AMEN PROPERTIES INC
Form 10KSB
March 30, 2007

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

FORM 10-KSB

(Mark One)

/X/ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

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

For the transition period from __________ to __________

Commission File No. 000-22847

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

Delaware	54-1831588
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

303 West Wall St. Suite 2300 Midland, TX	79701
(Address of Principal Executive Offices)	(Zip Code)

432-684-3821
Issuer's telephone number, including area code

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

Title of each class	Name of each exchange on which registered
Common Stock $0.01 par value	The NASDAQ Stock Market, LLC

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

None
Title of each class

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. / /

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

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB /X/

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes / / No /X/

The issuer's revenues from operations for the twelve months ended December 31, 2006 were $15,056,800.

The aggregate market value of common stock held by non-affiliates, based on the closing price at which the stock was sold at February 15, 2007 was approximately $13.05 million.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes / / No / /

The total number of shares outstanding of the issuer's common stock as of February 15, 2007 was 2,290,589.

Transitional Small Business Disclosure Format (Check One): Yes _______ No __X__

Documents Incorporated by Reference

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

Portions of the Company's definitive proxy statement for its 2007 annual shareholders meeting, to be filed on or before April 30, 2007, are incorporated by reference in Part III.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Forward-Looking Statements

Certain information in this annual report on Form 10-KSB may contain "forward-looking statements" within the meaning of Section 21e of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues, cash flow or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, "forward-looking statements" can be identified by the use of terminology such as "may," "will," "expects," "believes," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the "forward-looking statements" are reasonable, we can give no assurance that such expectations or any of our "forward-looking statements" will prove to be correct, and actual results could differ materially from those projected or assumed in our "forward-looking statements." Our financial condition and results, as well as any other "forward-looking statements," are subject to inherent risks and uncertainties, including but not limited to those risk factors summarized in Item 6, "Management's Discussion and Analysis or Plan of

Operation."

Background

The Company was originally incorporated as DIDAX Inc. in January 1997 and through the end of December 31, 2002 operated under the name Crosswalk.com, Inc. and consisted primarily of the operation of crosswalk.com(TM) and a direct mail advertising service. During the last quarter of 2002, the Company sold substantially all of the assets used, required, useful, or otherwise relating to the operations of both businesses. The Company then changed its name to Amen Properties, Inc. (hereinafter referred to as "AMEN" or "the Company") effective February 3, 2003. Following shareholder approval of a new business plan in 2002, the Company initially acquired an approximate 64.86% limited partnership interest in TCTB Partnership Partners, Ltd. ("TCTB") and in early 2004 the Company acquired an additional 6.485533% interest in TCTB giving the Company a total of 71.348013% limited partnership interest in TCTB. Effective September 27, 2006, the Company entered into an agreement to distribute assets with and among the partners of TCTB and contemporaneous with the distribution of the properties, the Company along with the General Partner and the other limited Partners of TCTB collectively agreed to sell and sold 75% of their undivided interest in the Properties. The Company continues to have significant involvement in the operations of the properties and currently has a remaining ownership interest of 18.017% in the properties. In July of 2004, the Company funded its newly created wholly owned subsidiary, W Power and Light, L.P. ("W Power"). The creation of W Power has allowed the Company to enter a new market

created when the Texas legislature adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in the State of Texas. On May 18, 2006, the Company completed the acquisition of Priority Power Management, Ltd. and Priority Power Dallas, Ltd. effective April 1, 2006. Priority Power Management, Ltd and Priority Power Dallas Ltd.'s primary business involves retail electricity demand aggregation in Texas, and energy management and consulting in 22 states inluding Texas, California, Illinois, New York, and New Jersey.

Under the 2002 business plan, we have attempted to grow our business through selective acquisitions of cash-generating assets in three distinct arenas that have historically generated large amounts of ordinary income - commercial real estate in secondary stagnant markets, commercial real estate in out of favor growth markets and oil and gas royalties. While we have focused on these areas, we have also considered and evaluated opportunities to acquire other properties and businesses that have a consistent and stable cash flow history. During 2004 we extended the 2002 business plan to include our new electricity retail business, W Power, and our intent is to accumulate these assets to generate income and create shareholder value. During 2006, through the acquisition of Priority Power Management, Ltd and Priority Power Mangement Dallas, Ltd., the Company was able to obtain a complimentary business to our entry into the retail electricity markets through W Power and obtain a wholly owned subsidiary with a history of stable cash flow.

In initiating the 2002 business plan the Company, in October 2002, formed NEMA Properties LLC ("NEMA"), a Nevada limited liability company 100% owned by AMEN; AMEN Delaware LP ("Delaware"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner; and AMEN Minerals LP ("Minerals"), a Delaware limited partnership, owned 99% by NEMA as the sole limited partner and 1% by AMEN, as the sole general partner. On July 30, 2004, the Company formed W Power and Light LP ("W Power"), a Delaware limited partnership owned 99% by NEMA as the sole limited partner and 1% by

AMEN, as the sole general partner. On May 18, 2006, the Company acquired 100% of Priority Power Management, Ltd. and Priority Power Management Dallas, Ltd. (collectively "Priority Power") effective April 1, 2006. Priority Power is owned 1% by AMEN, as the sole general partner, and 99% by NEMA, as the sole limited Partner. It is the Company's intent for Delaware to own all our real estate assets, for Minerals to own our oil and gas royalty investments, W Power to hold our retail electricity provider services, and Priority Power to hold our electricity and natural gas consulting, aggregation, and management services assets. As used herein, the terms "Company" and "AMEN" and references to "we" and "our" refer to all of AMEN Properties, Inc., NEMA, Delaware, Minerals, and W Power and Priority Power unless the context otherwise requires.

The Company makes available, free of charge, its Annual Report on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file or furnish them to the Securities and Exchange Commission (the "SEC"). These reports may also be obtained directly from the SEC via an Internet site (http://www.sec.gov) and at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The Company will also provide to any person, free of charge, a copy of the Company's Code of Business Conduct and Ethics upon request made to the Company at 303 West Wall St., Suite 2300, Midland, Texas 79701, attn: Mr. Kris Oliver.

Status of Business Plan

The Company implemented the 2002 business plan in October 2002 by acquiring an approximate 64.9% limited partnership interest in TCTB. Effective January 1, 2004, the Company acquired an additional 6.485533% limited partnership interest in TCTB giving the Company a total of 71.348013% limited partnership interest in TCTB. Effective September 27, 2006, the Company entered into an agreement to distribute assets with and among the partners of TCTB. The assets consisted of two secondary office market properties in Midland, Texas. Collectively referred to as "the Properties" (See Item 2 below for further description of the Properties). Contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other limited Partners of TCTB collectively agreed to sell and sold 75% of their undivided interest in the Properties. The Company continues to have significant involvement in the operations of the Properties and currently has a remaining ownership interest of 18.017% in the Properties. TCTB continues to hold record title to the undivided 25% interest in the Properties beneficially owned by the Partners of TCTB ("Selling Partners"), including the Company's 18.017% ownership, which was not included in the sale to the Buyers. After the sale, TCTB, the Selling and the Buyers, as all of the owners of the Properties, entered into a Management Agreement with TCTB Management Group, LLC ("Management") dated September 29, 2006 relating to the management of the Properties. The Management Agreement is effective until August 31, 2007 unless earlier terminated in accordance with its terms. The owners of Management are the Selling Partners (including the Company) and the Buyers in the same percentages as their proportionate ownership of the Properties. Mr. Jon Morgan, President and CEO of the Company, is the managing member of Management.

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In July of 2004, the Company funded its newly created wholly owned subsidiary, W Power. It should be noted that the formation and funding of W Power signified an expansion from the Company's prior business focus. This change of focus contains significantly more risk than the incremental asset based model we were pursuing that resulted in limited opportunities. Though the Company may consider opportunities to acquire cash flow generating assets, the Company is currently focusing its efforts on the retail electricity market in Texas through W Power as a Retail Electric Provider ("REP") to compete in the Texas market. The creation of W Power has allowed the Company to enter a new market created when the Texas legislature adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in Texas. In September 2004, the Public Utility Commission of Texas ("PUCT") awarded W Power a license to begin commercial REP operations in Texas and in November 2004 W Power received its certification from the Electric Reliability Council of Texas ("ERCOT"). As a REP, W Power sells electricity and provides the related billing, customer service, collection and remittance services to residential, commercial, and industrial customers. W Power offers its customers low electricity rates, flexible payment and pricing choices, simple terms and responsive customer service. The Texas regulatory structure and legislation permits independent REPs (companies unaffiliated with an incumbent utility in a particualar geographic area), such as W Power, to procure and sell electricity at unregulated prices and pay the local transmission and distribution utilities a regulated tariff rate for delivering electricity to the customers. Though we have not abandoned the 2002 business model, our focus is to support W Power for the immediate future.

The Company's newly acquired subsidiary, Priority Power, has current or previous business activities in 22 states including Texas. These activities include but are not limited to electricity load aggregation, natural gas and electricity procurement, energy risk management, and energy consulting in both regulated and deregulated domestic markets. It should be noted that while Priority Power is complimentary to the Company's movement into the deregulated retail electricity market in Texas through W Power and leverages the significant market expertise existing elsewhere in the Company, it also signifies an expansion in our business focus which entails significantly more risk than the original 2002 Business Plan.

In July of 2006, Priority Power launched commercial operations of ChooseEnergy.com--an online internet marketplace for residential and small commercial electricity consumers whereby they can compare a number of REP's and choose the provider that best meets their needs. During 2006, approximately 2,000 residential and 80 commercial customers used ChooseEnergy.com to select a new retail electricity provider.

Management continues to assess opportunities to add value for our shareholders whether under the 2002 business plan or extension of the principles of that plan. We are committed to remaining patient with the development of W Power. W Power's performance will depend on its ability to attract and maintain a strong customer base, manage overhead costs, implement efficient controls and procedures, and have sufficient collateral to meet its credit requirements made by its generators, power marketers, ERCOT, and other electricity providers. We believe that W Power is positioned to meet these requirements and is capable of strong growth in the future, subject to the inherent risks and limitations associated with a new REP company.

During the period in which the Company operated under the name Crosswalk.com, the Company generated a net operating loss ("NOL") in excess of $30 million. In an attempt to preserve the tax benefits of this NOL we operate in a restrictive paradigm that does not allow access to traditional equity sources. Our intention is to preserve our NOL, but certain issues outside our control may occur which could jeopardize this position. If an opportunity that would require an expansion of our equity base presents itself, we would welcome sacrificing our NOL if the value added exceeded the present value we have assigned to the NOL. If our capital does become limited, we intend to make acquisitions through limited partnerships in a structure whereby AMEN would be the general partner/manager, while property asset specific equity providers would be the limited partners. However, we do not currently have any agreements or arrangements relating to such financing and no assurances can be made that such financing will be available on terms acceptable to us.

Impact of Government Regulation and Environmental Laws

In relation to the Company entering the retail electricity market in Texas, the State of Texas began deregulation of the wholesale electricity market in 1995 with Senate Bill 373. This enabled independent power generators to establish operations in Texas alongside those of the regulated utilities and gain access to the transmission capabilities of the electricity power grid. This foundation, coupled with the passing of Senate Bill 7 in 1999, has enabled an integrated marketplace linking generators, energy delivery companies, retail electric providers, and an independent grid operator, ERCOT, to offer choices to end-use electricity customers. There are currently five major markets open to competition as defined by ERCOT based on service areas in Texas covered by formerly integrated utilities.

Effective January 1, 2002, retail customers of independent operating utilities in the ERCOT region of Texas were allowed to choose a REP. A REP serves end-use customers by purchasing its electricity from competing power producers in the wholesale market, receiving delivery services from the regulated transmission and distribution service providers (formerly the integrated utilities) and performing basic customer service functions including billing, collections and handling customer service requests.

As part of the Texas Senate Bill 7, the formerly integrated utilities were essentially split apart into three businesses: 1) unregulated wholesale businesses for power generation, 2) regulated transmission and distribution service providers ("TDSPs") and 3) unregulated REPs. The REPs that were formed by the formerly integrated utilities are referred to as "Affiliated REPs". These Affiliated REPs are subject to restrictions on their ability to compete on price in their own markets (the areas previously serviced by the integrated utility) to foster competition through price discounts from competitors. The two largest Affiliated REPs in Texas are TXU Energy and Reliant Energy, serving Dallas/Fort Worth and Houston areas, respectively. The other Affiliated REPs include First Choice an affiliate of Texas New Mexico Power, American Electric Power/Central Power and Light, and American Electric Power/West Texas Utilities.

Effective January 1, 2002, all customers previously with the integrated utility, whose annual electricity demand was under a megawatt (most small commercial and residential customers), were transferred to Affiliated REPs to be served on a month-to-month rate, known as the "Price-To-Beat" until such time that these customers choose to be served by an independent REP. The "Price-To-Beat" rate, set by the PUCT, was to serve as the benchmark, allowing independent REPs such as W Power the flexibility to set their own prices to customers in each market.

The "Price-To-Beat" rule requires the Affiliated REPs to charge a regulated, fixed rate in their respective incumbent markets until certain conditions are met. For small commercial consumers, Affiliated REPs were required to only charge the "Price-To-Beat" rate until either 40% of the load in their incumbent market has been lost to other REPs or until January 1, 2005. All of the affiliated REPs met the 40% threshold for small commercial consumers prior to January 1, 2005. For both small commercial consumers and residential consumers, Affiliated REPs are restricted from charging a rate that is higher than the "Price-To-Beat" in their incumbent market until after January 1, 2007, without the approval of the PUCT.

Three critical elements that we believe are essential to have a successful retail electricity market are present in Texas. First, the wholesale energy market is competitive, thereby enabling retailers to purchase supply at competitive prices using bilateral agreements. Second, a common framework for operating throughout Texas has been established to enable retailers to effectuate switching, billing, service orders and other necessary transactions with ERCOT (as a clearinghouse) and with the transmission and distribution service providers. Third, a regulatory framework has been established that encourages competition by enabling the Affiliated REP to adjust the "Price-To-Beat" based on the movement in natural gas or purchased power prices. This unique "Price-To-Beat" mechanism ensures that the retail margins in the market can be preserved if commodity costs increase.

With regard to investments in oil and gas royalties, the production, transportation and sale of natural gas from underlying properties are subject to federal and state governmental regulation, including regulation and tariffs charged by pipelines, taxes, the prevention of waste, the conservation of gas, pollution controls and various other matters. The Federal Government and each state have governmental power to impose measures that could increase the cost of oil and gas properties. The Federal Energy Regulatory Commission ("FERC") has jurisdiction with respect to various aspects of gas operations including the marketing and production of gas. The Natural Gas Act and the Natural Gas Policy Act (collectively, the "Acts") mandate federal regulation of the interstate transportation of gas. Numerous concerns regarding the interpretation and implementation of several provisions of the Acts have led to lawsuits and administrative proceedings to challenge the validity of the Acts. The FERC is also considering various policies and proposals that may affect the marketing of gas under new and existing contracts. Accordingly, we are unable to predict the impact of any such governmental regulation.

In the past, Congress has been very active in the area of gas regulation. Due to legislative action, previously applicable incremental pricing requirements and gas use restraints have been repealed. However, it is not feasible to predict with certainty, what proposals, if any, might actually be enacted by Congress or other legislative bodies and what effect, if any, such proposals might have on the oil and gas properties that may be considered for acquisition.

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. Specific asbestos remediation took place in the Bank of America Tower (as defined herein) prior to the Company's ownership. Environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties.

In addition, under the Americans with Disabilities Act ("ADA"), all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe that the Properties comply in all material respects with these physical requirements or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided, a determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. Any required modifications to comply with the ADA would most likely result in unplanned cash expenditures that could impact our ability to meet our financial objectives.

Operations

Our management consists of Jon Morgan, Chief Executive Officer, Kevin Yung, Chief Operating Officer, and (effective March 7, 2007) Kris Oliver, Chief Financial Officer and Corporate Secretary. Currently, Kris Oliver is the brother of the Company's former Chief Executive Officer (who resigned effective March 7, 2007) and current Chairman of the Board, Eric Oliver. Kris Oliver is replacing the Company's former Chief Financial Officer (who resigned June 1, 2006) and current Interim Chief Financial Officer, John James. Currently, Kris Oliver is the only full time employee at the corporate level of AMEN Properties, Inc. TCTB has five full time employees who assist in the day-to-day operations of the Properties. W Power currently has four full time and 4 part-time employees, and Priority Power has 8 full time and 4 part-time employees.

W Power provides electricity and energy services to retail and wholesale customers in the State of Texas. W Power provides energy products and services to approximately 2,000 retail electricity customers ranging from residential and small business customers to large commercial, industrial and governmental/institutional customers. During 2006, W Power delivered approximately 78,690 Megawatt Hours ("MWhrs") of electricity to its retail customers, and 34,192 MWhrs of electricity to its un-affiliated wholesale customers. Our business operations consist primarily of providing retail electricity to retail customers and providing wholesale energy as a qualified scheduling entity ("QSE") or power marketer to competitive retail electricity providers.

Priority Power provides electricity aggregation services in Texas, and either is or has performed electricity and natural gas procurement, energy risk management, and energy consulting in an additional 21 states. Priority Power currently manages approximately 3,500,000 MWhrs of electricity and 22 bcf (billion cubic feet) of physical and financial natural gas annually for its approximately 800 customers. Additionally, ChooseEnergy.com provided retail electricity brokering services to an additional 2,000 residential and 80 commercial customers during 2006.

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The Properties are operated by TCTB Management, LLC an in-house management team which oversees all operations of both the Bank of America Tower and the Century Plaza Tower. Management currently has a team of four maintenance workers, who assist and oversee in the Properties repairs and daily maintenance. Management employs a property manager who is responsible for the accounting functions of the Properties, letting of space and corresponding with the tenants and the building maintenance crew for any tenant complaints. Due to the close proximity of the Properties to one another management has been able to utilize the in-house maintenance crew and the property manager in each of the Properties.

Retail Electricity

W Power is responsible for its customer's account initiation and termination as well as energy supply management, scheduling, billing/remittance processing, and customer service. ERCOT oversees all aspects of the Texas power grid, and all retail electric providers must be certified by ERCOT to operate in the Texas markets. ERCOT was founded in 1970 to oversee the Texas power grid and under deregulation ERCOT serves as the Independent System Operator of the power grid in Texas and enables retail providers, generators, transmission and distribution service providers, and ultimately customers, to operate in a deregulated marketplace in Texas. ERCOT is continuously performing five major processes to support the retail provider:

- Customer Registration
- Market Operations
- Power Operations
- Load Profiling, Date Acquisition and Aggregation
- Settlements, Billing and Financial Transfer

ERCOT is responsible for establishing and managing market operating procedures and protocols, and developing and managing electronic transactions by and between the power generators, the retail electric providers, and the transmission and distribution company. These transactions include customer switching and registration, meter reading, regulated tariff delivery, invoicing, and financial market settlement.

W Power performs all customer registration, switching, and termination of service directly with ERCOT, facilitated by a third-party electronic data interchange provider who insures the electronic transactions are compliant with then-current ERCOT protocols. W Power uses proprietary software developed and owned by a third-party provider to initiate ERCOT electronic transactions, capture data sent directly or indirectly by ERCOT or the delivery companies, initiate billing, track and manage receivables, and provide general customer information system functions for managerial reporting and decision making.

Our customer service function is performed internally with customer service representatives able to provide service via the telephone, fax and email. W Power performs all steps of monthly customer billing and remittance.

Wholesale Energy

W Power is a registered Power Marketer in Texas. A power marketer is an entity that owns electric energy in Texas for the purpose of selling the electric energy at wholesale prices but does not own generation, transmission, or distribution facilities and does not have a certificated service area. W Power, as a power marketer and an ERCOT QSE, acquires wholesale electric energy for resale to itself and other REPs in the Texas market. W Power buys 100% of its energy for its retail operations from its wholesale operations. W Power's wholesale energy operations group is currently selling wholesale electricity to W Power as well as one other REP. Sales to this external REP are not governed by a contractual agreement, but rather a daily transaction subject to W Power being prepaid prior to assignment of the purchased electricity.

Electricity Aggregation and Energy Management and Consulting

Priority Power is one of the largest electricity aggregators in Texas. Through its exclusive end-use customer contracts, Priority Power aggregates hundreds of customers and thousands of physical account locations and determines when to enter the market on behalf of its clients in order to procure electricity for a pre-determined period of time. Priority Power performs various levels of customer service for its clients, and interfaces directly with the retail electricity providers and transmission and distribution service providers on their behalf. Additionally, they perform electricity and natural gas supply procurement, tariff analysis, energy risk management, demand side management, and energy information services and billing audits for its clients.

Online Electricity Brokering

ChooseEnergy.com is a service owned and managed by Priority Power. Its primary business is to provide competitive electricity pricing alternatives for residential and small commercial electricity consumers. These customers typically do not desire the level of energy management and consulting that the larger Priority Power commercial and industrial customers require. ChooseEnergy.com has contracts with various retail electricity providers to whom it provides online access to post and change electricity contracts and pricing terms. End-use consumers select a retail electricity provider through the internet at the ChooseEnergy.com website. Currently, ChooseEnergy.com provides these services only in Texas. ChooseEnergy receives payment directly from the retail electricity providers upon successful registration and switching of a retail electric customer.

Marketing and Sales

W Power customers are acquired through outside sales channels of electricity aggregators and brokers, as well as referrals from existing customers and relationship marketing. These channels provide a cost-effective means of customer acquisition in the commercial and residential markets. The outside sales channels typically have an exclusive agreement with an end-use customer to assist with the selection of a REP. W Power competes aggressively to attract quality customers through these channels. W Power has made a conscious decision not to initiate a large-scale marketing plan, or develop a significant internal sales and marketing organization consistent with its controlled growth strategy.

Priority Power clients are acquired through targeted sales calls, word of mouth referrals, industry trade association endorsements, and relationship marketing.

ChooseEnergy.com uses traditional newspaper, radio, and television advertising, as well as paid internet search advertising to attract customers.

Electricity Supply

W Power is certified by ERCOT to engage in both retail and wholesale marketing activities. We serve as our own QSE which involves the procurement, scheduling, and financial settlement of energy for our retail customer portfolio. Currently, W Power anticipates purchasing power from any and all wholesale power generation companies based on competitive purchase price offerings. Scheduling and market settlements are facilitated through ERCOT, while bilateral energy purchases and payments are negotiated in the open market. W Power may enter into forward transactions for the delivery of fixed energy volumes for a specified term, and possibly, use shorter term (typically month-ahead) swaps in which W Power purchases natural gas and delivers it to an electricity producer or marketer in exchange for electricity when it believes that market conditions are appropriate. These gas-for-power swaps may reduce the working capital and collateral requirements to the benefit of W Power.

We forecast our energy demand and purchase electricity through an experienced team of in-house professionals. The energy consumption forecast for our customer portfolio is based on historical load data, anticipated weather conditions, customer acquisition and attrition rates, and ERCOT projected load profile models. We continuously monitor and update our supply positions based on our retail demand forecasts and market conditions. Our objective is to maintain a balanced supply/demand book to limit commodity price risk exposure. W Power does not plan to engage in speculative trading.

Energy Supply Management and Consulting

Priority Power is a registered aggregator in Texas. In this role, it maintains relationships with retail electric providers and natural gas marketers and producers. Priority Power negotiates price, contract terms and conditions, and service levels with energy providers on behalf of their end-use consuming clients. Through power-of-attorney clauses, Priority Power executes binding energy supply contracts for many of its aggregation clients.

Competition

For the Company's retail electric provider, W Power, the competitors broadly fall in two categories. The first category consists of the Affiliated REPs who are the incumbent suppliers to their respective "Price-To-Beat" customers (residential and small commercial) in specific geographic locations. As noted above in Item 1 under "Impact of Government Regulation and Environmental Laws", the ability for the Affiliated REPs to compete on price in their incumbent markets is dictated by specific rules. However, in all cases, the Affiliated REPs enjoy the highest levels of brand recognition and familiarity, requiring competitive REPs, including W Power, to convince customers to switch their service away from the Affiliated REPs. The Affiliated REPs include: TXU Energy, Reliant Energy, First Choice Power, WTU Retail Energy, and CPL Retail Energy. The latter two Affiliated REPs are owned by Direct Energy, a unit of Centrica PLC. Outside of their incumbent markets, these Affiliated REPs compete in the same regulatory environment as does W Power.

The second category of competitors is independent REPs and includes but is not limited to, Green Mountain Energy, Cirro Energy, Strategic Energy, Constellation Energy, Tractebel Energy Services, and Champion Energy. Some of the REPs choose to compete only in the small commercial segment, while others compete in the residential, small commercial, and industrial segments. The sizes of these REPs vary as do their approaches to the market.

While the Affiliated REPs have substantial size, substantial resources, and are adept at guiding the regulatory process in their favor, we believe that the independent REPs provide the greatest competitive threat to W Power. Retail profit margins in the Texas market have declined as wholesale prices of energy have climbed. Price competition in certain market segments has increased due to a number of new REPs, such as W Power, entering the market. In select cases we believe there are REPs selling below the prevailing market cost in order to acquire certain customers.

The Company believes its energy supply management and consulting business--Priority Power--is currently one of the largest electricity aggregators in Texas. Competitors include Lower Power Bill, PoCo Energy Group, Teague Energy Services, Cogdill Energy Consultants, Summit Energy, Power Brokers, and other registered and non-registered entities. The Company believes Priority Power is the only registered aggregator to continually use aggregation successfully for the benefit of its clients within Texas. Some of these competitors have significantly more market share than Priority Power in states outside of Texas.

The Company's commercial real estate business competes with a number of other companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space. We may be unable to promptly renew the leases or re-let this space, or the rental rates upon renewal or re-letting may be significantly lower than expected rates.

Christian Statement of Faith; the Company's Policy

Article XIII of our Bylaws provides that AMEN Properties, Inc. is a "religious corporation." Our policy is generally to include among our officers and directors unconditionally, and among our employees where a bona fide occupation qualification exists, only persons who, upon request, subscribe to the Company's Christian Statement of Faith as follows:

1. We believe that there is one God, eternally existing in three persons: the Father, the Son, and the Holy Spirit.
2. We believe that the Bible is God's written revelation to man and that it is verbally inspired, authoritative, and without error in the original manuscripts.
3. We believe in the deity of Jesus Christ, His virgin birth, sinless life, miracles, and death on the cross to provide for our redemption, bodily resurrection and ascension into heaven, present ministry of intercession for us, and His return to earth in power and glory.
4. We believe in the personality and deity of the Holy Spirit, that He performs the miracle of the new birth in an unbeliever and indwells believers, enabling them to live a godly life.
5. We believe that man was created in the image of God, but because of sin, was alienated from God. That alienation can be removed only by accepting through faith, God's gift of salvation which was made possible by Christ's death.

In order to implement the Christian Statement of Faith, we intend generally to act in accordance with the following policy, as stated in our Bylaws: "The Corporation shall:

1. Actively seek to market the services of the Corporation to those persons, entities, and agencies, which are actively involved in propagating a pattern of beliefs and actions consistent with the tenets of the Statement of Faith. Nothing herein shall be construed to prohibit marketing such services to other persons, entities, or agencies except as specifically set forth in the prohibitions or corporate action set forth below.
2. To the extent permitted by law, expend from the revenues of the Corporation such sums as are deemed prudent by the Board of Directors to support, encourage, or sustain persons or entities which in the judgment of the Board of Directors are expected to make significant efforts to propagate the Gospel of Jesus Christ in any manner not in conflict with the Statement of Faith. Such expenditures may be made without regard to the tax status or nonprofit status of the recipient. It is expected that the expenditures paid out under the provisions of this paragraph shall approximate ten percent (10%) of the amount that would otherwise be the net profits of the Corporation for the accounting period.

The Corporation shall not:

1. Take any position publicly or privately that denies or conflicts with the tenets of the Statement of Faith.
2. Elect, qualify or permit to serve in office as a director or officer to the Corporation any person who has not without reservation subscribed to the Statement of Faith as being true, accurate and correct or who having so subscribed has either publicly or privately recanted from a particular of

the Statement of Faith or who has publicly made statements or taken actions without repentance which the Board of Directors finds to be in clear conflict with the Statement of Faith.

3. Hire or continue to employ any employee in any position in which, in the sole discretion of the Corporation, subscription to the Statement of Faith is a bona-fide occupational qualification reasonably necessary to the normal operations of the Corporation's activities, where such employee refuses, upon request, to subscribe to the Statement of Faith or having so subscribed has either publicly or privately recanted from any particular of the Statement of Faith or has publicly made statements or taken actions without repentance which the Board of Directors finds to be in clear conflict with the Statement of Faith. Because the Scriptures teach that bad company corrupts good morals and that a little leaven affects the whole lump, it is important to the Corporation's purposes that it be protected from the influence of persons not in agreement with the Statement of Faith at every level of employment.
4. Permit any party to utilize the name, goodwill, trade marks, or trade names of the Corporation in any course of action or dealings which the Corporation itself is herein prohibited from taking."

"In addition to any other appropriate legend, prior to its issuance each and every share certificate to be issued by this Corporation shall be inscribed with a legend that states:

`This Corporation is a religious corporation. All shares of this Corporation are subject to the terms as set forth in the BYLAWS of the corporation which restricts the amendment or deletion of that section of the BYLAWS which prescribes a corporate Statement of Faith in the LORD JESUS CHRIST and directs or prohibits certain corporate actions on the basis of the Statement of Faith.'"

The Bylaws also state:

"No amendment to this Article XIII and no other superseding or conflicting provision of these BYLAWS, the ARTICLES OF INCORPORATION, or any shareholder agreement shall be adopted unless the result of the count of votes approving the amendment is 90% affirmative without dissension and a minimum of two-thirds of the shares outstanding are represented and voting. Such vote must be made at an actual special meeting of the shareholders called by written notice delivered to each shareholder not less than 10 nor more than 60 days prior to the date of the meeting. Time is of the essence as to this notice provision and no extension of the time of the meeting or adjournment of the meeting to a date outside the notice period shall be permitted except upon the affirmative vote of not less than 70 percent of the shares then issued and outstanding."

ITEM 2. DESCRIPTION OF PROPERTIES

Real Estate Investment Policy

While we have not abandoned our 2002 business plan, in the near term we will continue intend to prioritize our focus on the capital requirements of W Power and Priority Power in order to sustain their growth. While this remains our focus, we will continue to entertain unsolicited opportunities in real estate and oil and gas.

Description of Real Estate and Operating Data

Prior to September 29, 2006 the Properties were owned by TCTB and managed and operated by TCTB Company, Inc., as general partner of TCTB. AMEN initially acquired 64.9% of the limited partnership interest of TCTB in 2002 and an additional 6.485% effective January 1, 2004. The Properties consist of commercial real estate in Midland, Texas.

The Company entered into an agreement to distribute assets with an effective date of September 27, 2006, by and among the partners of TCTB. The Properties constituted substantially all of the assets of TCTB prior to the transactions described herein and were subject to a lien to secure a promissory note (the "Note") payable to Wells Fargo Bank Texas, N.A. The partners of TCTB agreed that it was in their best interest to distribute undivided interests in the Properties to the partners according to the sharing ratios of the Partnership in connection with the sale of interests in the Properties described below. The Bank agreed to allow TCTB to distribute the Properties to the partners of TCTB in exchange for the payoff of the Note.

Contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties to Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd., unaffiliated third party purchasers for a privately negotiated price of $9.0 million. A separate Purchase Agreement was executed between the Buyers and TCTB as nominee for the Selling Partners dated September 29, 2006. While beneficial title to the Properties resided with each partner of TCTB, subsequent and pursuant to the Agreement to Distribute Assets, the Selling Partners agreed that TCTB would continue to hold record title to their interests in the Properties and then transfer record title to an undivided 75% interest in the Properties directly to Buyers in order to facilitate the closing of the Purchase Agreement which occurred on September 29, 2006. Pursuant to the Purchase Agreement, TCTB, the Selling Partners and Buyers agreed to indemnify each other against, and hold each other harmless from all liabilities arising out of ownership, operations or maintenance of the Properties for their respective periods of ownership.

TCTB held record title to the undivided 25% interest in the Properties beneficially owned by the Selling Partners, including the Company's remaining 18.017% that was not included in the sale to Buyers through March 1, 2007. Effective March 1, 2007 the Company contributed its remaining 18.017% ownership in the Bank of America Tower and the Century Plaza Tower to HPG Acquisition, LLC; a Texas Limited Liability Company. After the sale, TCTB, the Selling Partners and the Buyers, as all of the owners of the Properties, entered into a Management Agreement with TCTB Management Group, LLC ("Management") dated September 29, 2006 relating to the management of the Properties. The Management Agreement is effective until August 31, 2007 unless earlier terminated in

accordance with its terms. The owners of Management are the Selling Partners (including the Company) and the Buyers in the same percentages as their proportionate ownership of the Properties. Mr. Jon Morgan, President and CEO of the Company, is the managing member of Management.

Mr. Morgan and his affiliate were among the Selling Partners and the sale of their undivided interest in the Properties resulted in Mr. Morgan receiving a net check in the amount of $79,317. Mr. Morgan is also an owner and officer of the General Partner of TCTB, and took actions in such capacity in connection with this transaction in addition to acting as an officer of the Company. As an owner of such General Partner, Mr. Morgan indirectly received an additional

$5,300 from the sale of the General Partner's interest in the Properties.

The average lease term is 4 years and the major tenant is Bank of America. The Bank of America Tower, where the Company's headquarters are located, was completed in 1977 and encompasses 329,178 rentable square feet and is approximately 84.29% occupied. It also includes a 17-lane drive through bank and a 900 space-parking garage. The Bank of America Tower has a total of three tenants who account for ten percent or more of the rentable space, consisting of the bank, Pioneer Natural Resources, Inc., a public oil and gas company, and a privately held oil and gas company. The general provisions of the leases require TCTB to provide each tenant useable office space for a monthly fee and to provide the maintenance, utilities, janitorial and security expenses. Additionally, the lease agreement allows for the determination of the incremental increases of the building operations to be passed through to the tenants. The average annual net rental per occupied square foot was $8.94 for the year ended December 31, 2006. Century Plaza Tower was purchased on July 30, 2004 by TCTB at a negotiated price of $436,500. Century Plaza Tower was built in 1979 and renovated in 1990. It is a twelve story high rise with 99,422 rentable square feet and is approximately 46.99% occupied. The majority of the tenants are on a month to month lease and the Century Plaza Tower currently has one major tenant occupying approximately 10% of the occupied rentable square feet. The average annual net rental per occupied square foot was $5.82 for the year ended December 31, 2006. The Company's subsidiary, W Power, occupies the first floor of Century Plaza Tower. A limited investment in capital improvements on the Midland buildings in 2007 is estimated to be approximately $300,000 and these expenditures are expected to be mainly associated with tenant improvements and/or build outs. The Bank of America Tower and Century Plaza Tower are mainly held for income generating capabilities. In May of 2002, the Bank of America Tower under went an appraisal performed by the Real Estate Research Corporation. In that appraisal, the Bank of America Tower was indicated to be in average condition. It is management's opinion that the Century Plaza Tower is also in average condition. The typical tenants, other than the Bank of America, are independent oil and gas producers and financial service providers.

The following table sets forth certain information concerning lease expirations, excluding month to month leases and assuming no renewals for each Property:

Bank of America Tower

Lease Expiration	Number of Leases Expiring	Square Feet Expiring	Annualized Gross Base Rent	Percentage of Total Square Feet Expiring	Percentage of Total Annualized Gross Base Rent
2007	14	37,866	$ 2,260,759	14.66%	37.70
2008	7	59,389	1,416,753	22.99%	23.63
2009	5	17,284	1,370,838	6.69%	22.86
2010	16	111,092	768,265	43.01%	12.81
2011	4	22,695	127,677	8.79%	2.13
2012	6	9,957	52,512	3.86%	.87
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	-	-	-	
Total	52	258,283	$ 5,996,804	100.0%	100.0

Century Plaza Tower

Lease Expiration	Number of Leases Expiring	Square Feet Expiring	Annualized Gross Base Rent	Percentage of Total Square Feet Expiring	Percentage of Total Annualized Gross Base Rent
2007	5	8,717	$ 52,791	66.35%	52.52
2008	2	1,771	27,093	13.48%	26.95
2009	1	2,649	20,632	20.17%	20.53
2010	-	-	-	-	
2011	-	-	-	-	
2012	-	-	-	-	
2013	-	-	-	-	
2014	-	-	-	-	
2015	-	-	-	-	
2016	-	-	-	-	
Total	8	13,137	$ 100,516	100.0%	100.0

The federal tax basis for the two properties is $6,386,475. Of this amount, $4,063,742 is related to the buildings that will be depreciated, for tax purposes, over 39 years using the straight-line method; $803,901 has been allocated to the parking garages that will be depreciated, for tax purposes, using the 150% declining balance method over 15 years; $104,138 has been allocated to partitions and flooring which will be depreciated, for tax purposes, using the 200% declining balance over 5 years; $378,006 has been allocated to building improvements and other assets and will be depreciated, for tax purposes, using the 200% declining balance over 7 and 5 years; $926,239 has been allocated to tenant improvements and will depreciated, for tax purposes, using the 200% declining balance over the life of the lease or over 39 years using the straight-line method; and $110,449 has been allocated to land that will not be depreciated.

The Properties are subject to an annual realty tax rate of approximately 3.19105%. For the year ending December 31, 2006 the annual realty tax was $143,300 and $11,700 for the Bank of America Tower and the Century Plaza Tower, respectively

As stated above, we recognize that we compete with many companies in providing leases to prospective tenants and in re-letting space to current tenants upon expiration of their respective leases. If our tenants decide not to renew or extend their leases upon expiration, we may not be able to re-let the space. Because of competitive offerings, even if the tenants do renew or we can re-let the space, the terms of renewal or re-letting, including the cost of required renovations, may be less favorable than current lease terms or than expectations for the space.

In the opinion of management, the Properties are properly insured from loss related to comprehensive liability, fire, extended coverage, and rental loss. Though we believe to the best of our ability that policy specifications and insured limits of these policies are adequate and appropriate, there may be however, certain types of losses, including lease and other contract claims, acts of war, acts of terror and acts of God that generally may not be insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in the Properties, as well as anticipated future revenue. Though we believe that we maintain insurance policies with carriers with sufficient assets and capital to cover all insured perils, there may be however, failures or receiverships of carriers providing insurance on the Properties. If this occurs, we could be essentially without coverage for perils and losses.

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of the fiscal year ended December 31, 2006.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

From January 1 to December 31, 2006, AMEN Properties, Inc.'s common stock traded on the NASDAQ Stock Market ("NASDAQ") under the symbol "AMEN".

The following table sets forth the ranges of high and low sales prices of our common stock for each quarter within the last two fiscal years as reported on the NASDAQ.

	High	Low
First Quarter 2005:	$ 7.49	$ 3.91
Second Quarter 2005:	$ 6.59	$ 3.97
Third Quarter 2005:	$ 8.04	$ 5.64
Fourth Quarter 2005:	$ 6.75	$ 5.50
First Quarter 2006:	$ 6.11	$ 4.50
Second Quarter 2006:	$ 8.40	$ 3.80
Third Quarter 2006:	$ 7.75	$ 5.42
Fourth Quarter 2006:	$ 6.90	$ 5.00
January 1, 2007 through March 15, 2007	$ 9.00	$ 5.10

At March 15, 2007, the closing price for our common stock, as reported by NASDAQ Small Cap, was $5.50 per share. There are approximately 149 holders of record of our common stock, as of March 15, 2007. A number of such holders of record are brokers and other institutions holding shares of common stock in "street name" for more than one beneficial owner. The Company's transfer agent and registrar is the American Stock Transfer and Trust Company. We have not paid and do not currently intend to pay cash dividends on our common stock in the foreseeable future. Under the terms of the loan agreement between the Company and Western National Bank, the Company is required to obtain consent in writing from Western National Bank before the Company shall declare or pay any dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table is provided in compliance with Item 201(d) of Regulation S-B:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities rema available for future issuan equity compensation plans (e securities reflected in col
	(a)	(b)	(c)
Equity compensation plans approved by security holders	291,491	$12.29	455,555
Equity compensation plans not approved security holders	None	None	None
Total	291,491	$12.29	455,555

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and related footnotes presented in Item 7.

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 related business properties. The Company is a holding company and conducts its operations through AMEN Delaware, LP ("Delaware"); AMEN Minerals, LP ("Minerals"), W Power and Light, LP ("W Power") and Priority Power Management, Ltd ("Priority Power") each being a wholly owned subsidiary of the Company. As of December 31, 2006, the Company, through Delaware's investment in a real estate joint venture, has a commercial real estate portfolio consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. 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. The Company is engaged in the retail electricity market as a retail electric provider serving both retail and wholesale customers within the state of Texas through W Power. Effective April 1, 2006, AMEN Properties acquired 100% of Priority Power Management, Ltd. a Texas limited partnership, and Priority Power Management, Dallas, Ltd. a Texas limited partnership, (collectively referred to as "Priority Power"). Priority Power is primarily involved in providing energy management 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.

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:

- Impairments,

- Business combinations,

- Revenue recognition,

- Gain recognition on sale of real estate assets,

- Consolidation of variable interest entities,

- Allowance for doubtful accounts and

- Stock options

Impairments

Real estate and leasehold improvements are classified as long-lived assets held for sale or long-lived assets to be held and used. In accordance with SFAS No. 144, we record assets held for sale at the lower of carrying value or sales price less costs to sell. For assets classified as held and used, these assets are tested for recoverability when events or changes in circumstances indicate that the estimated carrying amount may not be recoverable. An impairment loss is recognized when expected undiscounted future cash flows from a Property is less than the carrying value of the Property. Our estimates of cash flows of the Properties requires us to make assumptions related to future rental rates, occupancies, operating expenses, the ability of our tenants to perform pursuant to their lease obligations and proceeds to be generated from the eventual sale of our Properties. Any changes in estimated future cash flows due to changes in our plans or views of market and economic conditions could result in recognition of additional impairment losses.

If events or circumstances indicate that the fair value of an investment accounted for using the equity method has declined below its carrying value and we consider the decline to be "other than temporary," the investment is written down to fair value and an impairment loss is recognized. The evaluation of impairment for an investment would be based on a number of factors, including financial condition and operating results for the investment, inability to remain in compliance with provisions of any related debt agreements, and recognition of impairments by other investors. Impairment recognition would negatively impact the recorded value of our investment and reduce net income.

Business Combinations

We allocate the purchase price of acquired businesses 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 business, and other market data. Management also considers information obtained about each business as a result of its pre-acquisition due diligence in estimating the fair value of the tangible and intangible assets acquired.

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

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

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

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

The in-place lease values and customer relationship values are based on management's evaluation of the specific characteristics of each customer's lease and our overall relationship with that respective customer. Characteristics considered by management in allocating these values include the nature and extent of our existing business relationships with the customer, growth prospects for developing new business with the customer, the customer's credit quality, and the expectation of lease renewals, among other factors. The in-place lease value and customer relationship value are both amortized to expense over the initial term of the respective leases and projected renewal periods, but in no event does the amortization period for the intangible assets exceed the remaining depreciable life of the building.

Should a tenant terminate its lease, the unamortized portion of the in-place lease value and the customer relationship value and above-market and below-market lease values would be charged to expense.

Revenue Recognition

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.

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.

The Company's gross revenues for energy management services provided to our customers are recognized upon delivery and include estimated aggregation fees and other services delivered but not billed by the end of the period.

Accrued unbilled aggregation revenues are based on our estimates of customer electricity usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on average daily volumes, estimated customer usage and applicable customer aggregation rates. Unbilled aggregation revenues are calculated by multiplying volume estimates by our estimated rates by customer. Estimated amounts are adjusted when actual usage and rates are known and billed.

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.

Gain Recognition on Sale of Real Estate Assets

We perform evaluations of each real estate sale to determine if full gain recognition is appropriate in accordance with SFAS No. 66, "Accounting for Sales of Real Estate". The application of SFAS No. 66 can be complex and requires us to make assumptions including an assessment of whether the risks and rewards of ownership have been transferred, the extent of the purchaser's investment in the property being sold, whether our receivables, if any, related to the sale are collectible and are subject to subordination, and the degree of our continuing involvement with the real estate asset after the sale. If full gain recognition is not appropriate, we account for the sale under an appropriate deferral method.

Consolidation of Variable Interest Entities

We perform evaluations of each of our investment partnerships, real estate partnerships and joint ventures to determine if the associated entities constitute 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.

Quantifying the variability of VIEs is complex and subjective, requiring consideration and estimates of a significant number of possible future outcomes as well as the probability of each outcome occurring. The results of each possible outcome are allocated to the parties holding interests in the VIE and, based on the allocation, a calculation is performed to determine which party, if any, has a majority of the potential negative outcomes (expected losses) or a majority of the potential positive outcomes (expected residual returns). That party, if any, is the VIE's primary beneficiary and is required to consolidate the VIE. Calculating expected losses and expected residual returns requires modeling potential future results of the entity, assigning probabilities to each potential outcome, and allocating those potential outcomes to the VIE's interest holders. If our estimates of possible outcomes and probabilities are incorrect, it could result in the inappropriate consolidation or deconsolidation of the VIE.

For entities that do not constitute VIEs, we consider other GAAP, as required, determining (i) consolidation of the entity if our ownership interests comprise a majority of its outstanding voting stock or otherwise control the entity, or (ii) application of the equity method of accounting if we do not have direct or indirect control of the entity, with the initial investment carried at costs and subsequently adjusted for our share of net income or less and cash contributions and distributions to and from these entities.

Allowance for Doubtful Accounts

Our accounts receivable balance is reduced by an allowance for amounts that may become uncollectible in the future. Our receivable balance is composed primarily of rents and operating cost recoveries due from its tenants; billed and unbilled customer retail electricity usage flowed for a given period and billed and unbilled customer management fees based on electricity usage flowed for a given period. The allowance for doubtful accounts is reviewed at least quarterly for adequacy by reviewing such factors as the credit quality of our tenants and customers, any delinquency in payment, historical trends and current economic conditions. If the assumptions regarding our ability to collect accounts receivable prove incorrect, we could experience write-offs in excess of the allowance for doubtful accounts, which would result in a decrease in net income. The Company estimated the allowance for doubtful accounts related to W Power's billed account receivables to be approximately 0.2% percent of W Power's retail electricity billed revenue for the period ended December 31, 2006. Due to the limited historical data, the Company regularly reviews the accounts receivable and accordingly makes adjustments in estimating the allowance for doubtful accounts. Priority Power's trade accounts receivable arise from aggregation fees and other management services. An allowance for uncollectible accounts receivable is provided for amounts not expected to be collectible. At December 31, 2006, no allowance was provided for Priority Power's accounts receivable due to the limited captured historical data related to the estimated aggregation fees and other services delivered but not billed by the end of the period. As of December 31, 2006 the Company considers Priority Power's accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Stock Options

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, Accounting for Stock-Based Compensation. In December 2004, the Financial Accounting Standards Board issued SFAS 123(R) effective for small business issuers after December 15, 2005. The new Statement requires mandatory reporting of all stock-based compensation awards on a fair value basis of accounting. Generally, companies are required to calculate the fair value of all stock awards and amortize that fair value as compensation expense over the vesting period of the awards.

Results of Operations Full Year 2006 Compared to Full Year 2005

Market share for W Power in 2006 was lower than Management's initial expectations during its founding in 2004. Consistent with Management's previous discussion of undertaking a deliberate and controlled growth strategy after the extreme price volatility in energy markets during 2005, W Power did not grow its market share appreciably during 2006. W Power focused on growth in segments which provided an opportunity for relatively larger gross profit margins or reduced exposure to wholesale price volatility. Additionally, W Power did not compete aggressively on price when it appeared other REPs were selling at or below prevailing market prices. W Power was successful in its efforts to improve its profitability throughout 2006, which was also its first full year of operations coming out of a startup mode during 2005. In addition, W Power was successful in providing wholesale energy procurement services which reduced market price volatility risk, but also increased counterparty credit concentration risk. Management is pleased with the controlled growth strategy of W Power and its ability to achieve profitability for the entire fiscal year of 2006. We are still concerned with reduced generating capacity reserve margins in Texas and believe a continued environment of extreme price volatility during the coming years is likely. Management believes W Power will continue to pursue its controlled and deliberate growth strategy in an effort not to exceed its credit capacity and market risk tolerance.

W Power continues to be challenged by higher and volatile commodity energy prices which increase the amount of capital requirements to hedge forward its electricity purchases using the Company's available cash and credit facilities. Additionally, contracting with customers for longer terms at current prices increases the risk associated with bad debt, particularly if prices were to decline sharply.

We continue to believe the largest risks facing W Power are managing its growth wisely and maintaining sufficient credit availability to support that growth. Even with continued deliberate limiting of its growth, the Company's business model leads management to expect earnings from operations, before income tax, depreciation and amortization, to be positive for 2007, just as with 2006.

The Company's newly acquired subsidiary, Priority Power, generated approximately $933,000 of net income for the nine months ended December 31, 2006. Management believes that Priority Power is well positioned for growth through expansion and acquisitions, which may occur during 2007and beyond. In addition, Management expects earnings from operations before income tax, depreciation and amortization to be positive for 2007.

Overview

For the year ended December 31, 2006, the Company showed net income of $2,161,158 or $.94 per share as compared to a net loss of $704,562, or $.32 per share for the same period ended December 31, 2005, for a change of approximately $2,866,000. This change is primarily due to the Company's distribution and simultaneous sale of approximately 74% its undivided interest in the Bank of America Tower and Century Plaza buildings on September 27, 2006. This transaction resulted in a gain of approximately $1,405,000. On May 25, 2006 the Company completed the acquisition of 100% of Priority Power Management, effective April 1, 2006. For the nine months ended December 31, 2006, Priority Power Management generated approximately $933,000 of net income. Additionally, W Power generated approximately $528,000 in net income for the period ending December 31, 2006 as compared to a net loss of approximately $351,000 for the period ending December 31, 2005.

Revenues

The Company's consolidated revenues were $15,056,800 for the period ending December 31, 2006, compared to $10,180,892 for the period ending December 31, 2005. This significant increase was due primarily to the Company completing the acquisition of 100% of Priority Power Management, effective April 1, 2006. Additionally, W Power generated revenue of approximately $10,490,000 and $7,172,000 for the year ended December 31, 2006 and 2005, respectively, for an increase of approximately $3,318,000. This increase is mainly due to W Power having a full year of operations for the year ended December 31, 2006 as compared to W Power beginning operations in the early part of 2005.

The Company's rental revenue from TCTB decreased for the period ending December 31, 2006 over the same period ending December 31, 2005 by approximately $ 590,000. This decrease is mainly due to the Company entering into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd and contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The Company continues to have significant involvement in the operations of the real estate. The Company began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006. Further discussion of the Company's real estate properties can be found in Item 2.

Operating expenses

Total operating expenses for the period ending December 31, 2006 and 2005 were $13,689,993 and $10,182,561, respectively. The increase of approximately $3,507,000 in operating expense is mainly related to the Company's acquisition of Priority Power Management effect April 1, 2006 and an increase in W Power's cost of goods and services. W Power's increase in cost of goods and services is mainly related to W Power having a full twelve months of operations for the year ended December 31, 2006 as compared to W Power beginning operations in the early part of the year ended December 31, 2005. As of December 31, 2006, the Company accrued the corporate tithing, as required by the Company's by-laws. The accrued

tithing was approximately $240,000 or 10% of the Company's net profits for the year ended December 31, 2006. Management expects to pay the tithing during the second and third quarter of 2007. Additionally, the Company experienced a decrease in the building operating expenses mainly due to the Company entering into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd and contemporaneously with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The Company continues to have significant involvement in the operations of the real estate and began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006. Further discussion of the Company's real estate properties can be found in Item 2.

W Power's cost of goods and services were approximately $9,421,000 and 6,923,619 for the year ended December 31, 2006 and 2005, respectively or 89.8% and 96.5%

of retail electricity sales for the period ended December 31, 2006 and 2005, respectively. W Power's gross profit was approximately $1,069,000 and $248,000 for the period ended December 31, 2006 and 2005, respectively or 10.2% and 3.5% of retail electricity sales for the period ended December 31, 2006 and 2005, respectively. The increase of approximately 6.7% is mainly due to a decrease in the levels of wholesale electricity and natural gas price escalation and volatility during the year ended December 31, 2006 as compared to the year ended December 31, 2005.

Rental property operations and depreciation expense experienced a decrease of approximately $290,000 and $61,000, respectively, for the year ended December 31, 2006 as compared to the year ended December 31, 2005. The decrease in the property operations and depreciation is attributable to the Company entering into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd and contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The Company continues to have significant involvement in the operations of the real estate. The Company began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006. Further discussion of the Company's real estate properties can be found in Item 2.

For the year ended December 31, 2006 general and administrative costs increased approximately $1,120,000 as compared to the year ended December 31, 2005. This increase is primarily associated with Company's acquisition of Priority Power Management, Ltd. effective April 1, 2006. General and administrative expense associated with Priority Power Management, Ltd. amounted to approximately $991,000. Additionally, W Power and the Company's corporate office experienced a combined increase of approximately $128,000 in general and administrative expense mainly related to payroll expense.

Other (expense) income

For the year ended December 31, 2006 as compared to the year ended December 31, 2005 the Company incurred an increase of approximately $1,466,000 in other income (expense). The increase is mainly related to the Company entering into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd and contemporaneously with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The sale of approximately 75% of the Company's undivided interest in the properties resulted in a gain of approximately $1,405,000. The Company continues to have significant involvement in the operations of the real estate and began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006. Further discussion of the Company's real estate properties can be found in Item 2. Additionally, interest income was $227,996 and $71,017 for or the year ended December 31, 2006 and 2005, respectively. The increase of approximately $157,000 is related to the interest the Company received on the restricted deposits with JPMorgan Chase Bank, N.A. totaling approximately $2,197,000 collateralizing outstanding Letters of Credit (See Note E to the financial statements for further explanation).

Minority interest

Minority interest expense for the years ended December 31, 2006 and 2005 was $60,248 and $91,341, respectively, and reflects the minority interest owners of TCTB. The decrease in minority interest is related to Company entering into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd and contemporaneously with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The Company continues to have significant involvement in the operations of the real estate and began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006. Further discussion of the Company's real estate properties can be found in Item 2.

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Liquidity and Capital Resources

Operating activities

During the years ended December 31, 2006 and 2005, net cash provided by (used in) operating activities was $744,836 and $(459,984), respectively. The net increase of approximately $1,205,000 provided by operating activities is mainly associated with the Company's acquisition of Priority Power Management effect April 1, 2006. W Power generated net income of approximately $528,000 and Priority Power Management generated net income for the nine months ended December 31, 2006 of approximately $933,000.

Investing activities

Net cash provided by (used in) investing activities was $7,788,413 and ($1,971,773) for the years ended December 31, 2006 and 2005, respectively, for a net increase of approximately $9,760,000. Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. and contemporaneously with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties. The Company received approximately $6,400,000 in sales proceeds from the Company's sale of 74% of its interest in the distributed properties. The distributed assets constituted substantially all of the assets of TCTB and were subject to a lien to secure a promissory note payable to Wells Fargo Bank Texas, N.A. The partners of TCTB agreed that it was in their best interest to distribute undivided interests in the assets to the partners according to the sharing ratios of the Partnership. The Bank agreed to allow TCTB to distribute the assets to the partners of TCTB in exchange for the payoff of the note. Prior to the distribution the Company had the $2,100,000 certificate of deposit applied against the outstanding note with Wells Fargo Bank, Texas N.A. Additionally, during the year ended December 31, 2006, the Company completed the acquisition of 100% of Priority Power Management, Ltd. This acquisition resulted in the Company receiving a net increase in cash of approximately $283,000 and incurring a non-cash related note payable in the amount of $3,230,051. A non-cash distribution related to the asset distribution of TCTB amounted to $369,250 and was a reduction in minority interests.

Financing activities

Net cash (used in) provided by financing activities was ($6,180,469) and $388,285 for the years ended December 31, 2006 and 2005, respectively, for a net change of approximately $6,569,000. During the year ended December 31, 2006, the Company paid approximately $6,506,000 in principal payments on the Company's outstanding notes (see Note M to the financial statements for further explanation). During the year ended December 31, 2006, the Company received approximately $337,000 in net proceeds from the exercise of stock warrants issued on February 3, 2005, to the accredited investors in the private placement under Regulation D for the new Series C Preferred Stock. Additionally, during the year ended December 31, 2006, minority interest distributions were approximately $36,500 and minority interest contributions were approximately $25,000. Minority interest distributions and contributions were related to the minority interest owners in TCTB.

Net operating loss

Currently, the Company has a net operating tax loss ("NOL") carry forward in excess of $30 million. This NOL is primarily 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 in between $2.5 to $5 million and has been diligent in its efforts to ensure its preservation for eventual use. The Company believes that the utilization, without limitation, of the Company's NOL will be determined by the ability of management to limit the issue of new equity due to IRC Section 382 restrictions. However, if an opportunity presents itself that would be more valuable to the shareholders than the approximate $2.5 to $5 million present value we have assigned the NOL we will strongly consider pursuing the deal and would consider issuing equity to do so.

Working capital

At December 31, 2006, the Company had working capital and investments of $4,139,147 comprised of cash of $4,457,208, accounts receivable of $1,373,356 other current assets of $25,626 less current liabilities of $1,717,043. On February 28, 2005, the Company entered into a loan agreement with Western National Bank, Midland, Texas. The loan agreement is a Revolving Line of Credit in an amount of $5,000,000. Under the loan agreement the Bank may, but is not obligated to, advance more than $2,500,000 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 loan agreement is secured by a security agreement covering all of the accounts receivable of W Power. In addition, the loan agreement is guaranteed by purchasers of the Company's Series C Preferred Stock on March 1, 2005 whose guarantees are partially secured by letters of credit. As of March 23, 2006 the Company has not utilized the loan agreement with Western National Bank and believes that its utilization plus cash flow from operations will be sufficient to meet the Company's anticipated needs over the next twelve months. See the discussion below in 2007 Outlook for further detail of expected cash flow. There can be no assurance that current working capital arrangements will be sufficient to meet the Company's needs or that additional financing will be available to the Company or that such financing will be available with acceptable terms.

2007 OUTLOOK

The following information is presented based upon the Company's knowledge of our current operations and pro forma projections for W Power, Priority Power and the Company's real estate operations.

Anticipated operations for W Power - The Company's projections for W Power in 2007 anticipate capital requirements of approximately $4,000,000 to finance electricity procurement, business development activities, and capital requirements. The Company's business model leads management to expect earnings from operations, before income tax, depreciation and amortization, to be positive for 2007. The Company believes that it has positioned itself to meet the expected capital requirements of W Power with (1) existing available cash, and (2) the ability to secure borrowings under a working capital-type loan agreement as put in place in 2005/2006 with Western National Bank, Midland, Texas. Under that loan agreement, the Bank may, but is not obligated, to advance more than $2,500,000. Borrowings under the loan agreement are subject to a borrowing base equal to the lesser amount of $5,000,000 or seventy-five (75%) of the eligible customer receivables of the Company and its subsidiary W Power. While the Company believes it will allow the current agreement to expire during 2007 without renewal, we also believe we can successfully replace or renew that agreement at such time as deemed necessary to fund the projected capital requirements for W Power. The Company believes its sources of funding will be adequate to meet W Power's 2007 needs so long as commodity prices remain at or below their current price levels, W Power exercises a controlled growth strategy, and the existing retail and wholesale customer bases remain largely unchanged. However, if new circumstances or unforeseen events occur the Company may not be able to meet its capital requirements from its current sources, or may be unable to secure a new working capital loan.

W Power anticipates gross billings during 2007 for both retail and wholesale electricity of approximately $12,000,000. Cash expenditures for general and administrative costs related to W Power operations are estimated to be $800,000. Regulated tariff charges for delivery of the retail electricity are estimated to be $1,000,000 and commodity and ancillary costs associated with procuring wholesale energy are expected to be about $10,000,000. If electricity prices steeply decline W Power could accelerate its growth, while a steady increase in prices could contribute to W Power deliberately constraining its growth further and perhaps even losing some or all its profitability.

Priority Power - Priority Power anticipates gross billings during 2007 of approximately $2,500,000 from its aggregation and energy management services. General and administrative expense for its associated operations are expected to be $1,300,000.

Current real estate operations - Based primarily upon historical performance of the real estate operations in Midland Texas, the Company anticipates operating results from the Company's real estate operations in 2007 to produce approximately $175,000 in positive cash flow from operations, net to AMEN's 18.017% ownership. As discussed above, the Company continues to have significant involvement in the operations of the real estate and began accounting for its remaining 18.017% ownership in the real estate using the equity method of accounting during the third quarter of 2006.

Regarding anticipated cash outflows in 2007 for the corporate expenses, we are estimating total cost to maintain our public company status to be approximately $250,000 annually, which includes NASDAQ fees, audit fees, legal expenses, public filing fees, directors and officers insurance and costs related to the annual shareholders meeting. Because the majority of our officers have agreed not to take a salary, our corporate general and administrative cash outlays are expected to be $225,000. This amount is mainly cash outlays for salary and benefits for our Chief Financial Officer.

Forward Looking Statements

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

Risk Factors

Lack of Operating History

In recent years, the Company has substantially changed its business plan. As a result, the Company's operating history under its current business plan is limited. In addition, one of the Company's subsidiaries is a recent start-up electricity retail business with approximately two years of operating history. Such limited operating history of the Company and its subsidiaries may not provide sufficient information for Purchasers to base an evaluation of likely performance.

Dependence On Key Personnel

The Company depends to a large extent on the services of its executive officers and the officers and managers of its subsidiaries. Particularly, the Company's subsidiaries of W Power and Priority Power are both heavily dependent upon the knowledge and expertise of the respective President and senior managers. The loss of the services of any of those persons could have a material adverse effect on the Company and its subsidiaries.

Competition

The Company and its subsidiaries encounter substantial competition in acquiring rental property and oil and gas royalties, leasing rental space, and securing trained personnel. Most competitors have substantially larger financial resources, staffs and facilities than the Company and its subsidiaries, and the Company and its subsidiaries may be at a significant disadvantage in many competitive situations. See also "Reliance Upon New Business - The Retail Electricity Market is Highly Competitive."

Adverse Market Conditions

The economic performance and value of the Company's properties are subject to all of the risks associated with owning and operating real estate, including

- changes in the national, regional and local economic climate
- the attractiveness of our properties to tenants
- the ability of tenants to pay rent
- competition from other available properties
- changes in market rental rates

- the need to periodically pay for costs to repair, renovate and re-let space
- changes in operating costs, including costs for maintenance, insurance and real estate taxes
- changes in laws and governmental regulations, including those governing usage, zoning, the environment and taxes

Failure By Tenants To Make Rental Payments

The performance of the Company's real estate investments will depend on our ability to collect rent from tenants. At any time our tenants may experience a change in business conditions or a downturn in their business that may significantly weaken their financial condition. As a result, our tenants may delay a number of lease commencements, decline to extend or renew a number of leases upon expiration, fail to make rental payments when due under a number of leases, close a number of offices or declare bankruptcy. Any of these actions could result in the termination of the tenants' leases and the loss of rental income.

Acquisitions Of Properties May Not Yield Expected Returns

Newly acquired properties may fail to perform as expected. Management may underestimate the costs necessary to bring acquired properties up to standards established for their intended market position. In addition, we may not achieve expected cost savings and planned operating efficiencies. Acquired properties may not perform as well as we anticipate due to various factors, including changes in macro-economic conditions and the demand for office space or oil and gas royalties. As the Company grows, we have to invest further in overhead to assimilate and manage a portfolio of potentially unrelated properties.

We may face significant competition for acquisitions of properties, which may increase the costs of acquisitions. We may compete for acquisitions of, and investments in, properties with an indeterminate number of investors, including investors with access to significant capital such as domestic and foreign corporations and financial institutions, publicly traded and privately held REITs, private institutional investment funds, investment banking firms, life insurance companies and pension funds. This competition may increase prices for the types of properties in which we invest. In addition, the cost and availability of capital necessary to increase our asset base and revenue generating capability is difficult to predict and in and of itself may be a barrier to pursuing future acquisitions.

The Company's Asset Investments Are Illiquid

Real estate property investments and oil and gas royalties generally cannot be disposed of quickly. The Company's recent start-up electricity retail business and newly acquired energy management subsidiary, Priority Power are illiquid. Therefore, we may not be able to vary our mix of assets or achieve potentially required liquidity in response to economic or other conditions promptly or on favorable terms.

Some Potential Losses May Not Be Covered By Insurance

The Company carries insurance on our properties that we consider appropriate and consistent with industry practices. Though we plan to assure to the best of our ability that policy specifications and insured limits of these policies are adequate and appropriate, there may be however, certain types of losses, including lease and other contract claims, acts of war, acts of terror and acts of God that generally may not be insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. If that happened, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Though we plan to maintain insurance policies with carriers with sufficient assets and capital to cover all insured perils, there may be however, failures or receiverships of carriers providing insurance to the Company. If this occurs, the Company could be essentially without coverage for perils and losses.

Ability To Service Long-Term Debt

Certain of the Company's activities are subject to risks normally associated with debt financing. The timing and amount of cash flows could be insufficient to meet required payments of principal and interest. We may not be able to refinance acquired debt, which in virtually all cases requires substantial principal payments at maturity, and, even if we can, refinancing might not be available on favorable terms. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, including new equity capital, cash flow may not be sufficient in all years to repay all maturing debt. Prevailing interest rates or other factors at the time of refinancing, including the possible reluctance of lenders to make commercial real estate loans, may result in higher interest rates and increased interest expenses.

Potential Environmental Liabilities

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. Specific asbestos remediation has taken place in certain of our rental buildings. Environmental laws often impose liability whether the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties.

Non-Compliance With The Americans With Disabilities Act ("ADA")

Under the ADA, all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe our properties comply in all material respects with these physical requirements or would be eligible for applicable exemptions from material requirements because of adaptive assistance provided, a determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. If we were required to make modifications to comply with the ADA, our ability to meet financial obligations could be adversely affected.

Potential Adverse Effects On Our Net Operating Loss ("NOL")

There are significant limitations of utilization of the NOL under applicable tax law as it relates to a change in ownership among five-percent (5%) owners exceeding fifty percent (50%), and a business continuity test. If we are unable to meet these standards, utilization of the NOL could be limited or reduced to zero.

Volatility Of Oil And Gas Prices

Anticipated results from our oil and gas royalty investments are substantially dependent on prices of oil and gas. Prices for oil and gas are subject to large fluctuations in response to relative minor changes in the supply of, and demand for, oil and gas, market uncertainty and a variety of additional factors beyond our control. These factors include weather conditions, the economy, actions of the government regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternate fuel sources. Any substantial extended decline in the price of oil and gas could have an adverse impact on our revenue generating capability.

Uncertainty Of Estimated Oil and Gas Reserves

Estimates of economically recoverable oil and gas reserves are based upon a number of variable factors and assumptions, which are speculative and not under our control. Actual production and reserve data used to value future acquisitions will be estimates only and will be subject to uncertainties. Estimated quantities of oil and natural gas may differ considerably from amounts actually recovered and thus future cash flows could be impaired or accelerated beyond management's expectations.

Availability of Capital Resources

Currently, the Company's capital resources are expected to be limited to the borrowings under its credit facility with Western National Bank and the net income from operations of the Company and its Subsidiaries. In the event our current capital resources are insufficient to fund our operations and capital expenditures, the Company may be forced to seek other sources of financing, including without limitation, incurrence of debt and issuances of additional equity securities. There can be no assurance that such financing will be available on terms acceptable to the Company or on any terms. If additional financing is not available, it will have a material adverse effect on our operations.

Reliance Upon New and Recently Acquired Businesses

The Company's recently (2004) formed Subsidiary, W Power and Light, LP, operates in the electricity retail business and the Company's new acquired Subsidiary, Priority Power Management, Ltd, operates in the electricity load aggregation, natural gas and electricity procurement, energy risk management, and energy consulting markets. In addition to the general risks discussed above, this new business is subject to additional risks including those discussed below.

The Retail Electricity Market Is Highly Competitive.

The market for retail electricity customers is very competitive. In certain markets, our principal competitors include the local regulated electric utility or its non-regulated affiliate. In other markets, we face competition from independent electric providers, independent power producers and wholesale power providers. In most cases, our competitors have the advantage of long-standing relationships with customers, longer operating histories and/or larger and better capital resources. As a result, it may not be profitable for us to enter into some markets and our ability to increase market share may be hindered.

In general, we compete on the basis of price, our commercial and marketing skills relative to other market participants, service and our financial position. Other factors affecting our competitive position include our ability to obtain electricity for resale and related transportation/transmission services. Since many of our energy customers, suppliers and transporters require financial guarantees and other assurances regarding contract performance, our access to letters of credit, surety bonds and other forms of credit support is another factor affecting our ability to compete in the market.

Our Business Is Subject to Market Risks.

Unlike a traditional regulated electric utility, we are not guaranteed a rate of return on our capital investments. Our results of operations, financial condition and cash flows depend, in large part, upon prevailing market prices for wholesale and retail electricity in our markets and the impact of regulatory decisions on prices charged to our customers. Market prices may fluctuate substantially over relatively short periods of time, potentially adversely affecting our business. Changes in market prices for electricity may result from the following factors among others:

- weather conditions;
- seasonality;
- demand for energy commodities;
- general economic conditions;
- forced or unscheduled interruptions in electricity available;
- disruption of electricity transmission or transportation, infrastructure or other constraints or inefficiencies;

- financial position of market participants;
- changes in market liquidity;
- natural disasters, wars, embargoes, acts of terrorism and other catastrophic events; and
- governmental regulation and legislation.

Dependence Upon Third Party Providers.

The Company does not own any generating resources to supply electricity for our retail business in this market. As a result, we must purchase all of the generation capacity necessary to supply our retail energy business from third parties. In addition, we depend on power transmission and distribution facilities owned and operated by utilities and others to deliver energy products to our customers. If transmission or distribution is inadequate or disrupted, our ability to sell and deliver our products may be hindered. Any infrastructure failure that interrupts or impairs delivery of electricity could have an adverse effect on our business.

We are dependent on the transmission and distribution utilities for reading our customers' energy meters. We also rely on the local transmission and distribution utility or, in some cases, the independent system operator, to provide us with our customers' information regarding energy usage; and we may be limited in our ability to confirm the accuracy of the information. If we receive incorrect or untimely information from the transmission and distribution utilities, we could have difficulty properly billing our customers and collecting amounts owed to us. Failure to receive correct and timely information could have an adverse effect on our business.

Concentration of Credit Risk

The Company's revenues are derived principally from uncollateralized customer electricity billings and rents from tenants. The concentration of credit risk in a limited number of industries may affect its overall exposure to credit risk because customers and tenants may be similarly affected by changes in economic and other conditions.

Regulation of Electricity Retail Business.

The Company's electricity retail business operates in a regulatory environment that is undergoing significant changes as a result of varying restructuring initiatives at both the state and federal levels. We cannot predict the future direction of these initiatives or the ultimate effect that this changing regulatory environment will have on our business. Moreover, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to our facilities or our commercial activities. Such future changes in laws and regulations may have an adverse effect on our business. Regulators, regional transmission organizations and independent system operators have imposed and may continue to impose price limitations, bidding rules and other mechanisms in an attempt to address price volatility and other issues in power markets. If the trend toward competitive restructuring of the power market is reversed, discontinued or delayed, our business growth prospects and financial results could be adversely affected.

Reliance on ERCOT.

ERCOT is responsible for handling, scheduling and settlement for all electricity supply volumes in the ERCOT Region. ERCOT plays a vital role in the collection and dissemination of metering data from the transmission and distribution utilities to the retail electric providers. We and other retail electric providers schedule volumes based on forecasts, which are based, in part, on information supplied by ERCOT. To the extent that these amounts are not accurate or timely, we could have incorrectly estimated our scheduled volumes and supply costs.

In the event of a default by a retail electric provider of its payment obligations to ERCOT, the portion of the obligation that is unrecoverable by ERCOT is assumed by the remaining market participants in proportion to each participant's load ratio share. We would pay a portion of the amount owed to ERCOT should such a default occur if ERCOT is not successful in recovering such amount. The default of a retail electric provider in its obligations to ERCOT could have an adverse effect on our business.

Our Strategic Plans May Not Be Successful.

The Company's retail energy business operates in the deregulated segments of the electric power industry. The successes of our long-term strategic plans are predicated upon the continuation of the trend toward greater competitive markets in this industry. If the trend towards competitive restructuring of the electric power industry is reversed, discontinued or delayed, our business could be adversely affected.

Non-Performance By Counterparties.

Our operations are exposed to the risk that counterparties who owe us money or commodities and services will not perform their obligations. When such parties fail to perform their obligations, we might be forced to replace the underlying commitment at then-current market prices. In this event, we could incur reduced operating results or losses.

Energy Aggregation, Supply Procurement, and Consulting Services are Highly Competitive and Relationship Driven

There are many registered and non-registered electricity aggregators in Texas. Priority Power relies primarily on its relationships with various key decision makers within client organizations to assure contract renewals. If new decision makers with relationships external to Priority Power become responsible for consultant selection, Priority Power could lose significant amounts of business. Additionally, competitors with lower fees may lure away clients through lower fee structures, expanded service offerings, or superior supply management capabilities.

Concentration of Oil and Gas Customers

Priority Power has a significant concentration of customers within the oil and natural gas industry. If that industry experiences a significant reduction in the domestic price of energy, clients could choose not to renew aggregation and consulting services contracts in a cost-cutting effort.

Contract and Transaction Execution Risk

Priority Power manages large volumes of energy on behalf of its clients. Through miscommunication, incorrect data, and human error, there can be hundreds of thousands of dollars of incremental energy expense incurred by clients. While contractual arrangements may limit the actual monetary liability of Priority Power for such events, the monetary damages can still be significant.

Reduction of Retail Electric Providers

Priority Power depends largely on its ability to solicit and secure alternative pricing proposals from REPs on behalf of its clients. If REPs choose not to participate in price solicitation, or the number of REPs diminishes such that there are only a few well-known REPs in the market, clients may be less willing to outsource their energy procurement needs.

Increased Retail Price Transparency

As the marketplace becomes more transparent to all end-use customers, there may be less interest from clients in paying aggregators, brokers, and supply management consultants to solicit pricing on their behalf.

THE FOREGOING SUMMARY OF CERTAIN CONSIDERATIONS AND RISKS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS RELATED TO AN INVESTMENT IN THE COMPANY. PROSPECTIVE INVESTORS SHOULD READ SEC FILINGS AND OTHER INFORMATION PROVIDED BY THE COMPANY BEFORE DETERMINING TO INVEST IN THE COMPANY.

ITEM 7. FINANCIAL STATEMENTS

The Financial Statements prepared in accordance with Item 310(a) of Regulation S-B are included in this report commencing on page 37.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

The Company has carried out an evaluation under the supervision of management, including the Chairman and Chief Executive Officer and the interim 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 interim Chief Financial Officer have concluded that, and have reported to the Audit Committee of the Company's Board of Directors that, management has identified certain deficiencies in the disclosure controls and procedures. 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 are primarily attributable to the Company currently having only one full time employee at the corporate level. Management believes that the deficiencies noted above do not materially interfere with the Company's timely disclosure of information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act 1934, as amended, because accounting personnel and a member of management have first-hand knowledge of the daily transactions of the Company and that first-hand knowledge enables such personnel to accumulate and communicate such information to the Company's management, including its principal executive and principal financial officer as appropriate to allow timely decisions regarding disclosure. Therefore, the Company believes that its disclosure controls and procedures are sufficient to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC, notwithstanding the deficiencies noted above.

There have not been any changes in the Company's disclosure controls and procedures during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures over financial reporting.

ITEM 8B. OTHER INFORMATION

None

PART III

Information Incorporated by Reference

The information required by Item 9 - Directors and Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance With Section 16(a) of the Exchange Act.; Item 10 - Executive Compensation; Item 11 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters (other than information concerning securities authorized for issuance under equity compensation plans); Item 12 - Certain Relationships and Related Transactions; and Director Independence; and Item 14 - Principal Accountant Fees and Services, is incorporated by reference from our definitive proxy statement, which will be filed with the SEC no later than April 30, 2007. For information concerning securities authorized for issuance under equity compensation plans, see "Market for Common Equity and Related Stockholder Matters - Securities Authorized for Issuance under Equity Compensation Plans" in Part II of this Form 10-KSB

ITEM 13. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1+	Certificate of Incorporation and Certificates of Amendments thereto of DIDAX INC.
3.1(a)+	Certificate of Correction regarding Certificate of Incorporation
3.1(b)**	Certificate of Amendment thereto of DIDAX INC.
3.2+++	Certificate of Amendment thereto of Crosswalk.com, Inc.
3.3+	Bylaws and amendments thereto of the Company
3.4 ~	Certificate of Designation for Series A Preferred Stock
3.4(a) ~~	Amended Certificate of Designation for Series A Preferred Stock
3.5 ~~	Certification of Designation for Series B Preferred Stock
3.6***	Certificate of Amendment of Certificate of Incorporation dated May 26, 2004
3.7@	Certificate of Designation for Series C Preferred Stock
4.1@	Form of Warrant Certificate dated March 1, 2005
10.1//	Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002
10.2+	Form of Stock Option Agreement
10.3+	1997 Stock Option Plan
10.4*	1997 Stock Option Plan, as amended April 6, 1998
10.5*	1998 Stock Option Plan
10.6**	1998 Stock Option Plan, as amended February 26, 1999
10.7##	1998 Stock Option Plan, as amended March 3, 2000
10.8++	Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000
10.9++	Stock Purchase Agreement between the Company and John R. Norwood for Series A Preferred Stock dated September 29, 2000
10.10++	Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000
10.11++	Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000
10.12++	Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000
10.13++	Stock Purchase Agreement between the Company and John D. Bergman

	for Series A Preferred Stock dated September 29, 2000
10.14++	Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000

10.15++	Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000
10.16++	Stock Purchase Agreement between the Company and Soft Op, L.P. for Series A Preferred Stock dated September 29, 2000
10.17++	Stock Purchase Agreement between the Company and Lighthouse Partners, L.P. for Series A Preferred Stock dated September 29, 2000
10.18++	Stock Purchase Agreement between the Company and Ray McGlothlin, Jr. for Series A Preferred Stock dated September 29, 2000
10.19++	Stock Purchase Agreement between the Company and Gary J. Lamb for Series A Preferred Stock dated September 29, 2000
10.20++	Stock Purchase Agreement between the Company and Frosty Gilliam, Jr. for Series A Preferred Stock dated September 29, 2000
10.21++	Stock Purchase Agreement between the Company and Bruce Edgington for Series B Preferred Stock dated December 31, 2001
10.22++	Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series B Preferred Stock dated December 31, 2001
10.23++	Stock Purchase Agreement between the Company and Earl E. Gjelde for Series B Preferred Stock dated December 31, 2001
10.24++	Stock Purchase Agreement between the Company and Jon M. Morgan for Series B Preferred Stock dated December 31, 2001
10.25++	Stock Purchase Agreement between the Company and Soft Op, L.P. for Series B Preferred Stock dated December 31, 2001
10.26++	Annex to the Stock Purchase Agreement for Series A Preferred Stock dated September 29, 2000
10.27#	Agreement to Suspend Dividends and Consent of the Holders of Series A Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
10.28#	Agreement to Suspend Dividends and Consent of Holders of Series B Convertible Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
10.29^	Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder)
10.30^	Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by

	each holder)
10.31++	Annex to the Stock Purchase Agreement for Series B Preferred Stock dated December 31, 2001
10.35//	Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
10.36//	Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.
10.38###	Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004

10.41@	Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
10.42@	Loan Agreement between Amen Properties, Inc. and Western National Bank
10.43@	Western National Bank Revolving Line of Credit Note
10.44	Employment Agreement between Priority Power Management, Ltd and John Bick (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).
10.45	Employment Agreement between Priority Power Management, Ltd and Padraig Ennis (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).
10.46	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 Report filed on May 24, 2006).
10.47	Agreement to Distribute Assets among TCTB Partners, Ltd and its partners dated as of September 27, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
10.48	Purchase Agreement between TCTB Partners, Ltd as nominee for certain partners of TCTB Partners, Ltd and Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
10.48	Management Agreement between the Company and TCTB Management Group, LLC. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)

11	Statement of computation of earnings per share
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)
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 regarding December 31, 2006 Annual Report on Form 10-KSB

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

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

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

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

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

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

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

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

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

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

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

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

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

SIGNATURES

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

AMEN Properties, Inc.

March 30, 2007 By: /s/ Jon M. Morgan

Jon M. Morgan,
Chief Executive Officer

March 30, 2007 By: /s/ John M. James

John M. James,
Interim Chief Financial Officer
and Interim Secretary

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

March 30, 2007 By: /s/ Kevin Yung

Chief Operating Officer

March 30, 2007 By: /s/ Eric L. Oliver

Director and Chairman of the Board of Directors

March 30, 2007 By: /s/ Bruce Edgington

Director

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of AMEN Properties, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMEN Properties, Inc. and Subsidiaries at December 31, 2006 and 2005, and the consolidated 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
March 29, 2007

AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,
ASSETS

		2006
CURRENT ASSETS		
Cash and cash equivalents (note A3)	$	4,457,208
Accounts receivable (notes A6 and A17), net of allowance of $ 38,470 and $40,933 in 2006 and 2005, respectively		
Trade receivables, net		1,373,356
Related parties		-
Total accounts receivable, net		1,373,356
Current portion of note receivable		-
Other current assets		25,626
Total current assets		5,856,190
RESTRICTED CASH EQUIVALENTS (notes C and E)		2,197,000
PROPERTY, PLANT AND EQUIPMENT (notes A7, A8, C and F)		146,041
INVESTMENT IN REAL ESTATE JOINT VENTURE (notes, A9, C and G)		1,730,185
ROYALTY INTERESTS (notes A7 and H)		129,778
LONG-TERM INVESTMENTS (notes A4 and I)		62,350
OTHER ASSETS		
Goodwill (note B)		2,916,085
Deferred costs		-
Deposits and other assets		61,057
Total other assets		2,977,142
TOTAL ASSETS	$	13,098,686

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	$	595,289
Accrued liabilities (note J)		603,951
Deferred revenue (note A13)		30,785
Accrued interest payable		61,024
Current portion of long-term obligations (note M)		132,307
Current portion of related-party obligations (note M)		293,687
Total current liabilities		1,717,043

LONG-TERM OBLIGATIONS, less current portion (note C, M and N)		
Financial institutions and other creditors		845,921
Related parties obligations, less current portion		1,877,734
		2,723,655
MINORITY INTEREST (notes A15)		23,453
COMMITMENTS AND CONTINGENCIES (notes A20, K and O)		-
STOCKHOLDERS' EQUITY (notes P and Q)		
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 A16)		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 A16)		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 holder (note A16)		125
Common stock, $.01 par value, 20,000,000 shares authorized; 2,290,589 and 2,206,215 shares issued and outstanding at December 31, 2006 and 2005		22,906
Additional paid-in capital		44,970,100
Accumulated deficit		(36,358,756)
Accumulated other comprehensive income		-
Total stockholders' equity		8,634,535
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	13,098,686

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AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,

		2006	20
Operating revenue			
Rental revenue	$	2,418,702	3,0
Energy management fees		2,148,051	
Retail electricity revenue		10,490,047	7,1
Total operating revenue		15,056,800	10,1
Operating expense			
Cost of goods and services		9,421,434	6,9
Rental property operations		1,652,483	1,9
General and administrative		2,049,156	9
Depreciation, amortization and depletion		326,791	3
Corporate tithing		240,129	

Total operating expenses		13,689,993	10,1
Income (loss) from operations		1,366,807	
Other income (expense)			
Interest income		227,996	
Interest expense		(755,228)	(5
Gain on sale of interest in real estate (note C)		1,405,495	
Impairment of note receivable		-	(1
Income from real estate joint venture		42,947	
Other income		(66,611)	
Total other income (expense)		854,599	(6
Income (loss) before income taxes and minority interest		2,221,406	(6
Income taxes (notes A12 and K)		-	
Minority interest		(60,248)	(
NET INCOME (LOSS)	$	2,161,158	(7
Net income (loss) per common share (basic)	$	.94	
Net income (loss) per common share (diluted)	$	.56	
Weighted average number of common shares outstanding - basic		2,290,589	2,2
Weighted average number of common shares outstanding - diluted		3,830,078	2,2

AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2006 and 2005

	Preferred Stock		Common Stock		Additional Paid-in Capital	Common Stock Warrants	Accum Def
	Shares	Amount	Shares	Amount			
Balance, December 31, 2004	160,000	$ 160	2,201,356	$ 22,014	42,481,507	127,660	(37,8
Preferred C stock issuance	125,000	125	-	-	1,999,875	-	
Common stock issued pursuant to stock options exercised	-	-	4,859	49	24,406	-	

Expiration of stock warrants	-	-	-	-	127,660	(127,660)	
Other comprehensive income	-	-	-	-	-	-	
Net (loss)	-	-	-	-	-	-	(7
Total comprehensive income	-	-	-	-	-	-	(7
Balance, December 31, 2005	285,000	285	2,206,215	22,063	44,633,448	-	(38,5
Common stock issued pursuant to common stock warrants exercised	-	-	84,374	843	336,652	-	
Other comprehensive income	-	-	-	-	-	-	
Net income	-	-	-	-	-	-	2,1
Total comprehensive income	-	-	-	-	-	-	2,1
Balance, December 31, 2006	285,000	$ 285	2,290,589	$ 22,906	44,970,100	-	(36,3

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AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2006
Increase (Decrease) in Cash and Cash Equivalents	
Cash flows from operating activities:	
Net income (loss)	$ 2,161,158
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:	
Depreciation, amortization and depletion	326,791
Impairment of note receivable	-
Gain on sale of investments	(1,405,495)
Minority interest	60,248
Changes in operating assets and liabilities:	
Accounts receivable	357,574
Decrease in allowance for doubtful accounts	(2,463)
Other assets	154,363
Real estate investment	(42,947)
Deferred costs	30,692
Accounts payable	(614,035)
Accrued and other liabilities	(187,495)

Deferred revenue		(93,555)
Net cash provided by (used in) by operating activities		744,836
Cash flows from investing activities:		
Purchases of property and equipment		(402,704)
Restricted cash equivalents		(641,736)
Proceeds from sale of interest in real estate (note C)		6,399,701
Sales and maturity of investments		2,100,000
Purchase of investments		-
Net cash acquired in acquisition of limited partnership interest (note B)		283,152
Repayments of notes receivable		50,000
Net cash provided by (used in) investing activities		7,788,413
Cash flows from financing activities:		
Repayments of notes payable		(6,506,423)
Net proceeds from issuance of common and preferred stock		-
Net proceeds from issuance of common stock pursuant to common stock warrants exercised		337,495
Minority interest distributions		(36,536)
Minority interest contributions		24,995
Net cash (used in) provided by financing activities		(6,180,469)
Net increase (decrease) in cash and cash equivalents		2,352,780
Cash and cash equivalents at beginning of year		2,104,428
Cash and cash equivalents at end of year	$	4,457,208

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AMEN Properties, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31,

		2006
Cash paid during the year for:		
Interest	$	663,511
Non-cash investing and financing activities:		

Effective April 1, 2006, the Company acquired 100% Of Priority Power Management, Ltd. and Assumed a note payable to sellers (see note B).	$	3,230,051
On September 27, 2006, the Company distributed certain net assets to minority interest owners (see note C).	$	369,250

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

1. Organization

Effective October 2002, AMEN formed NEMA Properties, LLC ("NEMA"), a Nevada limited liability company; AMEN Minerals, LP ("Minerals"), a Delaware limited partnership; and AMEN Delaware, LP ("Delaware"), a Delaware limited partnership, to pursue acquisitions as authorized by stockholders on September 19, 2002. AMEN Properties, Inc. and Subsidiaries is a self-administered and self-managed Delaware corporation. Effective July 2004, AMEN Properties, Inc. and Subsidiaries and affiliates (collectively referred to as the "Company") formed W Power and Light, LP ("W Power"), a Delaware limited partnership to enter into the retail electricity market in Texas. Effective April 1, 2006, AMEN Properties acquired 100% of Priority Power Management, Ltd. a Texas limited partnership, and Priority Power Management, Dallas, Ltd. a Texas limited partnership, (collectively referred to as "Priority Power"). Priority Power is primarily involved in providing energy management 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.

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 December 31, 2006, the Company, through Delaware's investment in a real estate joint venture, has a commercial real estate portfolio consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area. 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. On April 1, 2006, the Company, through it's investment in Priority Power, began aggregating electric consumers and negotiating power prices on their behalf with retail electric providers. The real estate operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner; the retail electricity operations are primarily conducted through W Power of which Amen is the sole general partner; the aggregation of electric consumers is primarily conducted through Priority 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. Inter-company 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

The Company invests in U.S. government bonds and treasury notes, municipal bonds, certificates of deposit, corporate bonds and other securities. 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 $3,625,000 as of December 31, 2006. Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 2006.

6. Accounts Receivable

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for doubtful accounts.

W Power's 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.

The Company estimated the allowance for doubtful accounts related to W Power's billed accounts receivable to be approximately .2% percent of W Power's retail electricity billed revenue. Due to the limited historical data, the Company regularly reviews the accounts receivable and accordingly makes adjustments in estimating the allowance for doubtful accounts.

Priority Power trade accounts receivable arise from aggregation fees and other management services. An allowance for doubtful accounts is provided, when considered necessary by management, for estimated amounts not expected to be collectible. No allowance was provided or deemed necessary at December 31, 2006.

At December 31, 2006 and 2005, accounts receivable consisted of the following:

	2006	2005
Tenant receivables	$ -	160,534
Billed electricity receivables	438,592	655,141
Unbilled electricity receivables	518,045	525,803
Aggregation fees	449,544	-
Other receivables	5,645	-
Allowance for doubtful accounts	(38,470)	(40,933)
Accounts receivable, net	$ 1,373,356	1,300,545

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 36.5 years. 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 manner 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. Investment in Real Estate Joint Venture

As discussed in Note C to the consolidated financial statements, the Company sold a significant interest in certain real estate and contributed its retained 18.017% undivided ownership interest in the real estate to a joint venture in which the Company has significant continuing involvement.

The Company's investment in real estate joint venture is recorded at its remaining net cost, adjusted for its 18.017% joint venture share of earnings (loss) using the equity method of accounting, and joint venture cash contributions and distributions.

10. Goodwill

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that goodwill and other intangible assets with investment lives no longer be amortized. The intangible assets are tested for impairment annually. If there is impairment, the amount will be expensed and the intangible assets will be written down accordingly.

11. Stock-Based Compensation

On January 1, 2006 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), Accounting for Stock-Based Compensation, to account for its stock-based compensation. In December 2004, the Financial Accounting Standards Board issued SFAS 123(R) effective for small business issuers after December 15, 2005. The new Statement requires mandatory reporting of all stock-based compensation awards on a fair value basis of accounting. Generally, companies are required to calculate the fair value of all stock awards and amortize that fair value as compensation expense over the vesting period of the awards.

12. 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. For the period ended December 31, 2006, no income tax expense has been incurred due to the utilization of the

Company's net operating losses.

13. Deferred Revenue

Deferred revenue consists of prepaid aggregation fees. Deferred revenue is amortized over the life of the aggregation contract for prepaid aggregation fees.

14. Corporate Tithing

The Company shall, to the extent permitted by law, expend from the revenues of the Company such sums as are deemed prudent by the Board of Directors to support, encourage, or sustain persons or entities which in the judgement of the Board of Directors are expected to make significant efforts to propagate the Gospel of Jesus Christ in any manner not in conflict with the Statement of Faith. Such expenditures may be made without regard to the tax status or nonprofit status of the recipient. It is expected that the expenditures paid out under the provisions of this policy shall approximate ten percent (10%) of the amount that would otherwise be the net profits of the Company for the accounting period.

15. Minority Interest

Minority interest represents the interest of unit holders of TCTB, other than the Company, in the net earnings and net equity of TCTB. The unit holder minority interest is adjusted at the end of each period to reflect the ownership at that time. The unit holder minority interest in TCTB was approximately 28.7% at December 31, 2006 and 2005.

16. 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 for any periods in which their effect is antidilutive.

17. Revenue Recognition

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").

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 phases. Initial daily settlements become available approximately 17 days after the settlement date. Approximately 45 days after the settlement date, 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.

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.

The Company's gross revenues for aggregation and other services to our customers are recognized upon delivery and include estimated aggregation fees and other services delivered but not billed by the end of the period.

As of December 31, 2006, the Company recorded unbilled revenue of $206,100 for aggregation fees. Accrued unbilled revenues are based on our estimates of customer usage since the date of the last meter reading provided by the independent system operators or electric distribution companies. Volume estimates are based on average daily volumes, estimated customer usage and applicable customer aggregation rates. Unbilled revenues are calculated by multiplying volume estimates by our estimated rates by customer. Estimated amounts are adjusted when actual usage and rates are known and billed.

18. Advertising Expense

All advertising costs are expensed when incurred. Advertising expenses were approximately $91,125 and $7,000 for the years ended December 31, 2006 and 2005, respectively.

19. Income (Loss) Per Share

Income (loss) per share is computed based on the weighted average common shares and common stock equivalents outstanding during each period. The Series A, Series B and Series C Convertible Preferred Stock are not included in the computation of diluted earnings per share for any periods in which their effect is antidilutive.

20. Environmental

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

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

21. New Accounting Pronouncements

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.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The provisions of this Statement shall be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In September 2006, the FASB issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment to FASB Statement No. 87, 88, 106, and 132R. This Statement improves financial reporting by requiring an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a no-for-profit organization. An employer with publicly traded equity securities shall initially apply the requirement to recognize the funded status of a benefit plan and the disclosure requirements as of the end of the fiscal year ending after December 15, 2006. An Employer without publicly traded equity securities shall initially apply the requirements as of the end of the fiscal year ending after June 15, 2007.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The provisions of this Statement shall be effective as of the beginning of each reporting entity's first fiscal year that begins after November 15, 2007; this Statement should not be applied retrospectively to fiscal years beginning prior to the effective date, except as permitted in paragraph 30 for early adoption.

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

NOTE B - BUSINESS COMBINATIONS

On May 25, 2006, the Company completed the acquisition of 100% of Priority Power Management, effective April 1, 2006, for an aggregate consideration of $3,730,051. Priority Power is primarily involved in providing energy management 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. The acquisition resulted in the Company allocating $2,916,085 of the purchase price to goodwill. This allocation is principally the result of the purchase price being based on a business valuation of Priority Power for the period ended December 31, 2005. The acquisition consisted of $500,000 of cash paid and promissory notes totaling $3,230,051 payable to the selling partners of Priority Power. This acquisition has been accounted for under the purchase method of accounting and Priority Power's results of operations for the nine months ended December 31, 2006 have been included in the Company's Consolidated Statement of Operations for the period then ended. The purchase price has been allocated based on the estimated fair values of 100% of the acquired partnership interests at the acquisition date as follows:

Goodwill	$	2,916,085
Fair value of fixed assets acquired		96,467
Fair value of other current assets acquired		460,201
Fair value of liabilities assumed		(525,854)
Note payable to sellers		(3,230,051)
Net cash acquired for the acquisition		(283,152)
Less: total cash acquired		783,152
Net cash paid	$	500,000

The total amount of goodwill expected to be deducted for tax purposes for the tax year ending December 31, 2006 is $145,804.

The following summary compares the Company's operating results for the year ended December 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	$	15,056,800	15,705,804
Net income	$	2,161,158	2,451,884
Income per common share (basic)	$	.94	1.07
Income per common share (diluted)	$	.56	.64
Weighted average number of common shares Outstanding - basis		2,290,589	2,290,589
Weighted average number of common shares Outstanding - diluted		3,830,078	3,830,078

AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

NOTE C - DISPOSITION OF ASSETS

Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. The assets consisted of the following: the twenty-four-story Bank of America Tower, where the Company's headquarters are located, which was completed in 1977 and encompasses 329,178 rentable square feet and a 900 space-parking garage; the related Bank of America 12-lane drive through banking facility; and the twelve story Century Plaza Tower which was built in 1979 (renovated in 1990) and has 99,422 rentable square feet. The Properties constituted substantially all of the assets of TCTB prior to the transactions described herein and were subject to a lien to secure a promissory note payable to Wells Fargo Bank Texas, N.A. The partners of TCTB agreed that it was in their best interest to distribute undivided interests in the assets to the partners according to the sharing ratios of the Partnership in connection with the sale of interests, described below, in the assets. The Bank agreed to allow TCTB to distribute the assets to the partners of TCTB in exchange for the payoff of the note as described below. The asset distribution to the TCTB minority interest partners resulted in an approximate $369,000 reduction in minority interest.

Contemporaneous with the distribution of the Properties, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the Properties to Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd., unaffiliated third party purchasers for a privately negotiated price of $9.0 million. This resulted in the Company, through its wholly owned subsidiary Amen Delaware, LP, selling approximately 74% of its undivided interest in the distributed assets for approximately $6.4 million (net proceeds of approximately $3,570,500) with a gain on the sale of approximately $1,405,500. The sale of approximately 74% of the Company's original 71.348% interest in the assets resulted in the Company retaining approximately 18.017% in an investment in a real estate joint venture aggregating $1,687,238.

A separate Purchase Agreement was executed between Buyers and TCTB as nominee for the Selling Partners dated September 29, 2006. While beneficial title to the Properties resided with each partner of TCTB, subsequent and pursuant to the Agreement to Distribute Assets, the Selling Partners agreed that TCTB would continue to hold record title to their interests in the Properties and then transfer record title to an undivided 75% interest in the Properties directly to Buyers in order to facilitate the closing of the Purchase Agreement which occurred on September 29, 2006. Pursuant to the Purchase Agreement, TCTB, the Selling Partners and Buyers agreed to indemnify each other against, and hold each other harmless from all liabilities arising out of ownership, operations or maintenance of the Properties for their respective periods of ownership

In connection with the Agreement to Distribute Assets the restricted $2.1 million certificate of deposit that secured the Note was applied to the outstanding balance of the Note resulting in the Note balance of approximately $3.7 million being distributed to the partners of TCTB Partners, Ltd., approximately $2.6 million net to the Company. The Note was subsequently paid in full on October 2, 2006 through the application of approximately $3.9 million of the $9.0 million sales proceeds under the Purchase Agreement received on October 2, 2006. The remaining $5.0 million of the sales proceeds (after closing costs) were paid to the Selling Partners in accordance with their respective interests in the Properties (approximately $3.5 million to the Company). On October 3, 2006 the Company used a portion of the net proceeds from the sale to pay the remaining balance (approximately $1.7 million) on certain promissory notes entered into by the Company in connection with its acquisition of partnership interests in TCTB (including approximately $266,000 to Mr. Jon Morgan, President and COO of the Company, and approximately $410,000 to an affiliate of Mr. Eric Oliver, Chairman of the Board and CEO of the Company. The Company plans to use the remaining net proceeds from the sale (i) for potential real estate acquisition or redevelopment opportunities, (ii) to fund potential capital requirements of its electricity business subsidiaries, W Power and Light, LP and Priority Power Management, LP, (iii) for potential purchases of oil and gas mineral and royalty interests, and (iv) for general working capital.

NOTE D - CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at four financial institutions, which at times may exceed federally insured limits. At December 31, 2006 and 2005 the Company had approximately $3,514,000 and 1,475,000, respectively, of uninsured cash and cash equivalents. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks on such accounts.

W Power and Priority Power's revenues are derived principally from uncollateralized customer electricity billings and TCTB's revenues are derived principally from uncollateralized rents from tenants. The concentration of credit risk in a limited number of industries affects its overall exposure to credit risk because customers may be similarly affected by changes in economic and other conditions.

NOTE E - RESTRICTED CASH EQUIVALENTS

For the period ending December 31, 2005 the Company held a $2,100,000 certificate of deposit with a financial institution with an annual yield of 4.00% and a maturity date of December 28, 2006. The certificate of deposit collateralized the term note with a financial institution (see note M) and was 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. Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB in exchange for the payoff of the TCTB Note. In connection with the Agreement to Distribute Assets the restricted $2.1 million certificate of deposit that secured the TCTB Note was applied to the outstanding balance of the Note as of September 27, 2006. The Company incurred approximately $20,500 in penalties for withdrawal prior to maturity.

On October 18, 2005, the Company entered into a continuing agreement for commercial and standby letters of credit (the "Letters of Credit") with JPMorgan Chase Bank, N.A., Houston, Texas, ("JPMC"). Under the agreement JPMC may, but is not obligated to, issue one or more standby or commercial letters of credit on behalf of W Power. The Letters of Credit are generally required in the normal course of business operations to support the Company's obligations to collateralize certain obligations to electric power providers, TDSPs, and ERCOT. Currently the Letters of Credit bear an interest rate of seven-tenths of one percent (0.70%) payable quarterly in advance. In order to support the Letters of Credit, the Company, JPMC and JP Morgan Securities Inc. maintain a tri-party control agreement that creates a security interest in favor of Chase in a certain Money Market Fund the Company maintains with JPMC. At December 31, 2006 and 2005, the Company had deposits with JPMC totaling $2,197,000 and $1,555,264, respectively, collateralizing outstanding Letters of Credit.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, at cost, consisted of the following at December 31, 2006 and 2005:

		2006	2005
Buildings	$	-	8,467,365
Furniture, fixtures and equipment		238,367	141,998
Tenant improvements		-	583,099
Land		-	158,998
		-	9,351,460
Less: accumulated depreciation		(92,326)	(1,247,801)
	$	146,041	8,103,659

Depreciation expense for 2006 and 2005 was $319,951 and $373,917, respectively. Included in the $319,951 of the 2006 depreciation expense is 224,068 of depreciation related to the buildings sold on September 29, 2006 (see note C).

NOTE G - INVESTMENT IN REAL ESTATE JOINT VENTURE

Effective September 27, 2006, the Company entered into an Agreement to Distribute Assets with and among the partners of TCTB Partners, Ltd. Contemporaneous with the distribution of the assets, the Company along with the General Partner and the other Limited Partners of TCTB collectively agreed to sell and sold 75% of their collective undivided interest in the assets. The sale of the Company's undivided interest in the assets resulted in the Company retaining approximate 18.017% undivided interest in the assets (see note C).

At December 31, 2006, investment in real estate joint venture consisted of the following:

Real estate investment	$	1,687,238
Joint venture earnings		42,947

$ 1,730,185

NOTE H - ROYALTY INTERESTS

The Company, through its wholly-owned subsidiary Amen Minerals, LP, currently owns two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was $162,854. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Royalty income is generally received one to two months following the month of production and the Company uses estimates to accrue royalty income for the year ended December 31, 2006 and 2005.

Depletion expense for the year ended December 31, 2006 and 2005 was $6,840 and $13,752, respectively, and accumulated depletion was $33,076 and $26,236, respectively.

NOTE I - LONG-TERM INVESTMENTS

Securities available-for-sale in the accompanying balance sheet at December 31, 2006 and 2005 totaled $62,350. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type are as follows:

	Market Value	Cost Basis	Gross Unrealized Losses
As of December 31, 2006 and 2005:			
Other securities	$ 62,350	62,350	-

NOTE J - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

	2006	2005
Accrued TDSP charges	$ 127,495	123,655
Accrued sales tax	89,143	-
Accrued corporate tithing	240,129	-
Accrued officer bonuses	100,885	-
Accrued property taxes	-	185,988
Other liabilities	46,299	111,998
	$ 603,951	421,641

NOTE K - INCOME TAXES

There was no income tax expense or benefit to report for the years ended December 31, 2006 and 2005. A reconciliation of income taxes at the statutory rate to the Company's effective rate is as follows for the years ended December 31:

		2006
Expected expense (benefit) computed at the expected statutory rate	$	762,000
Less valuation allowance		-
Utilization of net operating loss		(762,000)
Income taxes	$	-

Noncurrent deferred tax assets and liabilities at December 31, 2006 and 2005 were as follows:

		2006	
Deferred tax assets			
Net operating loss carry-forward	$	10,042,124	10
Investment basis		184,925	
Start-up costs		29,329	
Other		130,865	
Gross deferred tax assets		10,387,243	10
Deferred tax liabilities			
Property, plant and equipment		(374,619)	
Other		-	
Gross deferred tax liabilities		(374,619)	
Valuation allowance		(10,012,624)	(10

Net noncurrent deferred tax assets	$ -	

As of December 31, 2006, the Company has net operating loss carry-forwards totaling approximately $29,535,658 for federal and state income tax purposes expiring in 2012 through 2026.

NOTE L - OPERATING SEGMENTS

The Company's business activities are mainly comprised of three reportable segments, real estate operations, a retail electricity provider ("REP"), and retail electricity aggregation services.

The commercial real estate portfolio consists of the Company's investment in a real estate joint venture (see notes C and G), consisting of an ownership of approximately 18% in two office properties located in Midland, Texas comprising an aggregate of approximately 428,560 square feet of gross leasable area.

The Company entered the retail electricity market in the state of Texas in July 2004. The retail electricity operations are primarily conducted through W Power of which the Company is the sole general partner. The REP segment sells electricity and provides the related billing, customer service, collection and remittance services to both residential and commercial customers.

On April 1, 2006, the Company, through it's investment in Priority Power, began aggregating electric consumers and negotiating power prices on their behalf with retail electric providers. The aggregation of electric consumers is primarily conducted through Priority Power of which Amen is the sole general partner.

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 year ended December 31, 2006 and 2005, respectively.

AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

December 31, 2006:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate
Revenues from external customers	$ 10,490,047	$ 2,418,702	$ 2,148,051	$ -
Revenues from other operating segments	$ 802,856	$ 31,196	$ 35,066	$ -
Depreciation, amortization and depletion	$ 14,936	$ 281,830	$ 1,765	$ 28,260

Interest expense	$ 15,037	$ 553,827	$ -	$ 186,364
Segment net income (loss)	$ 527,890	$ 210,277	$ 933,186	$ 698,497
Segment assets	$ 3,950,610	$ 81,174	$ 1,310,965	$ 8,115,366
Goodwill	$ -	$ -	$ 2,916,085	$ -
Expenditures for segment assets	$ 10,306	$ 381,495	$ 14,496	$ 2,255

December 31, 2005:

	REP	Real Estate Operations	Energy Management Services	Other and Corporate
Revenues from external customers	$ 7,172,223	$ 3,008,669	$ -	$ -
Revenues from other operating segments	$ 820,710	$ 23,275	$ -	$ -
Depreciation, amortization and depletion	$ 9,717	$ 362,162	$ -	$ 15,790
Interest expense	$ 86,601	$ 550,982	$ -	$ -
Segment net income (loss)	$ (350,799)	$ 318,796	$ -	$ (587,537)
Segment assets	$ 3,159,563	$ 7,480,267	$ -	$ 5,500,160
Expenditures for segment assets	$ 32,662	$ 451,510	$ -	$ 6,807

NOTE M - 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 was 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 was secured by substantially all of the assets of TCTB. As discussed in note C, on October 2, 2006, the TCTB Note was paid in full.

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 on October 1, 2002. The notes were payable in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. Due to the distribution and sale of the assets of TCTB (see note C) in late September 2006, the Company elected to forgo the payment as described above and paid the remaining balance of the principal balance along with the entire accrued interest balance during October 2006.

Delaware entered into a promissory note (the "Hexagon Note") on February 18, 2004, effective January 1, 2004 in the amount of $250,778 to purchase an additional 6.485% ownership interest in TCTB. The note was payable in quarterly installments of principal and interest beginning on March 1, 2004 with a final maturity of January 1, 2010. Due to the distribution and sale of the assets of TCTB (see note C) in late September 2006, the Company elected to pay the remaining balance of the principal balance along with the accrued interest balance during October 2006.

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 (8.25% at December 31, 2006). Interest is computed on the unpaid principal balance of the Note and is due and payable as it accrues monthly, commencing March 31, 2005, and thereafter on the last day of each and every succeeding month until maturity, March 31, 2008, when the entire amount of the Note, principal and accrued, unpaid interest, shall be due and payable. The Note is secured by a security agreement to all of the accounts receivable of W Power. In addition, the Note is guaranteed by certain accredited investors which guarantees are partially secured by letters of credit (see Note P). 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.

On March 3, 2006 TCTB entered into a loan agreement with a financial institution for a revolving line of credit note (the "Line of Credit") of $300,000. The line of credit bears interest at a variable rate per annum equal to the Prime Rate, currently 8.25% as of September 30, 2006. The proceeds from the Note are intended to be used to fund potential tenant lease improvements provided for in new tenant lease agreements at TCTB. The loan agreement is secured by substantially all of the assets of TCTB. As of December 31, 2006, TCTB has not utilized the line of credit.

NEMA entered into twenty-two promissory notes (the "NEMA Notes") on May 18, 2006, effective April 1, 2006 totaling $3,230,051 to purchase 100% ownership interest in Priority Power Management, Ltd, a Texas limited partnership, and Priority Power Management Dallas, Ltd, a Texas limited partnership (see note B). The notes are due in quarterly installments of $142,985 beginning on September 30, 2006 with a final maturity of December 31, 2013. The term notes bear interest at a fixed rate per annum of 7.75%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

Long-term obligations consisted of the following at December 31, 2006 and 2005:

	2006	2005
NEMA Notes	$ 3,149,649	$ -
TCTB Note	-	5,905,034
Delaware Notes	-	1,394,543
Hexagon Note	-	175,342
WNB note	-	-
	3,149,649	7,474,919
Less related party portion	(2,171,421)	(879,738)
Less current portion	(132,307)	(259,009)
	$ 845,921	6,336,172

Related party portion of long-term obligations consisted of the following at December 31, 2006 and 2005:

	2006	2005
NEMA Notes	$ 2,171,421	-
TCTB Note	-	-
Delaware Notes	-	879,738
Hexagon Note	-	-
	2,171,421	879,738
Less current portion	(293,687)	-
	$ 1,877,734	879,738

Annual maturities of long-term obligations at December 31, 2006 are as follows:

2007	$ 132,307
2008	115,376
2009	124,580
2010	134,520
2011	145,252
2012 and thereafter	326,193

	$ 978,228

Annual maturities of related party portion of long-term obligations at December 31, 2006 are as follows:

2007	$ 293,687
2008	256,105
2009	276,538
2010	298,600
2011	322,423
2012 and thereafter	724,068
	$ 2,171,421

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AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

NOTE N - RELATED PARTY TRANSACTIONS

At December 31, 2006 and 2005, related parties leased office space of approximately 32,000 square feet. The rental income received from these related parties that is included in the real estate operations of the Company was approximately $349,978 and $348,600 during the period then ended, respectively.

The Company closed the sale and issuance of 125,000 shares of Series C Preferred Stock and 250,000 Warrants (see note P) 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.

	Number of Preferred C Shares	Common Stock Equivalent	Preferred C Voting Equivalent	Pu P
Eric Oliver	14,063	56,252	52,877	$
Jon M. Morgan	14,062	56,248	52,873	
Bruce Edgington	3,125	12,500	11,750	
Total	31,250	125,000	117,500	$

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

	Number of Warrants	Common Stock 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

On May 18, 2006, Jon M. Morgan and Bruce Edgington exercised their outstanding warrants (described above) for a total exercise price of $112,496 and $25,000, respectively. Mr. Morgan received 28,124 shares of common stock and Mr. Edgington received 6,250 shares of common stock upon the exercise of their stock warrants.

On May 25, 2006, the Company completed its acquisition of all of the outstanding partnership interests in Priority Power pursuant to a Securities Purchase Agreement by and between the Company and its subsidiary, NEMA and the partners of Priority Power dated May 18, 2006. The total purchase price was $3,730,051, comprised of (i) $500,000 in cash, and (ii) promissory notes with the aggregate principal amount of $3,230,051 (see note M) from the Company and NEMA and payable to the sellers. 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 selling partners of Priority Power are customers of W Power none of which are considered significant customers. In addition, certain of the selling 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 Executive Officer of the Company, and Eric L. Oliver, the Chairman of the Board of Directors of the Company. Jon M. Morgan is a fifty percent owner of Anthem Oil and Gas, Inc which was a selling limited partner of Priority Power. Mr. Morgan also owned a one third interest in the selling general partner of Priority Power Management, Ltd. Eric L. Oliver owned a thirty-seven and a half percent interest in a selling limited partner of Priority Power, Oakdale Ventures, Ltd.

December 31, 2006 and 2005

The following table reflects the portion of the Company's long-term debt payable to related parties as of December 31, 2006:

		Total
Eric Oliver, CEO	$	23,382
Jon M. Morgan , COO		553,091
5% Shareholders		1,301,261
Total	$	1,877,734

NOTE O - 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 annual future capacity payments under existing agreements are estimated as follows as of December 31, 2006:

2007	$	1,225,563
2008		148,960
Total	$	1,374,523

NOTE P - STOCKHOLDERS' EQUITY

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

On July 29, 2005, the Company issued 4,859 shares of common stock for $24,455 upon the exercise of certain stock options covering 341 and 4,518 shares with a strike price of $3.88 and $5.12, respectively.

On May 18, 2006, the Company issued 84,374 shares of common stock for $337,495 upon the exercise of certain stock warrants (described above) covering 84,374 shares with a strike price of $4.00.

NOTE Q - STOCK OPTION PLAN

Since the inception of the Company, various options have been granted by the Board of Directors to founders, directors, employees, consultants and ministry partners. In February 1997, the Company authorized 67,100 additional shares of common stock to underlie additional options reserved for key employees and for future compensation to members of the Board of Directors. The Board of Directors also adopted and the Stockholders approved, the 1997 Stock Option Plan ("1997 Plan"), which provides for the granting of either qualified or non-qualified options to purchase an aggregate of up to 514,484 shares of common stock, inclusive of the 67,100 shares mentioned above, and any and all options or warrants granted in prior years by the Company. As of December 31, 2006, all options available under the 1997 Plan have been granted: 62,579 options have been exercised, and 178,110 options are outstanding which are fully vested and range in price from $3.50 to $61.36.

December 31, 2006 and 2005

The 1998 Stock Option Plan ("1998 Plan") was approved by the Board of Directors in April 1998, with approved amendment in May 2000. The 1998 Plan gives the Company the authority to issue 300,000 options to purchase AMEN common stock. If any stock options granted under the 1998 Plan terminate, expire or are canceled, new stock options may thereafter be granted covering such shares. In addition, any shares purchased under the 1998 Plan subsequently repurchased by the Company, if management elects, pursuant to the terms hereof may again be granted under the 1998 Plan. The shares issued upon exercise of stock options under the 1998 Plan may, in whole or in part, be either authorized but unissued shares, or issued shares reacquired by the Company. As of December 31, 2006, 4,859 options have been exercised and 113,381 options are outstanding and are fully vested and range in price from $1.98 to $45.50.

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

For the year ended December 31, 2006 the Company did not issue any stock options. For the year ended December 31, 2005, the following assumptions were used: dividend yield of 0%; risk-free interest rates based on the Treasury bond yield at the date of grant for three- to five-year bonds, depending on the expected term; volatility range approximating 50.9% to 51.1% depending on the grant date; and an expected term of ten years.

The table below summarizes the stock option activity for the years ending 2006 and 2005:

Options Outstanding	Options Outstanding	Weighted Average Price
Outstanding December 31, 2004	454,993	$ 13.05
Options exercised	(4,859)	3.88
Options forfeited	(54,481)	14.07
Options issued	37,950	5.97
Outstanding December 31, 2005	433,603	14.06
Options exercised	-	-
Options forfeited	(142,112)	17.70
Options issued	-	-
Outstanding December 31, 2006	291,491	$ 12.29

AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

At December 31, 2006 the 291,491 outstanding options are fully vested and exercisable. They range in price from $1.98 to $61.36 and have a weighted average contractual maturity of 3.73 years. For the year ended December 31, 2006 the Company did not issue any stock options. The weighted average grant date fair value for equity options issued during the year ending December 31, 2005 was $3.97 per share. Had compensation expense been determined based on the fair value of the options at the grant dates consistent with the method of accounting under SFAS No. 123 for the year ending December 31, 2005, the Company's net income and net income per share for the years ended December 31, 2006 and 2005 would have been decreased to the proforma amounts indicated below:

		2006	2005
Net income (loss) from continuing operations, as reported	$	2,161,158	(704,562)
Deduct: Total stock-based employee compensation expense determined under fair value based method		-	(150,842)
Net income (loss), pro forma	$	2,161,158	(855,404)
As reported:			
Net income (loss) - basic	$	.94	(.32)
Net income (loss) - diluted	$	.56	(.32)
Pro forma:			
Net income (loss) - basic	$	.94	(.39)
Net income (loss) - diluted	$	.56	(.39)

NOTE R - SUBSEQUENT EVENTS

On March 27, 2007 the Company contributed its remaining 18.017% ownership in the Bank of America Tower and the Century Plaza Tower to HPG Acquisition, LLC; a Texas Limited Liability Company, along with $478,461 for a limited partnership interest of approximately 18%.

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AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

		2006 Quarter ended		
		March 31	June 30	September 30
Rental revenue				
Rental revenue	$	751,605	832,969	834,128
Energy management fees		-	676,806	809,217
Retail electricity revenue		3,168,707	3,391,948	1,956,012
Total operating revenue		3,920,312	4,901,723	3,599,357
Operating expense				
Cost of goods and services		2,820,418	3,063,743	1,934,621
Rental property operations		478,386	542,797	631,300
General and administrative		236,692	497,041	539,056
Depreciation, amortization and depletion		102,276	105,059	112,022
Corporate tithing		-	-	209,266
Total operating expense		3,637,772	4,208,640	3,426,265
Income from operations		282,540	693,083	173,092
Other (expense) income				
Interest income		49,701	59,115	61,023
Interest expense		(140,662)	(206,205)	(343,344
Gain on sale of interest in real estate		-	-	1,405,495
Income from real estate joint venture		-	-	-
Other income (expense)		22,945	(112,997)	(133
Total other income (expense)		(68,016)	(260,087)	1,123,04
Income before income taxes and minority interest		214,524	432,996	1,296,133
Income taxes		-	-	-
Minority interest		(21,870)	(34,839)	(3,547
NET INCOME	$	192,654	398,157	1,292,586
Net income per common share - (basic)	$	.09	.18	.56

Net income per common share - (diluted)	$	.05	.11	.36
Weighted average number of common shares outstanding - basic		2,206,215	2,246,084	2,290,589
Weighted average number of common shares outstanding - diluted		3,555,979	3,595,848	3,640,353

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AMEN Properties, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

December 31, 2006 and 2005

Condensed consolidated statements of operations - Quarterly (Unaudited)

For the year ending December 31, 2005:

		2005 Quarter ended		
		March 31	June 30	September 30
Rental revenue				
Rental revenue	$	670,182	672,137	894,749
Retail electricity revenue		310,789	1,125,596	2,545,563
Total operating revenue		980,971	1,797,733	3,440,312
Operating expense				
Cost of goods and services		277,688	1,143,727	2,453,362
Rental property operations		407,622	452,447	554,428
General and administrative		206,986	223,579	329,312
Depreciation, amortization and depletion		91,835	104,671	106,284
Total operating expense		984,131	1,924,424	3,443,386
(Loss) income from operations		(3,160)	(126,691)	(3,074
Other (expense) income				
Interest income		11,844	15,693	14,037
Interest expense		(114,346)	(148,149)	(130,748
Other income (expense)		(17,164)	43,578	11,21
Total other income (expense)		(119,666)	(88,878)	(105,493
Loss before income taxes and minority interest		(122,826)	(215,569)	(108,567

Income taxes		-	-	-
Minority interest		(40,824)	4,231	(41,899
NET LOSS	$	(163,650)	(211,338)	(150,466
Net loss per common share - (basic)	$	(.07)	(.10)	(.07)
Net loss per common share - (diluted)	$	(.07)	(.10)	(.07)
Weighted average number of common shares outstanding - basic		2,201,356	2,201,356	2,203,310
Weighted average number of common shares outstanding - diluted		2,201,356	2,201,356	2,203,310

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1+	Certificate of Incorporation and Certificates of Amendments thereto of DIDAX INC.
3.1(a)+	Certificate of Correction regarding Certificate of Incorporation
3.1(b)**	Certificate of Amendment thereto of DIDAX INC.
3.2+++	Certificate of Amendment thereto of Crosswalk.com, Inc.
3.3+	Bylaws and amendments thereto of the Company
3.4 ~	Certificate of Designation for Series A Preferred Stock
3.4(a) ~~	Amended Certificate of Designation for Series A Preferred Stock
3.5 ~~	Certification of Designation for Series B Preferred Stock
3.6***	Certificate of Amendment of Certificate of Incorporation dated May 26, 2004
3.7@	Certificate of Designation for Series C Preferred Stock
4.1@	Form of Warrant Certificate dated March 1, 2005
10.1//	Asset Purchase Agreement between the Company and Blue Hill Media, Inc. dated December 13, 2002
10.2+	Form of Stock Option Agreement
10.3+	1997 Stock Option Plan
10.4*	1997 Stock Option Plan, as amended April 6, 1998

10.5*	1998 Stock Option Plan
10.6**	1998 Stock Option Plan, as amended February 26, 1999
10.7##	1998 Stock Option Plan, as amended March 3, 2000
10.8++	Stock Purchase Agreement between the Company and A. Scott Dufford for Series A Preferred Stock dated September 29, 2000
10.9++	Stock Purchase Agreement between the Company and John R. Norwood for Series A Preferred Stock dated September 29, 2000
10.10++	Stock Purchase Agreement between the Company and J.M. Mineral and Land Co. for Series A Preferred Stock dated September 29, 2000
10.11++	Stock Purchase Agreement between the Company and Jon M. Morgan Pension Plan for Series A Preferred Stock dated September 29, 2000
10.12++	Stock Purchase Agreement between the Company and Stallings Properties, Ltd. for Series A Preferred Stock dated September 29, 2000

10.13++	Stock Purchase Agreement between the Company and John D. Bergman for Series A Preferred Stock dated September 29, 2000
10.14++	Stock Purchase Agreement between the Company and Julia Jones Family Trust for Series A Preferred Stock dated September 29, 2000
10.15++	Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series A Preferred Stock dated September 29, 2000
10.16++	Stock Purchase Agreement between the Company and Soft Op, L.P. for Series A Preferred Stock dated September 29, 2000
10.17++	Stock Purchase Agreement between the Company and Lighthouse Partners, L.P. for Series A Preferred Stock dated September 29, 2000
10.18++	Stock Purchase Agreement between the Company and Ray McGlothlin, Jr. for Series A Preferred Stock dated September 29, 2000
10.19++	Stock Purchase Agreement between the Company and Gary J. Lamb for Series A Preferred Stock dated September 29, 2000
10.20++	Stock Purchase Agreement between the Company and Frosty Gilliam, Jr. for Series A Preferred Stock dated September 29, 2000
10.21++	Stock Purchase Agreement between the Company and Bruce Edgington for Series B Preferred Stock dated December 31, 2001
10.22++	Stock Purchase Agreement between the Company and Dodge Jones Foundation for Series B Preferred Stock dated December 31, 2001
10.23++	Stock Purchase Agreement between the Company and Earl E. Gjelde for Series B Preferred Stock dated December 31, 2001

10.24++	Stock Purchase Agreement between the Company and Jon M. Morgan for Series B Preferred Stock dated December 31, 2001
10.25++	Stock Purchase Agreement between the Company and Soft Op, L.P. for Series B Preferred Stock dated December 31, 2001
10.26++	Annex to the Stock Purchase Agreement for Series A Preferred Stock dated September 29, 2000
10.27#	Agreement to Suspend Dividends and Consent of the Holders of Series A Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
10.28#	Agreement to Suspend Dividends and Consent of Holders of Series B Convertible Preferred Stock of Amen Properties, Inc. dated May 30, 2003.
10.29^	Consent, Waiver and Amendment of the holders of Series A Preferred Stock dated January 2005 (identical copy executed by each holder)
10.30^	Consent, Waiver and Amendment of the holders of Series B Preferred Stock dated January 2005 (identical copy executed by each holder)
10.31++	Annex to the Stock Purchase Agreement for Series B Preferred Stock dated December 31, 2001
10.35//	Lease Agreement between TCTB Partners, Ltd. and Bank of America, N.A. dated September 30, 2003.
10.36//	Lease Agreement between TCTB Partners, Ltd. and Pioneer Natural Resources USA, Inc. dated April 4, 2000.

10.38###	Employment and Noncompetition Agreement between the Company and Kevin Yung dated as of July 1, 2004
10.41@	Securities Purchase Agreement between the Company and certain investors dated January 18, 2005, as amended by a First Amendment dated January 28, 2005 and a Second Amendment dated February 28, 2005
10.42@	Loan Agreement between Amen Properties, Inc. and Western National Bank
10.43@	Western National Bank Revolving Line of Credit Note
10.44	Employment Agreement between Priority Power Management, Ltd and John Bick (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).
10.45	Employment Agreement between Priority Power Management, Ltd and Padraig Ennis (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2006).

10.46	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 Report filed on May 24, 2006).
10.47	Agreement to Distribute Assets among TCTB Partners, Ltd and its partners dated as of September 27, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
10.48	Purchase Agreement between TCTB Partners, Ltd as nominee for certain partners of TCTB Partners, Ltd and Hampshire Plaza Garage, LLC and S.E.S. Investments, Ltd. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
10.48	Management Agreement between the Company and TCTB Management Group, LLC. dated as of September 29, 2006 (Incorporated by reference to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2006)
11	Statement of computation of earnings per share
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)
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 regarding December 31, 2006 Annual Report on Form 10-KSB

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

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

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

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

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

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

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

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

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

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

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

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

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