



Lucas Energy Anticipating Break-Out Year with Increase in Producing Oil Wells

\$14.8 Million in Revenues Forecast for Fiscal Year 2013

Planned Sale of \$60 Million Oil and Gas Leases to Further Enhance Bottom Line

Fueled by anticipated new joint ventures in the development of its Texas oil and gas leases, Lucas Energy, Inc. (NYSE Amex: LEI) could well post significantly larger production numbers in the coming year, thereby sharply increasing the value of the company for its shareholders.

The last quarter of the company's 2012 fiscal year, which closed in March, saw gross oil production reach a record 535 BOPD (barrels of oil per day).

Lucas Energy has recently been drilling one new well a month on the average and expects to sharply increase its drilling activity even more throughout fiscal year 2013, which

began April 1, 2012. The company's goal is to quadruple its drilling rate to an impressive four new oil wells each and every month.

Financially, the company is solidly positioned for this major expansion. Last year, the company sold its New Mexico assets to Nordic 2 for \$4 million – for a net profit of 55% in less than one year.

In April, Lucas Energy closed a \$5.9 million equity financing and plans to use the net proceeds to pay down expenses related to drilling, lease operating, and workover activities and for general corporate purposes, including general and administrative expenses.

"We welcome the new institutional

investors in this raise, and we are also delighted to see that some of our current institutional shareholders also participated," says William A. Sawyer, Lucas Energy President and CEO. "This will allow us to continue the momentum in our drilling program and expand our work-over activity for our fiscal year 2013."

Unique Business Plan, Strategic Property Acquisitions/Sales To Drive Growth in Revenues

The key to Lucas Energy's success has been its ability to acquire properties that contain enough untapped oil to attract reputable joint



Lucas Energy's key oil and gas properties are located on the The Austin Chalk Trend on the Texas Gulf Coast, one of the world's richest oil plays with an estimated 6 billion barrels of oil reserves.

venture partners who are willing to put in the capital and perform the actual drilling to bring the wells to production.

Lucas Energy's business plan is simple and direct: to identify undervalued, underdeveloped and underperforming properties that it believes still capable of economical and profitable production.

"Lucas typically gets a free ride during the drilling phase and then gets 25% of the production revenue from joint ventures," says Sawyer. "The more joint ventures we can enter into, the more we can increase our production numbers."

Current joint venture partners include Seidler Oil & Gas, LP, Marathon Oil Company, and Nordic Oil USA. The company is also widening its search for new joint venture partners beyond domestic companies to potential partners in Asia and Europe.

As an independent oil and gas company, Houston-based Lucas Energy's unique business plan allows it to take much of the risk out of its resource development ventures. The company does not do "wildcat" exploration, but rather is tightly focused on oil and natural gas properties in known prolific and productive geological formations in Texas.

The company currently holds approximately 23,000 net acres on the Austin Chalk and approximately 9,500 net acres of Eagle Ford and Eaglebine Formations, primarily in Gonzales, Wilson, Karnes, and Atascosa Counties south of San Antonio in South Texas and in Leon and Madison Counties north of the City of Houston.

Several months earlier, the company purchased another group of oil, gas and mineral leases in Wilson, Gonzales and Karnes counties for \$22 million in the form of a non-recourse, senior secured promissory note.

"Lucas has now expanded its holdings on the Eagle Ford trend into the Eaglebine area," says Sawyer. "We believe the purchase has made our Eagle Ford acreage, which we currently plan to monetize, more valuable."

The company plans to sell the Eagle Ford and Eaglebine properties for up to \$60 million to further infuse the company's coffers with funds it will use to acquire yet additional properties on the Austin Chalk.

Lucas is currently interviewing five top prospects, of which one has

PRODUCING OIL IN OIL-RICH TEXAS



Lucas Energy controls 75 well bores in Texas which are either producing, shut in or abandoned. Pictured at left is the Hagen Ranch No. 4H well that has produced over 7,000 bbls of oil since completed in February 2012.



In one of Lucas Energy's early joint venture projects, the Hagen EF No.2H well was drilled and cased in December 2010 by Hilcorp Energy I, LP, an affiliate of Hilcorp Energy Corporation, one of the largest privately owned oil and gas companies in the United States.

visited the offices of Lucas to review the corporate technical presentation. Activity in the Eaglebine area, including recent Pearsall Shale activity, appears to be gaining momentum which could result in Lucas Energy's Eaglebine properties becoming even more valuable than originally anticipated.

"We are not in a hurry," says Sawyer. "Our goal is to monetize the property, put the proceeds into our properties on the Austin Chalk and in the end make a lot more money. We want to find the best buyers."

Record Oil Production Posted in Fourth Quarter

Lucas Energy had average gross production, from operated wells, of 535 BOPD (barrels of oil per day) in March 2012, the highest level for the fiscal year that ended that month.

The company's fourth quarter gross operated production averaged 430 BOPD, while in the last two quarters gross operated production averaged 328 BOPD. The increase in gross operated production was primarily due to new drilling in the third and fourth quarters and did not include oil and gas production from the two Eagle Ford wells operated by an affiliate of Marathon Oil Company.

Lucas drilled two new Austin Chalk horizontal wells, and three new laterals from existing Austin Chalk wells during the past six months. Most recently, the Hagen Ranch Unit No.1HST well, a new lateral from an existing Austin Chalk well, was completed and put on pump. In March, the well produced 5,200 bbls of oil from the Austin Chalk formation.

This marks the third well the company has completed by drilling laterally from existing well bores.



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

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



The Hagen Ranch Unit No.1HST well is the most promising of the three, showing signs of virgin pressure from previously untapped reserves. The Hagen Ranch Unit No.1HST was drilled by the company's joint venture partner, Marathon Oil Company.

"We believe that the results of Lucas' drilling program throughout this fiscal year, including our recently drilled wells, continue to prove our theory that the Austin Chalk is undervalued," says Sawyer.

Lucas Energy Riding Wave of Increased U.S. Oil Production

Lucas is operating in one of Texas' hottest new drilling areas – the Austin Chalk formation, part of the 50-mile wide Eagle Ford Shale trend which crosses three states – Texas, Louisiana, and Mississippi. The area was first drilled in the 1920s. Many previously Austin Chalk producing wells were shut down when the oil price was depressed in the 1990's, but new horizontal drilling techniques have unlocked significant untapped oil reserves and the recent oil price of approximately \$100 per barrel is making the area profitable to drill again.

Now, new drilling for oil on the Austin Chalk is a prime example of the increase in oil production in the U.S. – and Lucas Energy is part of that trend.

Texas is still the country's premier

oil producing state, which saw total 2011 oil production climb back above 1 million barrels a day last year for the first time since 2001. Texas oil production increased 9.5 percent in February compared to the same period the previous year, and has increased three of the last four years, and could well reach 3 million or more barrels per day by 2016, according to Texas Railroad Commissioner Barry Smitherman.

Investment Considerations

By staying true to a business plan that gives it an impressive 90% success rate in achieving base production, partnering with solid, established oil patch companies and continuing to leverage its property portfolio, Lucas could well be entering a break-out year.

The company forecasts it will achieve net oil production of 52,000 barrels of oil in the current year (fiscal year 2013), and that with an anticipated price per barrel of \$95, would result in \$4.94 million in net revenue from base production alone. When combined with small, medium and large joint ventures, Sawyer says net revenue could jump to \$14.8 million and future potential annualized revenues to \$28.3 million.

"The main event for 2012 will be a growing number of new joint ventures on our key properties in Texas," says Sawyer. "The sale of Eagle Ford will be icing on the cake."

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Lucas Energy Inc.



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Shares Outstanding: 22.6 million

Shares in Float: 20.7 million

52 Week Trading Range:

U.S.: Hi: \$3.46 • 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.
- Lucas Energy specializes in acquiring abandoned or shut in oil wells and entering into joint ventures with strong partners to put the wells back into revenue-generating production.
- \$14.8 million in revenues forecast for Fiscal Year 2013
- Respected joint venture partners include Seidler Oil & Gas, LP, Marathon Oil, an affiliate of Marathon Oil Corporation, and Nordic Oil USA.
- Lucas Energy holds 23,000 net acres on the Austin Chalk Formation and 9,500 net acres of Eagle Ford and Eaglebine Formations, primarily in Gonzales, Wilson, Karnes, Atascosa and Madison Counties in South Texas.
- Lucas Energy recently raised \$5.9 million in an equity financing that included a number of existing and new institutional investors.

Lucas Energy, Inc. is an independent oil and gas company operating primarily in the Austin Chalk Formation located in South Central Texas – one of the world's richest oil plays with an estimated 6 billion barrels of oil reserves.

Lucas Energy revitalizes its growing oil assets through a carefully designed process of evaluation, application of production enhancement technologies, stringent management controls, and the participation of well-known joint venture partners. This process allows Lucas Energy to significantly reducing the risk of traditional exploration projects, while increasing its reserve base, production and cash flow. Significantly, Lucas Energy's financial structure allows it to minimize the high overhead of conventional E&P companies.