

2016 Second Quarter Report

Consolidated Financial Statements
Periods Ended June 30, 2016 (Unaudited)
and 2015 (Unaudited)
 # Shares Outstanding at 6/30/16: 53,146

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2016 SECOND QUARTER REPORT
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COMPANY OVERVIEW

Background

Amen Properties was originally incorporated under the name DIDAX in 1997 and soon thereafter began doing business as Crosswalk.com. For several years the company operated one of the leading Christian sites on the web, *crosswalk.com*. In late 2002, on the brink of insolvency, the Company sold almost all of its assets and changed its name to Amen Properties.

Amen Properties is a Christian corporation that donates 10% of its net earnings to Christian organizations with an emphasis on benevolence and youth outreach.

Strategic Asset: Net Operating Loss Carryforward

The Company was unprofitable from its inception through 2002, amassing a **cumulative net operating loss of approximately $30 million**. This NOL can be used to offset prospective taxable income and eliminate the Company's Federal income tax liability.

Evolution of Strategy – Increasing Focus on Energy

Real Estate

Having sold all of the its assets except for the tax NOL, the Company embarked on a new business strategy in 2002 focused on real estate investments in secondary and out-of-favor markets. The Company acquired an 18% interest in an entity which owns over 200 thousand square feet of office space located in Midland, Texas but was unable to find additional viable real estate investment opportunities. Consequently, the Company decided to maintain its relatively small investment in real estate and focus on other areas for growth.

In December 2014, the Company sold its interest in the Midland office buildings; its only remaining real estate asset is an 18% interest in a parking lot in downtown Midland (the "Superblock").

Energy Services

In 2003 deregulation of the Texas electricity market, the largest electricity market in the United States, created numerous opportunities for growth. The Company decided to approach this market in two ways:

- **Retail Electricity Provider (REP)**: In 2004 the Company started a REP named W Power. As a REP, W Power sold electricity and provided the related billing, customer service and collection services to residential and commercial customers. ***In June of 2008 the Company decided to shut down the operations of W Power due to the significant credit requirements imposed on REP's by the State of Texas and adverse changes in the business climate of the Texas retail electricity market.***
- **Energy Management and Consulting**: In 2006 the Company acquired Priority Power, one of the leading electricity aggregation, brokering and consulting firms in the State of Texas, for a total purchase price of $3.5 million. Priority provides services to its customers in the areas of load aggregation, natural gas and electricity procurement, energy risk management, and energy consulting in both regulated and deregulated domestic markets. ***In October of 2010, the Company sold Priority Power to its management team.***

Energy Resources

One of the elements of the Company's revised business plan was to tap into the oil and gas expertise possessed by several of its Directors to acquire profitable oil and gas-related assets. The Company owns a number of oil and gas royalty and working interests in several states, including those acquired from the former Santa Fe Energy Trust in 2007:

- **Santa Fe Energy Trust Assets**: in December 2007 the Company acquired a one-third interest in the royalty (SFF Royalty, LLC) and working (SFF Production, LLC) interests formerly owned by the Santa Fe Energy Trust for a total purchase price of $10 million. In December 2008 the Company increased its ownership of SFF Production to approximately 79% for an additional investment of $6.9 million. In December 2014, the Company purchased the remaining shares of SFF Production for a total purchase price of $1.3 million and now owns 100%.

People

Amen's Board of Directors

Eric L. Oliver was appointed as a director of AMEN in July 2001, and was appointed Chairman of the Board and Chief Executive Officer on September 19, 2002. Mr. Oliver resigned as Chief Executive Officer effective March 7, 2007. Since 1997, he has been President of SoftSearch Investment, Inc., an investment firm in Abilene, Texas. Since 1998, he has also served as President of Midland Map Company LLC, a company that creates hand drafted ownership maps throughout the Permian Basin. He is on the Board of Directors of the First National Bank of Midland, and of Love and Care Ministries, an inner city homeless initiative. Mr. Oliver is the brother of Kris Oliver, the Company's Chief Financial Officer.

Jon M. Morgan was appointed as a director of AMEN in October 2000. Mr. Morgan has more than 19 years' experience in launching and managing successful businesses in both investment management services and in the energy field. He is founder of several businesses including Morgan Capital Group, Inc., the Packard Fund, and is President of J.M. Mineral & Land Co.

Bruce E. Edgington has been director of AMEN since November 1995. From 1979 through 1988, Mr. Edgington was a registered representative with Johnston Lemon & Co., a securities broker-dealer, where his responsibilities included the management of retail securities accounts and administration. In 1988 he founded and continues to be an officer, director and stockholder of DiBiasio & Edgington, a firm engaged in providing software to investment firms and money managers.

G. Randy Nicholson was appointed to the Board of Directors on February 26, 2003. He graduated from Abilene Christian College in 1959. From 1959 to 1971, Mr. Nicholson was self-employed in Abilene as a CPA. In 1971, he established E-Z Serve, Inc., a gasoline marketing company. Mr. Nicholson has served as Chairman of the Board of Auto-Gas Systems, Inc. since 1987. AutoGas developed the pay-at-the pump technology processing paperless credit and debit card transactions at the fuel island. Headquartered in Abilene, Texas, AutoGas continues to introduce innovative technological advancements in the automated fueling industry, most recently with loyalty products such as DIGITAL REWARDS and Quantum 360sm. He joined the Board of Trustees of Abilene Christian University in 1981. Mr. Nicholson is a member of the Texas Society of Certified Public Accountants and was recently named an honorary member of the American Institute of Certified Public Accountants (AICPA) having been a member for 40 years. He is presently serving as Chairman of the Technology Committee for the City of Abilene.

Management Team

Kris Oliver was appointed Chief Financial Officer of the Company on March 7, 2007 and assumed the role of Chief Executive Officer in March of 2009. Mr. Oliver is a Certified Public Accountant and began his career in the Audit

Practice of Arthur Andersen, where he left as an Audit Senior in 1990. After receiving an MBA in Finance from the University of Texas at Austin in 1992, Mr. Oliver spent 14 years at American Airlines / Sabre in a variety of roles including Corporate Finance, Business Development, Marketing and Sales. Just prior to joining the Company, Mr. Oliver was a Senior Financial Advisor with Technology Partners International, the world's largest outsourcing advisory firm. Mr. Oliver is the brother of Eric Oliver, the Company's Chairman of the Board of Directors.

MANAGEMENT DISCUSSION and ANALYSIS
2016 SECOND QUARTER FINANCIAL RESULTS

Oil and Gas Activities

The Company recognized $321 thousand in oil and gas revenue for the quarter, a decrease of 15% versus the same quarter in 2015 driven by reductions in commodity prices. This decrease in revenue led to a loss from oil and gas operations of $(201) thousand for quarter, compared with a loss of $(252) thousand for the same quarter last year.

During the quarter, the Company recognized $128 thousand of equity income and received cash distributions totaling $100 thousand in connection with its investment in SFF Royalty, LLC.

Amen's Board approved a plan in 2012 whereby the Company will no longer hedge the revenue stream associated with its oil and gas royalties. The Board reached this decision based on reduced cash flow risk associated with the retirement of the Company's debt in 2011. The Company has notified shareholders that they now hold an unhedged long oil and gas position and should pursue their own hedging strategy if they are uncomfortable with that risk.

Corporate

The Company recognized Net Income Applicable to Common Shareholders of $(44) thousand for the quarter versus $(108) thousand for the same quarter in 2015. The decrease in earnings is attributable to the decline in commodity prices for oil and gas, as described above, as well as losses of approximately $(200) thousand recognized in connection with the sale of marketable securities.

The Company declared a regular dividend of $10 per common share during the quarter and anticipates making regular quarterly dividends to common stockholders, the amount of which will be largely determined by fluctuations in commodity prices for oil and gas.

AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2016 (Unaudited)	December 31, 2015 (Unaudited)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,360,729	$ 2,032,740
Accounts Receivable, net of allowance	239,428	201,082
Marketable Securities		
Gross	1,519,285	1,965,518
Mark to market	2,700,715	(1,035,490)
Net	4,220,000	930,028
Other Current Assets	23,628	119,383
Total Current Assets	6,843,785	3,283,233
PROPERTY AND EQUIPMENT	14,339	13,146
OIL AND GAS INVESTMENT IN SFF GROUP	81,611	120,658
OIL AND GAS ROYALTY AND WORKING INTERESTS	5,555,487	6,079,198
INVESTMENT IN REAL ESTATE	400,710	400,710
OTHER ASSETS		
Deposits and Other Assets	24,781	28,757
Total Other Assets	24,781	28,757
TOTAL ASSETS	$ 12,920,713	$ 9,925,702

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Line of Credit	$ 1,500,000	$ -
Accounts Payable	7,842	92,535
Accrued Liabilities	297,087	305,954
Total Current Liabilities	1,804,929	398,489
EQUITY		
Stockholders' Equity:		
Common Stock, $.01 par value; 20,000,000 shares authorized; 53,146 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	532	532
Treasury Stock, at cost	(275,748)	(260,547)
Additional Paid-in Capital	54,942,016	54,942,016
Accumulated Deficit	(46,251,731)	(44,119,297)
Accumulated Other Comprehensive Income	2,700,715	(1,035,491)
Total Stockholders' Equity	11,115,784	9,527,213
Noncontrolling Interest	-	-
Total Equity	11,115,784	9,527,213
TOTAL LIABILITIES AND EQUITY	$ 12,920,713	$ 9,925,702

These financial statements and the notes thereto present fairly, in all material respects, the financial position of the Company and the results of its operations for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Kris Oliver, Chief Executive Officer of Amen Properties, Inc.

AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
OPERATING REVENUE				
Oil and Gas Revenue	$ 320,769	$ 379,120	$ 642,335	$ 812,238
Total Operating Revenue	320,769	379,120	642,335	812,238
OPERATING EXPENSE				
Oil and Gas Operations	227,627	260,333	481,305	532,028
General and Administrative	143,870	127,494	267,560	331,680
Depreciation, Amortization and Depletion	253,067	341,786	539,765	691,744
Total Operating Expenses	624,564	729,613	1,288,630	1,555,452
INCOME FROM OPERATIONS	(303,795)	(350,493)	(646,295)	(743,214)
OTHER INCOME (EXPENSE)				
Interest Income (Expense)	366,199	358	366,222	112,283
Income from Real Estate Investment	-	-		-
Income from SFF Group Investment	127,638	246,483	202,619	393,760
Other Income	(199,694)	11,218	(826,337)	1,551,830
Total Other Income	294,143	258,059	(257,496)	2,057,873
INCOME BEFORE TAXES	(9,652)	(92,434)	(903,791)	1,314,659
Franchise and Income Taxes	(34,371)	(15,670)	(34,371)	(23,571)
NET INCOME APPLICABLE TO COMMON SHAREHOLDERS	$ (44,023)	$ (108,104)	$ (938,162)	$ 1,291,088
Earnings Attributable to Common Shareholders Per Share - Basic	$ (0.83)	$ (2.03)	$ (17.65)	$ 24.29
Earnings Attributable to Common Shareholders Per Share - Diluted	$ (0.83)	$ (2.03)	$ (17.65)	$ 24.29
Weighted Average Number of Common Shares Outstanding - Basic	53,146	53,146	53,146	53,146
Weighted Average Number of Common Shares Outstanding - Diluted	53,146	53,155	53,146	53,155
Other Comprehensive Income:				
Net Income Applicable to Common Shareholders	$ (44,023)	$ (108,104)	$ (938,162)	$ 1,291,088
Unrealized Gain (Loss) on Investments	2,495,211	(5,514)	2,700,715	(484,090)
Comprehensive Income	$ 2,451,188	$ (113,618)	$ 1,762,553	$ 806,998

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AMEN Properties, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2016 (Unaudited)	**2015 (Unaudited)**
Cash Flows from Operating Activities		
Income from Operations	$ (938,162)	$ 1,291,088
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities		
Gain on Sale / Assignment of Leasehold Interest	-	(1,342,860)
Loss on Sale of Marketable Securities	837,561	-
Depreciation, Amortization & Depletion	539,765	690,077
Equity Income from SFF Royalty Investment	(202,619)	(393,760)
Changes in Operating Assets and Liabilities		
Accounts Receivable	(38,346)	69,888
Other Assets	99,731	68,386
Accounts Payable	(84,693)	(160,970)
Minority Interest in SFF Production	-	-
Accrued Liabilities	(8,867)	30,630
Net Cash Provided by / (Used In) Operations	204,370	252,479
Cash Flows from Investing Activities		
(Purchases) / Sales of Property & Equipment, net	(2,541)	(465)
(Purchases) / Sales of Real Estate	-	178,050
Development of Oil & Gas Interests	(14,706)	(537,398)
(Purchase) / Sale of Oil & Gas Interests	-	(1,127,742)
Proceeds from Sale / Assignment of Leasehold Interest	-	1,342,860
(Purchases) / Sales of Marketable Securities, net	(391,327)	(77,110)
Distributions from SFF Royalty	241,666	376,666
Net Cash Provided by Investing Activities	(166,908)	154,861
Cash Flows from Financing Activities		
Purchase of Treasury Stock	(15,201)	(74,820)
Draw on Line of Credit	1,500,000	-
Common Stock Dividends	(1,194,272)	(2,762,514)
Net Cash Provided by / (Used In) Financing Activities	290,527	(2,837,334)
Net Increase / (Decrease) in Cash	327,989	(2,429,994)
Cash at Beginning of Period	2,032,740	5,425,933
Cash at End of Period	$ 2,360,729	$ 2,995,939
Non-Cash Financing and Investing Activities:		
Unrealized Gain / (Loss) on Marketable Securities	$ 2,700,715	$ (484,090)

These financial statements and the notes thereto present fairly, in all material respects, the financial position of the Company and the results of its operations for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied and hereby certified by Kris Oliver, Chief Financial Officer of Amen Properties, Inc.

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

1. Organization

Company Background

- The Company was originally incorporated as DIDAX, Inc., in January 1997
- Until December 2002 the Company operated under the name Crosswalk.com; its primary businesses were operation of the Christian web portal *crosswalk.com*™ and a direct mail advertising service.
- During the last quarter of 2002, the Company sold substantially all of its assets with the exception of the Company's accumulated Net Operating Loss ("NOL") and changed its name to AMEN Properties, Inc.
- A revised business plan was approved by the shareholders in 2002, and called for the Company to grow via the selective acquisition of cash-generating assets in three categories:
    - Commercial real estate in secondary stagnant markets
    - Commercial real estate in out of favor growth markets
    - Oil and gas royalties

During the time the Company operated as Crosswalk.com, it generated a Net Operating Loss in excess of $30 million. Provisions in the United States Federal Tax Code dictate that a significant ownership change (in excess of 50% in a three-year period) would eliminate the Company's ability to use the NOL to offset its Federal Income Tax liability. It is the Company's intention to preserve its NOL, which requires funding our growth without access to many traditional sources of capital which would result in a significant change in ownership.

Company Organization

In initiating the 2002 business plan the Company, in October 2002, formed the following entities:

- 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
- 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.

Corporate Reorganization

On December 17, 2007, the Company approved a corporate reorganization (the "Reorganization") effective January 1, 2008. As part of the Reorganization, the Delaware Partnership, the Minerals Partnership, the PPM Partnership, and the W Power Partnership were each converted from limited partnerships into limited liability companies with AMEN owning 100% of the shares and as the sole managing member of each entity. The converted entities are:

- AMEN Delaware, LLC, ("Delaware")
- AMEN Minerals, LLC, ("Minerals")
- NEMA Properties, LLC , ("NEMA")
- Priority Power Management, LLC ("Priority Power")
- W Power and Light, LLC, ("W Power")

On May 31, 2008, as part of the Reorganization, NEMA was converted from a Nevada Limited Liability Company to a Texas Limited Liability Company.

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.

On September 28th, 2009, the Company approved a reorganization plan effective January 1, 2010 whereby Delaware, Minerals and NEMA were dissolved and the assets and liabilities of each entity were conveyed to Amen Properties, Inc.

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. *Marketable 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*

Generally accepted accounting principles require disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheet. Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. The fair value estimates of financial instruments are not necessarily indicative of the amounts we might pay or receive in actual market transactions. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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. Disclosure about fair value of financial instruments is based on pertinent information available to management as of the balance sheet date.

6. *Accounts Receivable*

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

7. Depreciation, Amortization and Depletion

Property and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from three to 10 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

Generally accepted accounting principles specify circumstances in which certain long-lived assets must be reviewed for impairment. If the carrying amount of an asset exceeds the sum of its expected cash flows, the asset's carrying value must be written down to fair value. 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 non-discounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value.

9. Investment in Real Estate and SFF Group

The Company's determination of the appropriate accounting method with respect to investments in limited partnerships, limited liability companies and other subsidiaries is based on control. For general partner interests, the Company is presumed to control (and therefore consolidate) the entity, unless the other limited partners have substantive rights that overcome this presumption of control. These substantive rights allow the limited partners to participate in significant decisions made in the ordinary course of the entity's business. The Company accounts for its non-controlling general partner investments in these entities under the equity method. This treatment also applies to the Company's managing member interests in limited liability companies.

The Company's determination of the appropriate accounting method for all other investments in subsidiaries is based on the amount of influence the Company has (including our ownership interest) in the underlying entity. Those other investments where the Company has the ability to exercise significant influence (but not control) over operating and financial policies of such subsidiaries (including certain subsidiaries where the Company has less than 20% ownership) are accounted for using the equity method. The Company eliminates transactions with such equity method subsidiaries to the extent of the ownership in such subsidiaries. Accordingly, the Company's share of the earnings or losses of these equity method subsidiaries is included in net earnings. All of the Company's remaining investments are carried at cost. Under either the equity or cost method, impairment losses are recognized upon evidence of other-than-temporary losses of value.

The Company's investments in real estate and SFF Royalty (see Note L) are recorded at cost, adjusted for its equity share of earnings, using the equity method of accounting, and cash contributions and distributions.

10. Income and Franchise 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 income statement periods herein, no income tax expense has been incurred for Federal income taxes due to the utilization of the Company's net operating losses.

11. 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 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 policy shall approximate ten percent (10%) of the amount that would otherwise be the net profits of the Company for the accounting period.

12. Management Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from such estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the recognition of revenues, the estimate of the allowance for doubtful accounts, the estimate of asset impairments and the determination of depreciation and amortization expense.

13. Income Per Share

Income per share is computed based on the weighted average common shares and common stock equivalents outstanding during each period.

14. Environmental

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.

15. Subsequent Events

The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements. The Company is not aware of any reportable subsequent events.

16. Recently Issued Accounting Pronouncements

In January 2010, the FASB issued ASC Update 2010-06, "Fair Value Measurements and Disclosures" ("ASC Update 2010-06") that requires additional disclosures surrounding transfers in and out of Levels 1 and 2, inputs and valuation techniques used to value Level 2 and 3 measurements, and push down of previously prescribed fair value disclosures to each class of asset and liability for Levels 1, 2, and 3. This new authoritative guidance is effective for interim and annual reporting periods beginning after December 15, 2009. The Company will apply the new authoritative guidance in 2010. ASC Update 2010-06 also requires that purchases, sales, issuances, and settlements for Level 3

measurements be disclosed. This portion of the new authoritative guidance is effective for interim and annual reporting periods beginning after December 15, 2010. The Company applied this new authoritative guidance in the Company's 2011 financial statements. The adoption of ASC Update 2010-06 did not have a material impact on the Company's financial statements.

Management does not believe these new standards will have a material impact on its financial statements.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances at several financial institutions, which at times may exceed federally insured limits. The Company had no uninsured cash and cash equivalents at the balance sheet dates. 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.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment, at cost, consisted of the following at June 30, 2016 and December 31, 2015:

	6/30/2016	12/31/2015
Furniture, fixtures and equipment	$ 20,953	$ 18,411
Less: accumulated depreciation	(6,614)	(5,265)
	$ 14,339	$ 13,146

NOTE D – INVESTMENT IN REAL ESTATE

The Company owns approximately 18% of HPQ Acquisition, LLC, ("HPG") a real estate company which owns commercial properties located in Midland, Texas. During December 2014, the HPG ownership group completed the sale of its office buildings in downtown Midland. In exchange for its 18% ownership stake, Amen received proceeds after the retirement of associated debt of $3.6 million and recognized a gain of $1.3 million in connection with the sale.

As of December 31, 2014, the Company's only remaining real estate asset is its 18% interest in a parking lot in downtown Midland (the "Superblock").

NOTE E – OIL AND GAS ROYALTY AND WORKING INTERESTS

The Company owns oil and gas royalty and working interests in a number of states. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Oil and gas revenue is generally received one to two months following the month of production and the Company uses estimates to accrue.

SFF Interests

On December 17, 2007, the Company invested $7.6 million in SFF Royalty, LLC ("SFF Royalty") and $2.4 million in SFF Production ("SFF Production") in exchange for a one-third ownership interest in each entity. Also on December 17, 2007, SFF Royalty and SFF Production acquired the following properties from Santa Fe Energy Trust (the "Trust") and Devon Energy Production Company, LP ("Devon"):

	Acquired from the Trust		Acquired from Devon		
Acquiring Entity	**Description**	**Purchase Amount**	**Description**	**Purchase Amount**	**Total Purchase**
SFF Royalty	Net profits interests in royalty interests owned by Devon	$ 21,077,688	Royalty interests subject to Trust's net profits interests	$ 2,254,662	$ 23,332,350
SFF Production	Net profits interests in working interests owned by Devon	6,072,125	Working interests subject to Trust's net profits interests	649,531	6,721,656
Totals		$ 27,149,813		$ 2,904,193	$ 30,054,006

In December 2008 the Company increased its ownership of SFF Production to approximately 79% for an additional investment of $6.9 million. In December 2014, the Company purchased the remaining shares of SFF Production for a total purchase price of $1.3 million and now owns 100% of that entity. The financial position and results of SFF Production are now consolidated with the Company's.

The Company's equity in SFF Royalty, LLC consists of the following at June 30, 2016 and December 31, 2015:

	6/30/2016	12/31/2015
Investment in SFF Group	$ 120,658	$ 135,201
Capital Distributions	(241,666)	(743,333)
Equity Earnings	202,619	728,790
	$ 81,611	$ 120,658

The Company's investment and equity earnings results for the first quarter of 2016 are based on the results of SFF Royalty, LLC. SFF Royalty, LLC reported the following consolidated financial information at June 30, 2016:

	SFF Royalty
Total Assets	$ 355,749
Total Liabilities	53,840
Net Income (three months ended June 30, 2016)	382,954

NOTE F – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30, 2016 and December 31, 2015:

	6/30/2016	12/31/2015
Accrued oil & gas operating expenses	210,962	192,962
Accrued corporate tithing	-	-
Other liabilities	86,125	112,992
Total Accrued Liabilities	$ 297,087	$ 305,954

NOTE G – RELATED PARTY TRANSACTIONS

As discussed in Note E, during December 2014 the Company acquired the minority interests in SFF Production, LLC for a purchase price of $1.3 million and now controls 100% of that entity. Eric Oliver, the Company's Board Chairman, owned or controlled 3.5% of SFF Production and sold his interests to the Company for a total purchase price of $245,000. Mr. Oliver received 408 shares of Amen common stock as payment for his interests.

NOTE H – 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.

NOTE I – STOCKHOLDERS' EQUITY

Treasury Stock

As discussed in Note E, during December 2014 the Company acquired additional interests in SFF Production for a total purchase price of $1.3 million. In connection with this transaction, the Company transferred 222 shares of treasury stock the sellers. Additionally, the Company has purchased 494 shares under the Company's stock repurchase program. These shares are being held by the Company as treasury stock and are reflected on the balance sheet at cost.

Common Dividend

During the quarter, the Company's Board of Directors declared a regular dividend of $10 per common share with a record date of June 23, 2016 and payment date of June 30, 2016.

Common Stock Issuance

As discussed in Note E, during December 2014 the Company acquired additional interests in SFF Production for a total purchase price of $1.3 million. The Company issued 1,813 shares of common stock to the sellers (in addition to the 222 shares of treasury stock discussed above) in connection with this transaction.

NOTE J – 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 671 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 5,145 shares of common stock, inclusive of the 671 shares mentioned above, and any and all options or warrants granted in prior years by the Company. As of June 30, 2016, all options available under the 1997 Plan have been granted: 751 options have been exercised, and no options remain outstanding.

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 June 30, 2016, 240 options have been exercised and 386 options are outstanding and are fully vested and range in price from $198 to $4,550.

The table below summarizes the stock option activity for the period ended June 30, 2016:

Options Outstanding	Options Outstanding	Weighted Average Price
December 31, 2015	386	$ 658
Options exercised	--	--
Options forfeited	--	--
Options issued	--	--
June 30, 2016	386	$ 658

At June 30, 2016 the 386 outstanding options are fully vested and exercisable. They range in price from $198 to $4,550 and have a weighted average contractual maturity of 1.6 years.

NOTE K – LINE OF CREDIT

In February 2016 the Company established a $5 million line of credit with First Southern National Bank. The line is secured by the Company's investment account with Goldman Sachs and accrues interest at 5.45%. As of June 30, 2016, the Company has a total of $1.5 million outstanding on the line of credit.