



# Lucas Energy Inc.

## Set for Major Growth in 2012

Lucas Energy, Inc. (NYSEAmex: LEI), a Nevada corporation, is an independent oil and gas company based in Houston, Texas. Lucas Energy explores for, develops, produces and markets crude oil and natural gas from various known prolific and productive geological formations, including the Austin Chalk, Eagle Ford and Buda Formations, primarily in Gonzales, Wilson, Karnes and Atascosa Counties south of the City of San Antonio in South Texas. The business plan of the Company is as follows:

(1) The Company focuses on building and developing a portfolio of oil and gas assets by acquiring what we believe are undervalued, underdeveloped and underperforming properties, and for which we believe we can increase production economically and profitably.

(2) To efficiently pave the way towards growth, Lucas Energy enters into joint ventures, farm-outs and drilling arrangements with select and reputable oil and gas companies to exploit the productive geological formations in our properties.

The secret to Lucas Energy's success is a unique business plan in which the company does not involve itself in exploration deals that, per se, are risky and require raising massive amounts of money. Instead, Lucas Energy is focused on acquiring production-ready projects that can enhance immediate cash flow.

It doesn't hurt that Lucas Energy operates domestically instead of internationally to avoid the risks associated with operating in foreign lands. Lucas Energy focuses its efforts in one of America's original oil

patches – an area of Texas where oil and gas has been produced for nearly 100 years. The 50-mile wide Eagle Ford Shale trend stretches for about 400 miles across South Texas from the Mexican border into East Texas. The Cretaceous era shale is both a reservoir and a source rock for a number of productive formations, including the Austin Chalk.

### Recent Transactions

On January 3, 2012, the Company announced that it has closed a purchase and sale transaction with Hall Phoenix Energy, LLC ("Hall Phoenix"), whereby the Company purchased all of Hall Phoenix's right,

title and interest in certain oil, gas, and mineral leases in the Eagle Ford/Eaglebine/Austin Chalk Trend effective December 1, 2011. The properties are located in Wilson, Leon and Madison Counties, Texas.

In connection with the purchase, the Company paid approximately \$6.4 million to Hall Phoenix in the form of 2,824 shares of Lucas's convertible Series B preferred stock, each of which is convertible to 1,000 shares of the Company's common stock. The transaction increases the amount of Eagle Ford/Eaglebine acreage by approximately 5,500 net acres, of which 1,330 net acres are in Wilson County, Texas. Lucas now



Lucas Energy is building a diversified portfolio of valuable oil and gas assets by focusing on underperforming and shut-in oil and gas assets along the Austin Chalk Trend in Texas. By revitalizing the wells through a carefully controlled process of evaluation, application of production enhancement technology, and stringent management controls, Lucas Energy has significantly increased its reserve base, production and cash flow.

owns approximately 8,900 net acres in the Eagle Ford/Eaglebine Trend over 27,000 gross acres.

William A. Sawyer, President and Chief Executive Officer of the Company said, "Lucas has now expanded its holdings of the Eagle Ford trend into the Eaglebine area. We believe the purchase has made our Eagle Ford acreage, which we currently plan to monetize, more valuable."

On November 23, 2011, the Company announced the closing of its previously reported purchase and sale agreement with Nordic Oil USA 1, LP ("Nordic 1"), whereby the Company purchased all of Nordic 1's right, title and interest in certain oil, gas, and mineral leases located in Wilson, Gonzales and Karnes Counties, Texas, effective July 1, 2011. The property interests acquired represent all of Nordic 1's interests in the LEI 2009 II and III Capital Programs.

The Company paid \$22 million to Nordic 1 in the form of a non-recourse, senior secured promissory note in connection with the acquisition, the payment of which was secured only by the properties acquired. The note is due one year from the official closing date (November 18, 2012), bears interest at 6% per annum, and allows early repayments without penalty.

### Plans for the Net Eagle Ford/Eaglebine Acres

On January 10, 2012 the Company announced that it has retained Global Hunter Securities and Knight Capital to advise the Company in selling



The Hagen EF No.2H well was drilled and cased and in December 2010 by an affiliate of Hilcorp Energy Corporation. The well is approximately 1000 feet parallel to the Hagen EF No.1H well. Lucas has 11% net revenue interest in each of the two wells. The wells exhibited initial production of approximately 1,000 gross BOPD in total and are expected to average approximately 400 gross BOPD, or 44 net BOPD to Lucas, for the rest of the calendar year.

certain of the company's properties in the Eagle Bind and Eagle Ford properties in Texas. The Company anticipates soliciting bids for the properties and hopes to close on a transaction in the next three months. Each of these reserves has seen similar transaction close in 2011 and the Company believes that there are several buyers for the properties.

William A. Sawyer, President and CEO of Lucas commented on the hiring of Knight and Global Hunter, "These two investment banks have a proven ability to execute on middle market energy transactions and after a thorough evaluation of several other potential advisors, we came to the decision that the combination of these two firms offers Lucas Energy the best possible opportunity for a

successful sale."

Global Hunter Securities is a full-service investment bank focusing on the Energy, International and Metals & Mining sectors. Global Hunter is headquartered in New Orleans, Louisiana, with a large global presence across the Americas, Europe and the Asia Pacific region. Knight Capital Group is a global financial services firm that provides access to the capital markets across multiple asset classes to a broad network of clients, including buy- and sell-side firms, and corporations. Knight is headquartered in Jersey City, New Jersey with a growing global presence across the Americas, Europe, and the Asia Pacific region.

Latest valuation on the Eagle Ford can be estimated from a transaction entered into by Carrizo Oil & Gas and the Gas Authority of India Limited (GAIL). On September 28, 2011, GAIL announced a joint venture agreement with Carrizo on a portion of the company's Eagle Ford Shale assets. With consideration for production, the acreage traded for somewhere between \$13,000 and \$14,000 per acre.

"Since our Eagle Ford acres are situated in the oil fairway of the trend and are the exact same properties that Marathon purchased from Hilcorp, the valuation on our properties should be higher than that indicated in the GAIL-Carrizo transaction," Mr. Sawyer commented.

### Sale of the New Mexico Properties

In mid-October 2011, Lucas sold Nordic Oil USA 2 LLLP ("Nordic 2") all of its interests, or a 7.56% working interest, in and to certain oil, gas



The Austin Chalk Trend is concentrated on the Texas Gulf Coast and is one of the world's richest oil plays with an estimated 6 billion barrels of oil reserves.

and mineral leases located in McKinley County, New Mexico for \$4 million in cash. Net proceeds to the Company after commission amounts to \$3.6 million. The Company acquired the properties in January 2011 in a purchase transaction for \$2.5 million, which included a deposit of \$0.5 million.

William A. Sawyer, President and Chief Executive Officer of the Company said, "We are very pleased with the consummation of the New Mexico property sale. We plan to use the net proceeds of \$3.6 million to further develop our Texas properties, especially in the Austin Chalk formation."

### Recent Operation Highlights

In mid-December 2011, the Company began drilling of the Hagen Ranch No.4H well in Gonzales County, Texas. The Hagen Ranch No.4H well will be a horizontal well in the Austin Chalk formation. The well is on the same lease as the two Hilcorp Oil Company drilled, but now Marathon Oil Company operated, Hagen EF No.1H and No.2H wells producing from the Eagle Ford formation. The Hagen Ranch No.4H well is being drilled with joint venture partners such as Seidler Oil and Gas.

In mid-September 2011, Lucas completed the Milton Hines No.1ST new lateral in Gonzales County, Texas as a pumping oil well in the Austin



*William A. Sawyer  
President and CEO,  
Lucas Energy*

**"We can sell as much oil as we want at world market prices."**



Chalk formation. The well tested 80 barrels of oil per day (BOPD) and 100 barrels of water per day (BWPD) (load water or drilling water not formation water) pumping. Lucas has a 100% working interest in this well.

Also in mid-September 2011, Lucas completed the Rainey Unit No.1H well in Gonzales County, Texas as a pumping horizontal oil well in the Austin Chalk formation. The well tested 107 BOPD and 36 BWPD (load water or drilling water, not formation water) pumping. Lucas has approximately a 25% working interest in this well.

### Production Increase for Fiscal Year 2012



The Company had average gross production, from operated wells, in November 2011 of 247 barrels of oil per day (BOPD). This is a 5% increase in average gross operated production from the month of October 2011, which was 236 BOPD. These numbers do not include oil and gas production from the two Eagle Ford wells operated by an affiliate of Marathon Oil Company.

Lucas has seen an increase in its average gross daily operated production volumes for fiscal 2012 to date, versus 2011. During the first six months of the 2012 fiscal year (April 1, 2011 through September 30, 2011), average gross operated production was 194 BOPD. For the 2011 fiscal year (the fiscal year that ended March

31, 2011) average gross operated production was only 155 BOPD. The Company has seen a 25% increase in average gross operated production from the previous year to the first half of this fiscal year.

It is anticipated that the last half of the 2012 fiscal year will see an additional increase due to the drilling of new horizontal wells in the Austin Chalk formation.

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## LUCAS ENERGY, INC.

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Shares Outstanding:  
19.5 million

52 Week Trading Range:  
U.S.: Hi: \$5.23 • Low: \$1.04



## Quick **FACTS**

### Lucas Energy Business Strategy / Highlights:

- A different kind of public oil and gas company that avoids most of exploration risk by acquiring properties in proven areas where management has prior experience.
- Acquiring and putting back into production wells abandoned or shut in due to low commodity prices in the early 1990s.
- Lucas Energy holds 14,800 net acres from surface to the bottom of the Austin Chalk Formation and 4,600 net acres below the Austin Chalk Formation in Gonzales, Wilson, Karnes, Atascosa, Jasper and Sabine counties in South Texas.
- Significant holdings in the middle of the new Eagle Ford Trend (4,400 net acres) with undeveloped lateral potential from existing wells in both the Buda and Eagle Ford formations.
- Respected joint venture partners include Marathon Oil, an affiliate of Marathon Oil Corporation, and Hilcorp Energy I, L.P., an affiliate of Hilcorp Energy Company.
- Lucas Energy is debt free, and has raised approximately \$8 million since December 2010 with overall transaction potential of over \$20 million.
- Undervalued based on proven reserves of \$56.5 million (as of March 31, 2011), net Eagle Ford acreage of 4,400 acres and comparative peer performance.

Lucas Energy, Inc. is an independent upstream oil and gas company based in Houston, Texas. The company is focused on identifying under performing and shut-in oil and gas assets, primarily in the Austin Chalk formation in South Central Texas. The area is one of the world's richest oil plays, with an estimated 6 billion barrels of oil reserves. Lucas Energy revitalizes its oil assets through a carefully designed process of evaluation, application of production enhancement technologies, and stringent management controls. This process allows Lucas Energy to increase its reserve base, production and cash flow while significantly reducing the risk of traditional exploration projects. Lucas Energy's financial structure allows it to minimize the high overhead of conventional E&P companies.