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AMEN PROPERTIES INC
Form 8-K/A
August 08, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

May 25, 2006

Date of Earliest Reported Event

AMEN Properties, Inc.

(Exact name of registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation)

000-22847

(Commission File Number)

54-1831588

(IRS Employer Identification No.)

2300 W. Wall Street, Suite 2300
Midland, Texas 79701

(Address of principal executive offices) (Zip Code)

(432) 684-3821

(Registrant's telephone number, including area code)

NA

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

Written communications pursuant to Rule 425 under Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-d(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01. Entry Into a Material Definitive Agreement.

In connection with the completion of the acquisition described in Item 2.01 below, the registrant's newly acquired subsidiary, Priority Power Management Ltd., has entered into the following employment agreements:

- o Employment and Non-Competition Agreement between Priority Power Management Ltd. and John J. Bick dated as of June 1, 2006, which provides for the employment of Mr. Bick for three years with successive one-year extensions thereafter unless terminated by either party. The agreement provides for an annual base salary of \$140,000 and other benefits including reimbursement of expenses, insurance, vacation time, an annual bonus based upon performance criteria to be set each year, and other benefits generally provided by the employer. The agreement contains a non-compete provision which restricts certain activities by the employee during the term of the agreement and for a period of three years after termination of the agreement, and the employee is required to maintain the confidentiality of the employer's confidential information. The employment will be terminated upon the employee's death and may be terminated by the employer upon disability of the employee, for cause or other than for cause, or by the employee for good reason upon 30 days notice or for any other reason upon 90 days notice. The employee is not entitled to any severance benefits unless the employment is terminated by the employer other than for cause, in which case the company will either release the employee from the non-compete provisions or continue to pay the employee his then-current base salary until expiration of the term of the agreement.
- o Employment Agreement between Priority Power Management Ltd. and Pdraig Ennis dated May 24, 2006 to be effective as of June 1, 2006, which provides for the employment of Mr. Ennis for three years unless terminated by either party. The agreement provides for an annual base salary of \$140,000 and other benefits including reimbursement of expenses, insurance, vacation time, and other benefits generally provided by the employer. The agreement also provides for a one time bonus of \$50,000 in connection with the consummation of the transaction described in Item 2.01 below, and an annual bonus related to the net income of Priority Power (as defined below), but not less than \$30,000 per year. The agreement provides that for a period of 18 months after termination of the agreement by the employer for cause the employee will not solicit any person with whom the employer does business, interfere in any relationship of the employer or disparage the employer. The employment will be terminated upon the employee's death or permanent disability of the employee and may be terminated by the employer for cause or other than for cause, or by the employee for good reason. The employee is not entitled to any severance benefits unless the employment is terminated by the employer other than for cause or by the employee for good reason, in which case the employee will be entitled to severance equal to one year of the employee's base salary, payable either in a lump sum or semi-monthly payments at the discretion of the employer.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On May 25, 2006, Amen Properties, Inc. (the "Company") completed its acquisition of all of the outstanding partnership interests in Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. (collectively, "Priority Power")

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pursuant to a Securities Purchase Agreement by and between the Company and its subsidiary, NEMA Properties LLC ("NEMA"), and the partners of Priority Power dated May 18, 2006 (the "Purchase Agreement"). Priority Power is in the business of providing energy management consulting services, and the Company believes that Priority Power's business is complimentary to the retail electricity

provider business conducted by the Company's subsidiary, W Power and Light, LP ("W Power"). The total purchase price was \$3,730,051.14, comprised of (i) \$500,000 in cash, and (ii) promissory notes with the aggregate principal amount of \$3,230,051.14 from the Company and NEMA and payable to the sellers, which accrue interest at the annual rate of 7.75% and are payable in equal quarterly installments of principal and accrued interest beginning at the end of the first full quarter after closing of the transaction and maturing on December 31, 2013. The cash portion of the purchase price was paid by the Company and NEMA from available cash, and no financing was utilized. The purchase price was determined based upon an appraisal of Priority Power and interim operating results of Priority Power.

There are several business relationships among Priority Power, its partners, the Company and its subsidiaries, and their respective affiliates. The Company's retail electricity provider subsidiary, W Power, has contractual relationships with Priority Power with respect to providing electricity to less than 0.2% of Priority Power's clients and the Company believes W Power will not provide energy to any Priority Power clients in the future. Additionally certain of the partners of Priority Power are customers of W Power. Listed in Schedule 4.21 of the Purchase Agreement are certain of the partners of Priority Power who are customers of Priority Power, none of which are considered significant customers. In addition, certain of the partners of Priority Power are also five percent or more stockholders of the Company or affiliates of stockholders of the Company, including an affiliate of Jon M. Morgan, the President and Chief Operating Officer of the Company, and Eric L. Oliver, the Chairman of the Board of Directors and the Chief Executive Officer of the Company. Jon M. Morgan is a fifty percent owner of Anthem Oil and Gas, Inc which is a limited partner of Priority Power. Mr. Morgan also owns an interest in the general partner of Priority Power Management, Ltd. Eric L. Oliver owns a thirty-seven and a half percent interest in a limited partner of Priority Power, Oakdale Ventures, Ltd. The full names of all of the sellers under the Purchase Agreement are set forth in the copy of the Purchase Agreement filed as an Exhibit to the Company's Form 8-K Current Report filed May 24, 2006.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

| | |
|---|---------|
| Priority Power Management, Ltd Consolidated Financial Statements for the Years Ended December 31, 2005 and 2004 | Page 5 |
| Priority Power Management, Ltd Consolidated Financial Statements for the Three Months Ended March 31, 2006 and 2005 | Page 18 |

(b) Pro Forma Financial Information.

The following pro forma financial statements of the Registrant are submitted at the end of this Current Report on Form 8-K and are filed

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herewith and incorporated herein by reference:

| | |
|---|----|
| Summary of Unaudited Pro Forma Financial Statements | 27 |
| Pro Forma Balance Sheet as of March 31, 2006 | 28 |
| Pro Forma Statement of Operations for the three months ended March 31, 2006 | 29 |
| Pro Forma Statement of Operations for the year ended December 31, 2005 | 30 |

(c) Exhibits.

| Title ----- | Exhibit No. ----- |
|---|----------------------|
| Employment Agreement between Priority Power Management, Ltd and John Bick | 10.1 |
| Employment Agreement between Priority Power Management, Ltd and Padraig Ennis | 10.2 |
| Securities Purchase Agreement among Amen Properties, Inc. and NEMA Properties, LLC, Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. and their respective partners dated as of May 18, 2006 (including the forms of promissory note and assignment delivered at closing), incorporated by reference to the Company's Form 8-K Current Reported filed on May 24, 2006. | 10.3 |
| Press release regarding the Company's completion of acquisition of Priority Power Management. | 99.1 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AMEN PROPERTIES, INC.
(Registrant)

By: /s/ Eric Oliver

Date: July 15, 2006

Eric Oliver
Chairman of the Board of Directors
and Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

PRIORITY POWER MANAGEMENT, LTD.

DECEMBER 31, 2005 and 2004

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Report of Independent Certified Public Accountants

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To the Partners of
Priority Power Management, Ltd.

We have audited the consolidated balance sheets of Priority Power Management, Ltd. (the "Partnership"), as of December 31, 2005 and 2004, and the related consolidated statements of income, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes 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 Partnership'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 consolidated position of Priority Power Management, Ltd., as of December 31, 2005 and 2004, 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., CPA's PC

Midland, Texas
April 25, 2006

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Priority Power Management, Ltd.

CONSOLIDATED BALANCE SHEETS

December 31, 2005 and 2004

ASSETS

| | 2005 | 2004 |
|------------------------------------|------------|---------|
| | ----- | ----- |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 2) | \$ 614,996 | 600,917 |
| Accounts receivable | 402,771 | 311,237 |
| Prepaid assets | 2,153 | 633 |

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| | | |
|---------------------------------|-------------|---------|
| Total current assets | 1,019,920 | 912,787 |
| Property and equipment (Note 3) | 57,123 | 27,124 |
| Contract rights (Note 4) | 66,541 | - |
| Total assets | \$1,143,584 | 939,911 |

LIABILITIES AND PARTNERS' CAPITAL

| | | |
|---|-------------|---------|
| CURRENT LIABILITIES | | |
| Accounts payable, trade | \$ 66,359 | 7,526 |
| Accounts payable, related party | 18,927 | 12,470 |
| Accrued liabilities | 391,607 | 180 |
| Deferred revenue | 22,175 | - |
| Total current liabilities | 499,068 | 20,176 |
| Minority interest (Note 2) | 81,640 | - |
| Commitments and contingencies (Note 8) | - | - |
| Partners' capital | 562,876 | 919,735 |
| Total liabilities and partners' capital | \$1,143,584 | 939,911 |

The accompanying notes are an integral part of these consolidated financial statements.

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Priority Power Management, Ltd.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2005 and 2004

| | | |
|----------------------------|-------------|-----------|
| | 2005 | 2004 |
| Revenues: | | |
| Management consulting fees | \$1,878,805 | 1,009,852 |
| Costs and expenses: | | |
| General and administrative | 871,347 | 657,533 |
| Cost of services | 115,444 | - |
| Depreciation | 95,521 | 8,296 |
| Total costs and expenses | 1,082,312 | 665,829 |

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| | | |
|--|------------|---------|
| Operating income | 796,493 | 344,023 |
| Other income (expense): | | |
| Interest income | 17,566 | 8,062 |
| Settlement expense (Note 8) | (391,327) | - |
| Impairment of contract rights (note 4) | (66,514) | - |
| Other | 333 | 5,442 |
| Total other (expense) income, net | (439,942) | 13,504 |
| Total income before minority interest | 356,551 | 357,527 |
| Minority interest (Note 2) | (81,640) | - |
| Net income | \$ 274,911 | 357,527 |

The accompanying notes are an integral part of these consolidated financial statements.

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Priority Power Management, Ltd.

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

Years Ended December 31, 2005 and 2004

| | General Partners | Limited Partners |
|--|---------------------|---------------------|
| Balance, January 1, 2004 | \$ 5,623 | 556,585 |
| Net income | 3,575 | 353,952 |
| Balance, December 31, 2004 | 9,198 | 910,537 |
| Contributions | - | 1,400 |
| Distributions | - | (140,000) |
| Acquisition of limited partners' interest (Note 5) | - | (493,170) |
| Net income | 2,749 | 272,162 |
| Balance, December 31, 2005 | \$ 11,947 | 550,929 |

The accompanying notes are an integral part of these consolidated financial statements.

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Priority Power Management, Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

| | 2005 | 2004 |
|--|------------|----------|
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash flows from operating activities: | | |
| Net income | \$ 274,911 | 357,527 |
| Adjustments to reconcile net income to net cash | | |
| Provided by operating activities: | | |
| Depreciation | 12,070 | 8,296 |
| Amortization of contract rights | 83,451 | - |
| Impairment of contract rights | 66,514 | - |
| Settlement expense | 391,327 | - |
| Minority interest | 81,640 | - |
| Change in assets and liabilities: | | |
| Increase in accounts receivable | (91,534) | (92,260) |
| Increase in prepaid assets | (1,520) | (91) |
| Increase (decrease) in accounts payable | 65,290 | (11,620) |
| Increase (decrease) in accrued liabilities | 100 | (3,819) |
| Increase in deferred revenue | 22,175 | - |
| | ----- | ----- |
| Net cash provided by operating activities | 904,424 | 258,033 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (42,069) | (11,747) |
| Purchase of contract rights | (216,506) | - |
| | ----- | ----- |
| Net cash used in investing activities | (258,575) | (11,747) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Partner distributions | (140,000) | - |
| Partner contributions | 1,400 | - |
| Acquisition of limited partner interest | (493,170) | - |
| | ----- | ----- |
| Net cash used in financing activities | (631,770) | - |
| | ----- | ----- |
| Net increase in cash and cash equivalents | 14,079 | 246,286 |
| Cash and cash equivalents at beginning of year | 600,917 | 354,631 |
| | ----- | ----- |
| Cash and cash equivalents at end of year | \$ 614,996 | 600,917 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial

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statements.

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Priority Power Management, Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Priority Power Management, Ltd. (the "Partnership") was organized January 29, 2001, as a Texas limited partnership. The Partnership is primarily involved in aggregating electric consumers and negotiates power prices on their behalf with retail electric providers (REPs) for which the Partnership earns monthly aggregation fees (ranging from \$.0008-\$.004 per KWH to fixed fees) based on the aggregated customers' monthly electric usage.

The Partnership's general partner is Priority Power Management I, L.L.C.

The Partnership is owned 99% by the limited partner and 1% by the general partner.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

Priority Power Management Dallas, Ltd. ("PPM-Dallas"), a related partnership engaged in the same business as the Partnership, was organized September 5, 2003, as a Texas limited partnership. In connection with PPM-Dallas' formation, on September 5, 2003, the Partnership advanced significant operating funds to PPM-Dallas through a \$500,000 revolving line of credit agreement, payable with interest at 14%, and due September 2005 (subsequently extended to March 3, 2006). In connection with the credit agreement, the Partnership received warrants to purchase interest up to 75% of general partner and up to 75% of limited partner interest at a price of \$100 per interest. See Note 9 for the Partnership's exercise of the warrants on January 30, 2006.

The Partnership performed an evaluation of its credit and warrant agreements with PPM-Dallas to determine if the associated entity constitutes a Variable Interest Entity, or VIE, as defined under Interpretations 46 and 46R, "Consolidation of Variable Interest Entities," or FIN 46 and 46R, respectively. In general, a VIE is an entity that has (i) an insufficient amount of equity for the entity to carry on its principal operations, without additional subordinated financial support from other parties, (ii) a group of equity owners that are unable to make decisions about the entity's activities, or (iii) equity that does not absorb the entity's losses or receive the benefits of the entity. If any one of these characteristics is present, the entity is subject to FIN 46R's variable interests consolidation model.

Based upon the Partnership's interpretation of FIN 46 and 46(R), the Partnership believes PPM-Dallas should be consolidated with the Partnership due to an insufficient amount of equity for the entity to carry on its principal operations without the additional financial support of the Partnership.

The consolidated financial statements include all the accounts of the Partnership and PPM-Dallas. All significant intercompany accounts and

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transactions have been eliminated in consolidation.

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Priority Power Management, Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Partnership considers highly liquid debt instruments which have an original maturity of three months or less to be cash equivalents.

A portion of the Partnership's cash and cash equivalents are maintained in financial institutions located in the Partnership's area of operations in amounts that, from time to time, exceed federally insured limits. The Partnership has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk.

Accounts Receivable

Management regularly reviews accounts receivable and allowance for doubtful accounts. This allowance is established on a customer specific basis and is based upon the period of time an amount is past due and the financial condition of the obligor, as well as other factors.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The useful lives of equipment and other property are 3 to 10 years.

When assets are disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss is recognized in operations. The cost of maintenance and repairs is recognized as incurred, whereas significant renewals or betterments are capitalized.

Impairment of Long-Lived Assets

The Partnership periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles and whenever events or changes in circumstances 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

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consolidated 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.

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Priority Power Management, Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

No provision for income taxes is made in the Partnership's financial statements because the taxable income or loss of the Partnership is includable in the income tax returns of the individual partners.

Minority Interest

The Partnership allocates net losses of PPM-Dallas to minority interest to the extent of the carrying amount of the minority interest with any excess absorbed by the Partnership. The Partnership allocates net earnings of PPM-Dallas to minority interest after recovery of any excess losses absorbed. The following is a summary of PPM-Dallas' minority interest (deficit) activity for the years ended December 31:

| | 2005 | 2004 |
|---|--------------|-----------|
| | ----- | ----- |
| PPM-Dallas partners' equity: | | |
| Balance, beginning or year | \$ (191,138) | (12,584) |
| Net earnings (loss) | 272,778 | (178,554) |
| | ----- | ----- |
| Balance, end of year | \$ 81,640 | (191,138) |
| | ===== | ===== |
| Minority interest in earnings (loss): | | |
| Net earnings (loss) | \$ 272,778 | (178,554) |
| (Earnings) loss absorbed (recouped) by Partnership | (191,138) | 178,554 |
| | ----- | ----- |
| Minority interest in earnings | \$ 81,640 | - |
| | ===== | ===== |

Revenue Recognition

The Partnership's aggregation fee revenue is recognized when the underlying electricity consumption has occurred.

Deferred revenues relate to unearned prepaid aggregation fees.

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Consulting and service income and related cost are recognized as the work is performed.

LAAR (Load acting as a reactor) revenue is the Partnership's share of fees derived from agreements between certain electric customers and the REPs whereby the customers have consented to reduce their electric power usage during certain time for benefit of the REP. In exchange, the customer receives certain fees from REPs.

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Priority Power Management, Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("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 Charges and Error Corrections. This Statement replaces APB Opinion 20 and FASB Statement No. 3 and changes the requirements for the accounting 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 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 these new standards will have a material impact on its financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

The Partnership's property and equipment at December 31, are as follows:

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| | 2005 | 2004 |
|--|-----------|----------|
| | ----- | ----- |
| Office furniture | \$ 32,526 | 24,786 |
| Computer software and office equipment | 61,824 | 27,494 |
| | ----- | ----- |
| | 94,350 | 52,280 |
| Less accumulated depreciation | (37,227) | (25,156) |
| | ----- | ----- |
| | \$ 57,123 | 27,124 |
| | ===== | ===== |

Depreciation expense was \$12,070 and \$8,296 for 2005 and 2004, respectively.

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Priority Power Management, Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2005 and 2004

NOTE 4 - CONTRACT RIGHTS

On May 27, 2005, the Partnership acquired the contractual rights to certain future aggregation fees to be received through April 2009, for \$216,507. For the year ended December 31, 2005, the Partnership received aggregation fees of \$46,823 and recorded amortization expense of \$83,451. At December 31, 2005, due to the cancellation of certain customers subject to the contractual rights, management of the Partnership determined that the remaining carrying value of the contract rights was impaired by \$66,514 and thus reduced to \$66,541.

NOTE 5 - ACQUISITION OF PARTNERS' CAPITAL

On November 28 and December 9, 2005, the Partnership acquired 15,000 and 9,375 limited partnership units for \$285,000 and \$208,170, respectively. The consolidated purchase price of \$493,170 was recorded as a reduction in limited partners' capital. At December 31, 2005, the Partnership had 100,000 limited partnership units.

NOTE 6 - RELATED PARTY TRANSACTIONS

At December 31, 2005 and 2004, the Partnership leased office space from an affiliated entity. The Partnership paid rental fees to this affiliated entity of approximately \$20,000 and \$16,700 during the years ended December 31, 2005 and 2004, respectively.

Future minimum lease annual payments under a non-cancelable operating lease for the years ending December 31 are as follows:

| | |
|------|-----------|
| 2006 | \$ 19,406 |
| 2007 | 16,171 |
| | ----- |
| | \$ 35,577 |
| | ===== |

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NOTE 7 - EMPLOYEE BENEFIT PLAN

In May 2002, the Partnership adopted a defined contribution safe harbor 401(k) plan, which covers substantially all of its eligible employees. The Partnership is required to contribute to the 401(k) plan so that its "safe harbor" status may be maintained. The Partnership made contributions of approximately \$5,200 and \$5,400 for 2005 and 2004, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

During 2005, the Partnership entered into a contract on behalf of Citation Oil and Gas for the purchase of gas and electricity. Under the terms of Citation's consulting agreement, the Partnership was only an agent for the purchase of electricity. As a result of entering into the contract for the purchase of gas, the Partnership incurred an obligation to pay Citation \$391,327.

The Partnership is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the

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disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Partnership.

NOTE 9 - SUBSEQUENT EVENT

On January 30, 2006, the general partner of the Partnership acquired 65% of the partnership of Priority Power Management Dallas, Ltd for \$13,000.

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PRIORITY POWER MANAGEMENT, Ltd.

Consolidated Financial Statements

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Three Months Ended March 31, 2006 and 2005

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PRIORITY POWER MANAGEMENT, LTD.
CONSOLIDATED BALANCE SHEETS
March 31, 2006
(Unaudited)

ASSETS

CURRENT ASSETS

| | | |
|-------------------------------------|----|---------|
| Cash and cash equivalents (note A3) | \$ | 783,152 |
| Accounts receivable (note A4) | | 427,922 |
| Prepaid assets | | 1,497 |
| | | ----- |

Total current assets 1,212,571

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| | | |
|---|-----------|--------------|
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$56,345 (note A5 and C) | 40,123 | |
| CONTRACT RIGHTS (note D) | 30,782 | |
| | ----- | |
| Total other assets | | 70,905 |
| | | ----- |
| TOTAL ASSETS | | \$ 1,283,476 |
| | | ===== |
| LIABILITIES AND PARTNERS'S CAPITAL | | |
| CURRENT LIABILITIES | | |
| Accounts payable, trade | \$ 60,197 | |
| Deferred revenue (note A9) | 73,692 | |
| Accrued liabilities (note E) | 391,965 | |
| | ----- | |
| Total current liabilities | | 525,854 |
| MINORITY INTEREST (note A8) | | 136,250 |
| PARTNERS' CAPITAL | | 621,372 |
| | | ----- |
| TOTAL LIABILITIES AND PARTNERS' CAPITAL | | \$ 1,283,476 |
| | | ===== |

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

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PRIORITY POWER MANAGEMENT, LTD.
CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended March 31,
(Unaudited)

| | 2006 | 2005 |
|----------------------------|------------|---------|
| | ----- | ----- |
| Revenues: | | |
| Management consulting fees | \$ 649,004 | 327,256 |
| | ----- | ----- |
| Total revenues | 649,004 | 327,256 |
| | ----- | ----- |
| Cost and Expenses: | | |
| General and administrative | 291,573 | 178,283 |
| Cost of Services | 51,643 | 8,975 |
| Depreciation | 19,118 | 2,518 |
| | ----- | ----- |
| Total cost and expenses | 362,334 | 189,776 |
| | ----- | ----- |
| Operating income | 286,670 | 137,480 |

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| | | |
|--|------------|---------|
| Other income (expense): | ----- | ----- |
| Interest income | 4,006 | 3,655 |
| Other | 50 | (186) |
| | ----- | ----- |
| Total other income | 4,056 | 3,469 |
| | ----- | ----- |
| Income before income taxes and minority interest | 290,726 | 140,949 |
| | ----- | ----- |
| Minority interest | (54,610) | - |
| | ----- | ----- |
| NET INCOME | \$ 236,116 | 140,949 |
| | ===== | ===== |

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

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PRIORITY POWER MANAGEMENT, LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended March 31,
(Unaudited)

| | | |
|---|------------|---------|
| | 2006 | 2005 |
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash flows from operating activities: | | |
| Net income | \$ 236,116 | 140,949 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 19,118 | 2,511 |
| Minority interest | 54,610 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (25,151) | 66,500 |
| Prepaid assets | 657 | 21 |
| Accounts payable | (25,089) | (385) |
| Accrued liabilities | 358 | 29 |
| Deferred revenue | 51,516 | |
| | ----- | ----- |
| Net cash provided by operating activities | 312,135 | 210,099 |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (2,118) | (4,740) |
| Collection of purchased contract rights | 35,759 | |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | 33,641 | (4,740) |
| | ----- | ----- |
| Cash flows from financing activities: | | |

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| | | |
|--|------------|-----------|
| Priority Power Management, Ltd Partner distributions | (180,000) | (140,000) |
| Partner Contributions | 2,380 | |
| | ----- | ----- |
| Net cash used in financing activities | (177,620) | (140,000) |
| | ----- | ----- |
| Net decrease in cash and cash equivalents | 168,156 | 65,350 |
| Cash and cash equivalents at beginning of period | 614,996 | 600,910 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$ 783,152 | 666,270 |
| | ===== | ===== |

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

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PRIORITY POWER MANAGEMENT, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

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

1. Organization

Priority Power Management, Ltd. (the "Partnership") was organized January 29, 2001, as a Texas limited partnership. The Partnership is primarily involved in aggregating electric consumers and negotiates power prices on their behalf with retail electric providers ("REPS") for which the Partnership earns monthly aggregation fees (ranging from \$.0008 - \$.004 per KWH to fixed fees) based on the aggregated customer's monthly electric usage.

The Partnership's general partner is Priority Power Management I, L.L.C.

The Partnership is owned 99% by the limited partners and 1% by the general partner.

2. Basis of Consolidation

Priority Power Management Dallas, Ltd. ("PPM-Dallas"), a related partnership engaged in the same business as the Partnership, was organized

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September 5, 2003, as a Texas limited partnership. In connection with PPM-Dallas' formation, on September 5, 2003, the Partnership advanced significant operating funds to PPM-Dallas through a \$500,000 revolving line of credit agreement, payable with interest at 14%, and due September 2005 (subsequently extended to March 3, 2006). In connection with the credit agreement, the Partnership received warrants to purchase interest up to 75% of general partner and up to 75% of limited partner interest at a price of \$100 per interest. See Note B for the Partnership's exercise of the warrants on January 30, 2006.

The Partnership performed an evaluation of Priority Power Management Dallas, Ltd. to determine if the associated entity constitutes a Variable Interest Entity, or VIE, as defined under Interpretations of 46 and 46R, "Consolidation of Variable Interest Entities," or FIN 46 and 46R, respectively. In general, a VIE is an entity that has (i) an insufficient amount of equity for the entity to carry on its principal operations, without additional subordinated financial support from other parties, (ii) a group of equity owners that are unable to make decisions about the entity's activities, or (iii) equity that does not absorb the entity's losses or receive the benefits of the entity. If any one of these characteristics is present, the entity is subject to FIN 46R's variable interests consolidation mode.

Based upon the Partnership's interpretation of FIN 46 and 46R, the Partnership believes Priority Power Management Dallas, Ltd. should be combined with Priority Power Management, Ltd. due to an insufficient amount of equity for the entity to carry on its principal operations without the additional financial support of Priority Power Management, Ltd.

The combined financial statements include all the accounts of Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. All significant inter-company accounts and transactions have been eliminated in combination.

3. Cash Equivalents

The Partnership considers highly liquid debt instruments which have an original maturity of three months or less to be cash equivalents.

A portion of the Partnership's cash and cash equivalents are maintained in financial institutions located in the Partnership's area of operations in

amounts that, from time to time, exceed federally insured limits. The Partnership has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk.

4. Accounts Receivable

Management regularly reviews accounts receivable and allowance for doubtful

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accounts. This allowance is established on a customer specific basis and is based upon the period of time an amount is past due and the financial condition of the obligor, as well as other factors.

5. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The useful lives of equipment and other property are 3 to 10 years.

When assets are disposed of, the cost and related accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss is recognized in operations. The cost of maintenance and repairs is recognized as incurred, whereas significant renewals or betterments are capitalized.

6. Impairment of Long-Lived Assets

The Partnership 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 Partnership considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairments are present, the Partnership evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and non-discounted 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.

7. Income Taxes

No provision for income taxes is made in the Partnership's financial statements because the taxable income or loss of the Partnership is includable in the income tax returns of the individual partners.

8. Minority Interest

Minority interest represents the interest of unit holders in Priority Power Management, Dallas, Ltd other than the Partnership in net earnings and net equity of Priority Power Management Dallas, Ltd.

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PRIORITY POWER MANAGEMENT, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

9. Revenue Recognition

The Partnership's aggregation fee revenue is recognized when the underlying electricity consumption has occurred.

Deferred revenues relate to unearned prepaid aggregation fees.

10. Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Recent Accounting Pronouncements

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 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.

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

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

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

NOTE B - BUSINESS COMBINATIONS

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Effective January 30, 2006, Priority Power Management, Ltd completed the acquisition of approximately 65% of the limited partnership interest in Priority Power Management, Dallas, Ltd for an aggregate consideration of approximately \$13,000.

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PRIORITY POWER MANAGEMENT, LTD.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 March 31, 2006
 (Unaudited)

The following summary compares the Partnership's operating results for the three months ended March 31, 2006 as reported, to a pro forma of those results prepared on the assumption that the purchase had taken place on January 1, 2006.

| | As Reported | Proforma |
|------------|----------------|----------|
| | ----- | ----- |
| Revenues | \$ 649,004 | 694,004 |
| | ===== | ===== |
| Net income | \$ 236,116 | 236,116 |
| | ===== | ===== |

NOTE C - PROPERTY AND EQUIPMENT

The Partnership's property and equipment at March 31, 2006 is as follows:

| | | |
|--------------------------------|----|----------|
| Computer software | \$ | 24,618 |
| Office furniture | | 32,526 |
| Office equipment | | 39,324 |
| | | ----- |
| | | 96,468 |
| Less: accumulated depreciation | | (56,345) |
| | | ----- |
| | \$ | 40,123 |

Depreciation expense for the three months ended March 31, 2006 and 2005 was \$19,118 and 2,518, respectively.

NOTE D - CONTRACT RIGHTS

On May 27, 2005 the Partnership acquired the contractual rights to certain future aggregation fees to be received through April 2009, for \$216,507. For the period ended March 31, 2006, the Partnership received aggregation fees of \$ 35,759.

NOTE E - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at March 31, 2006:

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| | | |
|-----------------------------|----|---------|
| Accrued contract obligation | \$ | 391,327 |
| Other liabilities | | 638 |
| | | ----- |
| | \$ | 391,965 |
| | | ===== |

NOTE F - RELATED PARTY TRANSACTIONS

At March 31, 2006 and 2005 the Partnership leased office space from an affiliated entity. The Partnership paid rental fees to this affiliated entity of approximately \$ 5,411 and \$3,011 for the period ended March 31, 2006 and 2005, respectively.

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PRIORITY POWER MANAGEMENT, LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2006
(Unaudited)

NOTE G - EMPLOYEE BENEFIT PLAN

In May 2002, the Partnership adopted a defined contribution safe harbor 401(k) plan, which covers substantially all of its eligible employees. The Partnership is required to contribute to the 401(k) plan so that its "safe harbor" status may be maintained. The Partnership made contributions of approximately \$1,300 for the period ended March 31, 2006 and 2005, respectively.

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AMEN Properties, Inc. and Subsidiaries
SUMMARY OF UNAUDITED
PRO FORMA FINANCIAL STATEMENTS

This unaudited pro forma information should be read in conjunction with the financial statements and notes of Amen Properties, Inc. (the "Registrant") included in its annual report filed on Form 10-KSB for the year ended December 31, 2005 and its quarterly report filed on Form 10-QSB for the period ended March 31, 2006.

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The following unaudited pro forma balance sheet as of March 31, 2006 have been prepared to give effect to the acquisition of the undivided interest in Priority Power Management, Ltd by NEMA Properties, LLC, a wholly owned subsidiary of the Registrant, as if the acquisition occurred on March 31, 2006.

The following unaudited pro forma statements of operations for the three months ended March 31, 2006 and the year ended December 31, 2005 have been prepared to give effect to the acquisition of the Priority Power Management, Ltd. by NEMA Properties, LLC as if the acquisition had occurred on January 1, 2005.

These unaudited pro forma financial statements are prepared for informational purposes only. These unaudited pro forma statements of operations are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition occurred as of January 1, 2005.

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AMEN PROPERTIES, INC.
PRO FORMA BALANCE SHEET
MARCH 31, 2006

| | Amen Properties, Inc. Consolidated Financials (a) | Priority Power Management, Ltd. Combined Financial Statements (b) | Adjus |
|--|---|---|-------|
| | ----- | ----- | ----- |
| ASSETS: | | | |
| Cash and cash equivalents | 2,005,370 | 783,152 | (|
| Accounts receivable | 858,891 | 427,922 | |
| Other current assets | 199,680 | 1,497 | |
| Restricted cash and short-term investments | 4,303,104 | - | |
| Goodwill | - | - | 2 |
| Property, plant and equipment (net of accumulated depreciation) | 8,020,510 | 40,123 | |
| Royalty interests | 133,423 | - | |
| Long-term investments | 62,350 | - | |
| Other assets | 40,498 | 30,782 | |
| | ----- | ----- | ----- |
| Total assets | 15,623,826 | 1,283,476 | 2 |
| | ===== | ===== | ===== |
| Liabilities and equity | | | |
| Current liabilities | 1,782,532 | 525,854 | |
| Long-term obligations | 7,146,890 | - | 2 |
| Minority interest | 365,868 | 136,250 | (|
| Equity | 6,328,536 | 621,372 | (|
| | ----- | ----- | ----- |
| Total liabilities and equity | 15,623,826 | 1,283,476 | 2 |

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- =====
- =====
- =====
- (a) Historical financial information has been obtained from the Registrant's quarterly report filed on Form 10-QSB for the period ended March 31, 2006.
 - (b) Reflects the Combined Balance Sheets of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd. for the period ended March 31, 2006.
 - (c) Reflects the net cash paid at closing on the purchase of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd.
 - (d) Reflects the excess cost over the sum of the amounts assigned to tangible assets, acquired liabilities and the debt assumed.
 - (e) Reflects the increase in the tangible assets to their fair market value.
 - (f) Reflects the current portion of the long-term debt assumed.
 - (g) Reflects the long-term portion of the debt assumed.
 - (h) Reflects the decrease in the minority interest as 100% of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd. was purchased.
 - (i) Reflects the partnership capital accounts of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd.

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AMEN PROPERTIES, INC.
 PRO FORMA STATEMENT OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2006

| | Amen Properties, Inc. Consolidated Financials (a) | Priority Power Management Ltd. (b) | Ad |
|--|---|--|-------|
| | ----- | ----- | ----- |
| Operating revenue: | | | |
| Rental revenue | \$ 751,605 | - | |
| Retail electricity revenue | 3,168,707 | - | |
| Management consulting fees | - | 649,004 | |
| | ----- | ----- | ----- |
| Total revenue | 3,920,312 | 649,004 | |
| | ----- | ----- | ----- |
| Operating expense: | | | |
| Cost of goods and services | 2,820,418 | 51,643 | |
| Rental property operations | 478,386 | - | |
| General and administrative | 236,692 | 291,573 | |
| Depreciation, amortization and depletion | 102,276 | 19,118 | |
| | ----- | ----- | ----- |

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| | | |
|--|------------|----------|
| Total operating expense | 3,637,772 | 362,334 |
| | | |
| Net income from operations | 282,540 | 286,670 |
| | | |
| Other income (expense): | | |
| Interest income | 49,701 | 4,006 |
| Interest expense | (140,662) | - |
| Other income (expense) | 22,945 | 50 |
| | | |
| Total other income (expense) | (68,016) | 4,056 |
| | | |
| Net income (loss) before income taxes and minority interest | 214,524 | 290,726 |
| Income taxes | - | - |
| Minority interest | (21,870) | (54,610) |
| | | |
| NET (LOSS) INCOME | \$ 192,654 | 236,116 |
| | | |
| Net income per common share - basic | \$.09 | |
| | | |
| Net income per common share - diluted | \$.05 | |
| | | |
| Weighted average number of common shares outstanding - basic | 2,206,215 | |
| | | |
| Weighted average number of common shares outstanding - diluted | 3,555,979 | |
| | | |

- (a) Historical financial information has been obtained from the Registrant's quarterly report filed on Form 10-QSB for the period ended March 31, 2006.
- (b) Reflects the combined operating results of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd. for the period ended March 31, 2006.
- (c) Reflects the inter-company rental fees for Priority Power Management, Ltd's leased office space.
- (d) Reflects the interest expense associated with the note payable to the selling partners of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd.

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| | Amen Properties, Inc. Consolidated Financials (a) | Priority Power Management Ltd. (b) | Ad |
|---|---|--|-------|
| | ----- | ----- | ----- |
| Operating revenue: | | | |
| Rental revenue | \$ 3,008,669 | - | |
| Retail electricity revenue | 7,172,223 | - | |
| Management consulting fees | - | 1,878,805 | |
| | ----- | ----- | ----- |
| Total revenue | 10,180,892 | 1,878,805 | |
| | ----- | ----- | ----- |
| Operating expense: | | | |
| Cost of goods and services | 6,923,619 | 115,444 | |
| Rental property operations | 1,941,620 | - | |
| General and administrative | 929,653 | 871,347 | |
| Depreciation, amortization and depletion | 387,669 | 95,521 | |
| | ----- | ----- | ----- |
| Total operating expense | 10,182,561 | 1,082,312 | |
| | ----- | ----- | ----- |
| Net income from operations | (1,669) | 796,493 | |
| | ----- | ----- | ----- |
| Other income (expense): | | | |
| Interest income | 71,017 | 17,566 | |
| Interest expense | (552,567) | - | |
| Impairment of note receivable | (186,555) | - | |
| Impairment of contract rights | - | (66,514) | |
| Settlement expense | - | (391,327) | |
| Other income (expense) | 56,553 | 333 | |
| | ----- | ----- | ----- |
| Total other income (expense) | (611,552) | (439,942) | |
| | ----- | ----- | ----- |
| Net income (loss) before income taxes and minority interest | (613,221) | 356,551 | |
| Income taxes | - | - | |
| Minority interest | (91,341) | (81,640) | |
| | ----- | ----- | ----- |
| NET (LOSS) INCOME | \$ (704,562) | 274,911 | |
| | ===== | ===== | ===== |
| Net income per common share - basic | \$ (.32) | | |
| | ===== | | |
| Net income per common share - diluted | \$ (.32) | | |
| | ===== | | |
| Weighted average number of common shares outstanding - basic | 2,203,073 | | |
| | ===== | | |
| Weighted average number of common shares outstanding - diluted | 2,203,073 | | |
| | ===== | | |

(a) Historical financial information has been obtained from the Registrant's annual report filed on Form 10-KSB for the year ended December 31, 2005.

(b) Reflects the combined operating results of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd. for the year ended December 31, 2005.

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- (c) Reflects the inter-company rental fees for Priority Power Management, Ltd's leased office space.
- (d) Reflects the annual interest expense associated with the note payable to the selling partners of Priority Power Management, Ltd and Priority Power Management Dallas, Ltd.