Agreement, as amended by the Second Amendment (the "Amended Purchase Agreement"), on March 1, 2005. The purchase price consisted of a total of \$2 million in cash and limited guaranties from the investors in

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
(Unaudited)

favor of Western National Bank covering the credit facility described in Note L. No underwriting discounts or commissions were paid in connection with this issuance. Certain facts related to the exemption from registration of the issuance of the securities under securities law are set forth in the Amended Purchase Agreement as representations of the investors, including without limitation their investment intent, their status as accredited investors, the information provided to them, the restricted nature of the securities, and similar matters.

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

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NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at three financial institutions, which at times may exceed federally insured limits. At June 30, 2005, the Company had approximately \$2,566,361 of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

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

NOTE E - ROYALTY INTERESTS

In 2004, the Company, through its wholly-owned subsidiary Amen Minerals, LP, completed the acquisition of two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was \$162,854. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Royalty income is generally received one to two months following the month of production and the Company used estimates to accrue royalty income for the quarters ended June 30, 2005 and 2004.

NOTE F - CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2005 the Company's cash and cash equivalents consist of cash in banks of approximately \$2,989,596.

AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
 June 30, 2005
 (Unaudited)

Securities available-for-sale in the accompanying balance sheet at June 30, 2005 total \$62,350. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type as of June 30, 2005 are as follows:

	Market Value	Cost Basis	Gross Unrealized Losses
	-----	-----	-----
As of June 30, 2005:			
Other securities	\$ 62,350	\$ 62,350	\$ -
	=====	=====	=====

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NOTE G - RESTRICTED CERTIFICATE OF DEPOSIT

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

NOTE H - NOTE RECEIVABLE

On December 13, 2002, the Company received a note receivable in the amount of \$275,000, with an annual interest rate of 6.00%, from a third-party for the sale of substantially all assets associated with a direct mail advertising service. The note receivable is due in quarterly installments, beginning April 10, 2003, equal to 20% of the gross profit from operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. As of June 30, 2005, the outstanding principal balance on the note receivable was \$241,555. Because the current maturities are not reasonably estimable at June 30, 2005, the entire principal balance is reported as non-current.

NOTE I - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consisted of the following at June 30, 2005:

Buildings	\$	8,447,862
Furniture, fixtures and equipment		114,190
Tenant improvements		563,781
Land		158,997

		9,284,830
Less: accumulated depreciation		(1,052,270)

	\$	8,232,560

Depreciation expense for six months ended June 30, 2005 and 2004 was \$196,506, and \$217,501, respectively.

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
 June 30, 2005
 (Unaudited)

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30, 2005:

Accrued property taxes	\$	92,672
Accrued TDSP Charges		155,020
Other accrued liabilities		112,599

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\$ 360,291

NOTE K - OPERATING SEGMENTS

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

Each segment's accounting policies are the same as those described in the summary of significant accounting policies and the following tables reflect totals for the three months ending June 30, 2005 and 2004, respectively.

Three months ended June 30, 2005:

	REP	Real Estate Operations	Other and Corporate
Revenues from external customers	\$ 1,125,596	\$ 672,137	\$ -
Revenues from other operating segments	\$ 177,295	\$ 4,987	\$ -
Depreciation, amortization and depletion	\$ 1,778	\$ 75,777	\$ 27,116
Interest expense	\$ 11,667	\$ 168,477	\$ 8,918
Segment net income (loss)	\$ (179,610)	\$ (14,766)	\$ (45,302)
Segment assets	\$ 1,664,153	\$ 7,420,442	\$ 6,828,318
Expenditures for segment assets	\$ 8,369	\$ 51,959	\$ 2,891

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June 30, 2005
(Unaudited)

Three months ended June 30, 2004:

	REP	Real Estate Operations	Other and Corporate
	-----	-----	-----
Revenues from external customers	\$ -	\$ 1,073,582	\$ -
Revenues from other operating segments	\$ -	\$ -	\$ -
Depreciation, amortization and depletion	\$ -	\$ 81,241	\$ 29,807
Interest expense	\$ -	\$ 115,190	\$ 31,993
Segment net income (loss)	\$ -	\$ 266,719	\$ (237,626)
Segment assets	\$ -	\$ 10,213,890	\$ 5,080,170
Expenditures for segment assets	\$ -	\$ 3,994	\$ 1,452

Six months ended June 30, 2005:

	REP	Real Estate Operations	Other and Corporate
	-----	-----	-----
Revenues from external customers	\$ 1,436,385	\$ 1,342,319	\$ -
Revenues from other operating segments	\$ 272,826	\$ 13,300	\$ -
Depreciation, amortization and depletion	\$ 3,300	\$ 138,762	\$ 54,444
Interest expense	\$ 22,895	\$ 222,571	\$ 91,184
Segment net income (loss)	\$ (264,627)	\$ 127,715	\$ (215,232)
Segment assets	\$ 1,664,153	\$ 7,420,442	\$ 6,828,318
Expenditures for segment assets	\$ 15,495	\$ 403,371	\$ 5,482

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
 June 30, 2005
 (Unaudited)

Six months ended June 30, 2004:

	REP	Real Estate Operations	Other and Corporate
	-----	-----	-----
Revenues from external customers	\$ -	\$ 2,147,882	\$ -
Revenues from other operating segments	\$ -	\$ -	\$ -
Depreciation, amortization and depletion	\$ -	\$ 162,143	\$ 55,358
Interest expense	\$ -	\$ 229,978	\$ 50,613
Segment net income (loss)	\$ -	\$ 555,757	\$ (434,058)
Segment assets	\$ -	\$ 10,213,890	\$ 5,080,170
Expenditures for segment assets	\$ -	\$ 27,587	\$ 2,913

NOTE L - LONG-TERM OBLIGATIONS

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

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2004, TCTB partners agreed to distribute its Lubbock, Texas office building to the TCTB partners and simultaneously sell their interest in the asset to an entity partially owned by certain TCTB minority owners. The Lubbock building was subject to a lien securing TCTB's note payable to Wells Fargo Bank Texas, N.A. The Bank agreed to release its lien on the Lubbock building in exchange for a \$2,100,000 restricted certificate of deposit (see note G) pledged by TCTB to the Bank as additional collateral.

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

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
(Unaudited)

April 1, 2005 with a final maturity of May 31, 2009. The interest rate is currently 4.9% and is adjusted each October 1 to equal the Wall Street Journal Prime Lending Rate (4.75% at October 31, 2004) plus .15%. The annual payments are equal to a set percentage, ranging from 1% to 16% of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment. Due to the distribution and sale of the Lubbock building on December 31, 2004, the Company elected to forgo the payment as described above and paid one half of the principal balance along with the entire accrued interest balance during January 2005.

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

On February 28, 2005 the Company entered into a loan agreement (the "WNB Note") with Western National Bank, Midland, Texas. The Note is a certain Revolving Line of Credit in an amount of \$5,000,000. Under the Note, the Bank may, but is not obligated to advance more than \$2,500,000. Borrowings under the Note are subject to a borrowing base equal to the lesser amount of: (a) \$5,000,000 or (b) seventy-five percent (75%) of the eligible customer receivables of the Company and its subsidiary W Power. The Note bears a variable interest rate equal to the Prime Rate, defined as the prime rate in the money rate table of The Wall Street Journal, a Dow Jones publication, as of each business day (6.25% at June 30, 2005). Interest is computed on the unpaid principal balance of the Note and is due and payable as it accrues monthly, commencing March 31, 2005, and thereafter on the last day of each and every succeeding month until maturity, March 31, 2008, when the entire amount of the Note, principal and accrued, unpaid interest, shall be due and payable. The Note is secured by a security

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agreement to all of the accounts receivable of W Power. In addition, the Note is guaranteed by certain accredited investors which guarantees are partially secured by letters of credit. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. The proceeds from the Note are intended to be used to fund potential capital requirements in order to facilitate the growth of the Company's retail electric provider subsidiary, W Power, and for general corporate purposes.

Long-term debt as of June 30, 2005:

	Long-term Portion	Current Portion	Total
	-----	-----	-----
TCTB Note	\$ 5,797,231	\$ 210,528	\$ 6,007,759
Delaware Notes	1,394,543	-	1,394,543
Hexagon Note	155,283	39,627	194,910
WNB Note	-	-	-
	-----	-----	-----
Total	\$ 7,347,057	\$ 250,155	\$ 7,597,212
	=====	=====	=====

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AMEN Properties, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
June 30, 2005
(Unaudited)

Maturities of long-term debt at June 30, 2005 are as follows:

2005	\$ 250,155
2006	268,136
2007	286,311
2008	5,374,160
2009	1,418,450

Total	7,597,212
Less current portion	250,155

Long-term portion	\$ 7,347,057
	=====

NOTE M - RELATED PARTY TRANSACTIONS

At June 30, 2005 and 2004, related parties leased from TCTB, office space of approximately 32,000 and 29,000 square feet, respectively.

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TCTB received rental income from these related parties of approximately \$72,521 and \$65,361 during the three months then ended, respectively, and \$147,800 and \$132,617 during the six months then ended, respectively.

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

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

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

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

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AMEN Properties, Inc. and Subsidiaries
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
 June 30, 2005
 (Unaudited)

	Number of Preferred C Shares	Common Stock Equivalent	Preferred C Voting Equivalent	Purchase Price
	-----	-----	-----	-----
Eric Oliver	14,063	56,252	52,877	\$ 225,000
Jon M. Morgan	14,062	56,248	52,873	224,990
Bruce Edgington	3,125	12,500	11,750	50,000
Total	31,250	125,000	117,500	\$ 500,000

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

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

NOTE N - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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

Power Purchase Contracts

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

2005		\$	1,761,119
2006			965,474
2007			684,604
2008			148,960
2009			-

Total		\$	3,560,157
			=====

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

The following discussion and analysis should be read in conjunction with the Company's unaudited consolidated financial statements and related footnotes presented in Item 1 and the Company's December 31, 2004 Form 10-KSB.

Overview

AMEN Properties, Inc., (the "Company") is a real estate and energy company engaged in owning and managing real estate, oil and gas royalties, and energy

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

Application of Critical Accounting Policies

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

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

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

Acquisition of Operating Properties

We allocate the purchase price of acquired properties to tangible and identified intangible assets acquired based on their fair values in accordance with SFAS

No. 141, "Business Combinations." We initially record the allocation based on a preliminary purchase price allocation with adjustments recorded within one year of the acquisition.

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

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

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

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

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

Management estimates costs to execute leases similar to those acquired at the property at acquisition based on current market conditions. These costs are recorded based on the present value of the amortized in-place leasing costs on a lease by lease basis over the remaining term of each lease.

The in-place lease values and customer relationship values are based on management's evaluation of the specific characteristics of each customer's lease and our overall relationship with that respective customer. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the customer, growth prospects for developing new business with the customer, the customer's credit

quality, and the expectation of lease renewals, among other factors. The in-place lease value and customer relationship value are both amortized to expense over the initial term of the respective leases and projected renewal periods, but in no event does the amortization period for the intangible assets exceed the remaining depreciable life of the building.

Should a tenant terminate its lease, the unamortized portion of the in-place

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lease value and the customer relationship value and above-market and below-market lease values would be charged to expense.

Revenue and Cost Recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As of June 30, 2005 there were no such deferred tenant receivables.

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

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

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

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

Allowance for Doubtful Accounts

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

At the end of each quarter, revenue is accrued to unbilled receivables based on the estimated amount of power delivered to customers using the flow technique. Unbilled revenue also includes accruals for estimated Transmission and Distribution Service Provider ("TDSP") charges and monthly service charges applicable to the estimated usage for the period.

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All charges that were physically billed to customers in the calendar month are recorded from the unbilled account to the customer receivables account. Accounts receivables are customer obligations billed at the conclusion of a month's electricity usage and due within 15 days of the date of the invoice. Balances past due are subject to a late fee that is assessed on the succeeding month's billing.

The large number of customers and significant volume of transactions create a challenge to manage receivables as well as to estimate the account balances that ultimately will not be paid by the customers ("bad debt write-offs). The Company uses a variety of tools to estimate and provide an accurate and adequate allowance for doubtful accounts reserve; the allowance for doubtful accounts is expensed each month as a percentage of revenue based on the historical bad debt write-off trends that will result from that month's gross revenues.

Results of Operations

Overview

For the six months ended June 30, 2005 the Company generated a net loss of \$374,988 or a net loss \$.17 per share as compared to net income of \$121,699, or net income of \$.06 per share for the same period ended June 30, 2004 for a net decrease of \$496,687. This decrease is mainly due to the Company's newly created, wholly owned subsidiary W Power and the sale of the Company's undivided interest in a commercial real estate property in Lubbock, Texas on December 31, 2004. For the six months ending June 30, 2005, the operations of W Power incurred a net operating loss of approximately \$265,000. This loss is mainly due to W Power's general and administrative costs and a decrease in W Power's gross profit margin due to an increase of balancing costs that are based on the aggregate customer load and are determined by ERCOT through a multiple step settlement process. Balancing costs/revenues are related to the differential between the supply provided by the company through its bilateral wholesale supply and the supply required to serve the Company's customer load. The sale of the Company's undivided interest in a commercial real estate property in Lubbock, Texas on December 31, 2004, reduced the Company's income from its limited partnership interest in TCTB for the six months ending June 30, 2005 as compared to June 30, 2004 by approximately \$428,000 (approximately \$305,000, net to the Company's interest in TCTB of 71.348%). During the six months ending June 30, 2005 the Company, through its investments in Minerals showed an increase of approximately \$21,000 in royalty income over the same period ending June 30, 2004. Additionally, the Company has been working on an appropriate method in which to compensate the Board of Directors. At the end of 2004 the Company made an accrual to compensate the Board with the issuance of restricted stock in the amount of approximately \$33,000. The Board has elected to forego the restricted stock compensation for 2004 and intends on compensating the Board with the issuance of stock options.

Revenues

For the three months ended June 30, 2005

For the three months ended June 30, 2005 the Company experienced a decline in rental revenue of approximately \$400,000 as compared to the same period ending June 30, 2004. The decline in rental revenue is the result of the sale and

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distribution of the Lubbock building on December 31, 2004. Due to W Power not being in operations during the three months ended June 30, 2004, comparative information is not available. For the three months ended June 30, 2005 as compared the three months ended March 31, 2005, retail electricity revenue increased approximately \$815,000. This increase is mainly due to W Power acquiring approximately 1,000 new meters during the middle of May 2005.

For the six months ended June 30, 2005

For the six months ended June 30, 2005 the Company experienced a decline in rental revenue of approximately \$805,000 as compared to the same period ending June 30, 2004. This decline is due to the sale and distribution of the Lubbock building on December 31, 2004. Due to W Power not being in operations during the six months ended June 30, 2004, comparative information is not available.

Operating expenses

For the three months ended June 30, 2005

Total operating expenses for the quarters ended June 30, 2005 and 2004 were \$1,924,424 and \$839,083, respectively. The increase of approximately 1,085,000 in operating expense is mainly related to W Power's purchase of wholesale electricity of approximately \$1,144,000, which is partially offset by the decrease in the rental property operations due to the sale and distribution of the Lubbock building on December 31, 2004.

W Power's cost of goods and services were \$1,143,727 or approximately 102% of retail sales for the period ending June 30, 2005. This decrease in gross profits is mainly due to rapid increases in the costs of wholesale power and ERCOT balancing energy. Balancing costs/revenues are related to the difference between the energy provided by the company through its bilateral wholesale contracts and the energy required to serve the Company's aggregate customer load, as determined by ERCOT through a multiple step settlement process. The balancing market is a real-time spot market operated by ERCOT in order to match aggregate customer load to system generation. For the quarter, W Power purchased approximately 8% of its energy volume from the balancing market. Currently, W Power plans to increase the amount of energy purchased through the balancing market due to expensive summer wholesale generation prices which, due to the current intra-day balancing market price volatility, results in significant added expense to W Power's balancing energy costs even if W Power has purchased a net of zero energy from the balancing market for a particular day or month. W Power will require both customer growth and possibly a dynamic bilateral supply agreement in order to decrease the amount of wholesale electricity purchased from the balancing market as a percentage of its total power purchases. Due to W Power not being in operations during the three months ended June 30, 2004, comparative information is not available.

Rental property operations and depreciation expense decreased approximately \$133,000 and \$6,400, respectively, for the three months ending June 30, 2005 as compared to June 30, 2004. The decrease for property operations is attributable

to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004. The decrease in depreciation expense is also attributable to the sale of the commercial real estate building in Lubbock, Texas but is partially offset

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for the three months ended June 30, 2005 by the additional depreciation associated with buildout cost incurred by TCTB during the first quarter of 2005.

For the three months ended June 30, 2005 as compared to the same period ending June 30, 2004, general and administrative costs increased approximately \$80,600. This increase is due to W Power beginning operations in January 2005 and is partially offset by the sale of the commercial real estate building in Lubbock, Texas.

For the six months ended June 30, 2005

Total operating expense for the six months ended June 30, 2005 as compared to same period ended June 30, 2004 increased approximately \$1,284,000. This increase is mainly related to W Power's purchase of wholesale electricity of approximately \$1,423,000, which is partially offset by the decrease in rental property operations due to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004.

W Power's cost of goods and services were \$1,423,375 or approximately 99% of retail electricity sales for the six months ended June 30, 2005. W Power's gross profit was approximately \$13,000 or approximately 1% of retail electricity sales for the six months ending June 30, 2005. Due to W Power not being in operations during the six months ended June 30, 2004, comparative information is not available. Due to the increase in the balancing costs/revenues that are related to the differential between the supply provided by the company through its bilateral wholesale supply and the supply required to serve the Company's customer load during the three months ended June 30, 2005, W Power experienced a decline in its gross profit of approximately 90% during the three months ended June 30, 2005.

Rental property operations and depreciation expense decreased approximately \$292,000 and \$21,000 respectively, for the six months ending June 30, 2005 as compared to six months ended June 30, 2004. The decrease for property operations is attributable to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004. The decrease in depreciation expense is also attributable to the sale of the commercial real estate building in Lubbock, Texas but is partially offset for the six months ended June 30, 2005 by the additional depreciation associated with buildout cost incurred by TCTB during the first quarter of 2005.

For the six months ended June 30, 2005 as compared to the same period ending June 30, 2004, general and administrative costs increased approximately 173,000. This increase is due to W Power beginning operations in January 2005.

Other (expense) income

For the three months ended June 30, 2005

For the three months ended June 30, 2005, the company experienced an increase of approximately \$13,000 in interest income as compared to the three months ended June 30, 2004. This increase is mainly due to the interest income the Company received on the \$2,100,000 certificated of deposit with the Wells Fargo, Bank,

N.A. This certificate of deposit is pledged by TCTB to the Bank as additional collateral for the Bank's agreement to release its lien on the commercial real

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estate building in Lubbock, Texas in order for TCTB to distribute and sell the Lubbock building on December 31, 2004.

For the three months ended June 30, 2005 and 2004 the Company incurred a net change in other expense of approximately \$28,000. This change is mainly related to the Company's Board foregoing the 2004 restricted stock compensation accrued on December 31, 2004 in the amount of approximately \$33,000. The Board intends to begin using the issuance of stock options as compensation for the Board of Directors.

For the six months ended June 30, 2005

For the six months ended June 30, 2005 as compared to the same period ended June 30, 2004, the Company experienced an increase of approximately \$21,500 in interest income. This increase is mainly due to the interest income the Company received on the \$2,100,000 certificate of deposit with Wells Fargo, Bank N.A.

For the six months ended June 30, 2005 and 2004 the Company experienced a net decrease in other income of approximately \$6,500. The decrease is mainly associated with the Company expensing all legal expenses related to the issuance of the Company's Series C Preferred Stock during the first quarter of 2005 which is partially offset with the Company's Board foregoing the 2004 restricted stock compensation accrued on December 31, 2004 in the amount of approximately \$33,000. The Board intends to begin using the issuance of stock options as compensation for the Board of Directors.

Minority interest

For the three months ended June 30, 2005

Minority interest income (expense) for the three months ended June 30, 2005 and 2004 was \$4,231 and \$(76,420), respectively, and reflects the minority interest owners of TCTB. The decrease in minority interest is related to the Company's purchase of an additional 6.485533% interest in TCTB effective January 1, 2004 and the decrease in income at TCTB due to sale of the commercial real estate building in Lubbock, Texas on December 31, 2004.

For the six months ended June 30, 2005

For the six months ended June 30, 2005 minority interest expense decreased approximately \$123,000. This decrease in minority interest expense is mainly due to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004.

Liquidity and capital resources

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

As a retail electric provider, W Power will have to focus on its credit needs

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

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

During the six months ended June 30, 2005 and 2004 net cash (used in) provided by operating activities was \$(1,228,079) and \$384,263, respectively. The net decrease of approximately \$1,612,342 used in operating activities is related to several items. During the six months ended June 30, 2005 the Company paid the balance, approximately \$286,800, of accrued interest on the nine promissory notes, certain of which are related parties, entered into by Delaware in October 2002 to purchase the original 64.9% ownership in TCTB. During the six months ended June 30, 2005 the Company incurred additional cash outlays of approximately \$634,500 for the required collateral deposits with W Power's wholesale electricity providers and ERCOT. The remaining decrease in net cash provided by operating activities is due to the operating expenses associated with W Power and a decline in net operating cash provided by the Company's limited partnership interest in TCTB due to the sale of the commercial real estate building in Lubbock, Texas on December 31, 2004.

Net cash used in investing activities was \$416,348 and \$346,144 for the six months ended June 30, 2005 and 2004, respectively. For the six months ending June 30, 2005 the Company used approximately \$424,000 on remodeling lease space for new tenants which was approximately \$394,000 more than the six months ended June 30, 2004. During the six months ending June 30, 2005 the Company did not purchase or sale any investments.

Net cash provided by (used in) financing activities was \$486,123 and \$(230,930) for the six months ended June 30, 2005 and 2004, respectively, for a net change of approximately \$717,000. During the six months ended June 30, 2005, the Company paid approximately \$1,395,000 representing one half of the outstanding principal balance on the nine promissory notes entered into by Delaware in October 2002 to purchase the original 64.9% limited interest in TCTB. Additionally, the Company received \$2,000,000 from the issuance of the Company's Series C Preferred Stock on March 1, 2005. During the six months ended June 30, 2004, minority interest distributions were \$129,905 and were related to the minority interest owners in TCTB. For the six months ended June 30, 2005, minority interest owners in TCTB did not receive a distribution.

Currently, the Company has a net operating tax loss ("NOL") carry forward in

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excess of \$29 million. This NOL is related to the Company's operations prior to the Company presenting the 2002 business plan to shareholders. Management believes the present value of this NOL is between \$2.5 and \$5 million and has been diligent in its efforts to ensure its preservation and utilization.

ITEM 3. Controls and Procedures

The Company has carried out an evaluation under the supervision of management, including the Chairman and Chief Executive Officer and the 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 June 30, 2005, except as discussed below with respect to internal control over financial reporting, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is assembled and reported to the Company's management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

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

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

None.

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

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

ITEM 3. Defaults Upon Senior Securities

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None to report.

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

On May 26, 2005, the Company held its annual meeting of shareholders. At the meeting, the following proposals were voted upon by the Company's shareholders. At the record date, March 15, 2005, there were 2,201,356 shares of common stock issued; 616,447 common equivalent of Preferred A with a voting equivalent of 333,333 common shares; 233,317 common equivalent of Preferred B with a voting equivalent of 233,317; and 440,271 common equivalent of Preferred C with a voting equivalent of 440,271. A total of 3,208,278 voting shares and 2,996,401 (93.39%) of the shares, which represents the necessary quorum, voted on the proposals.

Proposal I: To elect the following nominees as directors:

It was proposed that six members be elected at the meeting to the Board of Directors.

Proposal I	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Eric Oliver	2,982,088	99.52%	14,313	.48%
Jon M. Morgan	2,982,088	99.52%	14,313	.48%
Bruce E. Edgington	2,982,088	99.52%	14,313	.48%
Earl E. Gjelde	2,982,088	99.52%	14,313	.48%
Donald M. Blake Jr.	2,982,088	99.52%	14,313	.48%
G. Randy Nicholson	2,982,088	99.52%	14,313	.48%

Proposal II: Approval of the issuance and sale of the Series C Preferred Stock and Common Stock Warrants by the Company and the potential issuance of shares or common stock upon conversion or exercise of such securities.

	Total Voting Shares	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Proposal II	1,453,254	1,436,519	98.85%	14,333	.99%

Proposal III: Amendment to the Certificate of Incorporation effecting the

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Certificate of Designation of Series and Determination of Rights and Preferences of the Series A Preferred Stock of Amen Properties, Inc.

	Total Voting Shares	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Proposal III	3,208,278	1,874,973	58.44%	15,436	.48%

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Proposal IV: Amendment to the Certificate of Incorporation effecting the Certificate of Designation of Series and Determination of rights and Preferences of the Series B Convertible Preferred Stock of Amen Properties, Inc.

	Total Voting Shares	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Proposal IV	3,208,278	1,874,448	58.43%	16,061	.5%

ITEM 5. Other Information

None to report.

ITEM 6. Exhibits

(a) EXHIBITS:

Exhibit Number	Description
3.1	Certificate of Designation of Series and Determination of Rights and Preferences of Series C Convertible Preferred Stock of Amen Properties, Inc. (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
4.1	Form of Warrant Certificate dated March 1, 2005 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on

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March 4, 2005).

- 10.1 Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
- 10.2 Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
- 10.3 Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005)
- 10.4 Loan Agreement Between Amen Properties, Inc. and Western National Bank (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).

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- 10.5 Western National Bank Revolving Line of Credit Note (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
- 11 Computation of Earnings Per Share
- 31.1 Certification of Chief Executive Officer.
- 31.2 Certification of Chief Financial Officer.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 USC ss. 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USC ss. 1350.
- 99.1 Press release Second Quarter 2005 Form 10-QSB

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SIGNATURES

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

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AMEN Properties, Inc.

August 12, 2005

By:/s/ Eric Oliver

Eric Oliver
Chairman and Chief Executive Officer

August 12, 2005

By:/s/ John M. James

John M. James
Chief Financial Officer and Secretary

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INDEX TO EXHIBITS

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4.1	Form of Warrant Certificate dated March 1, 2005 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2005).
10.1	Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
10.2	Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder) (Incorporated by reference to the Company's Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2005).
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