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**10-Q**

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

**FORM 10-Q**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

For the quarterly period ended September 30, 2008

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number: 0-51414*

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**LUCAS ENERGY, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

98-04  
(I.R.S. E  
Identific

3000 Richmond Ave. #400

Houston, TX 77098

(Address of principal executive offices) (Zip Code)

(713) 528-1881

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year  
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]

Accelerated Filer [ ]

Non-accelerated filer [ ]

Smaller reporting company [X]

(Do Not Check if a Smaller Reporting Company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 30, 2008
----- Common Stock, par value \$.001 per share	----- 10,241,439

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## LUCAS ENERGY, INC. QUARTERLY REPORT ON FORM 10-Q

### FOR THE QUARTERLY PERIOD ENDED

September 30, 2008

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## Part I - Financial Information

### Item 1. Financial Statements

#### LUCAS ENERGY, INC. Consolidated Balance Sheets (Unaudited)

	<u>September 30, 2008</u>	<u>March 31, 2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 531,791	\$ 1,142,388
Investments	3,153,812	2,388,350
Oil and gas receivables	234,901	559,880
Other current assets	277,046	38,840
	<u>4,197,550</u>	<u>4,129,458</u>
<b>OIL AND GAS PROPERTIES, FULL COST METHOD</b>		
Properties subject to amortization	20,821,785	18,978,690
Accumulated depletion	(1,200,537)	(846,470)
	<u>19,621,248</u>	<u>18,132,220</u>
<b>FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION OF \$591 AND \$0</b>	9,447	2,250
<b>OTHER ASSETS</b>	<u>139,480</u>	<u>51,760</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 23,967,725</u></u>	<u><u>\$ 22,315,728</u></u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,487,693	\$ 1,174,730

<b>TOTAL CURRENT LIABILITIES</b>	<b>1,487,693</b>	<b>1,174,</b>
<b>NON-CURRENT LIABILITIES</b>		
Asset retirement obligation	152,217	141,51
Deferred tax liabilities	1,288,680	834,12
<b>TOTAL LIABILITIES</b>	<b>2,928,590</b>	<b>2,150,</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, 10,000,000 shares authorized of \$0.001 par value, no shares issued and outstanding	-	
Common stock, 100,000,000 shares authorized of \$0.001 par value, 10,241,439 and 10,246,189 shares issued and outstanding	10,241	10,24
Additional paid-in capital	18,526,230	18,518,80
Retained earnings	2,502,664	407,04
Accumulated other comprehensive income	-	1,229,25
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>21,039,135</b>	<b>20,165,</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 23,967,725</b>	<b>\$ 22,315,</b>

See notes to consolidated financial statements.

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**LUCAS ENERGY, INC.**  
**Consolidated Statements of Operations**  
**For the Three and Six Months September 30, 2008 and 2007**  
(Unaudited)

	For the Three Months Ended September 30, 2008	For the Three Months Ended September 30, 2007	For En
<b>REVENUES</b>			
Oil and gas revenues	\$ 998,018	\$ 431,673	
Consulting income	-	-	
<b>Total Revenues</b>	<b>998,018</b>	<b>431,673</b>	

**EXPENSES**

Lease operating expenses	395,320	101,237
Severance tax	35,728	20,300
Depreciation, depletion and accretion	160,659	51,889
General and administrative	317,545	197,978
<b>Total Expenses</b>	<b>909,252</b>	<b>371,404</b>
<b>INCOME FROM OPERATIONS</b>	<b>88,766</b>	<b>60,269</b>
OTHER INCOME (EXPENSES)		
Unrealized gain (loss) on investments	(879,858)	-
Realized gain (loss) on investments, net	4,147	-
Interest income	196	62,383
Interest expense	(102)	(18,730)
<b>Total Other Income (Expenses)</b>	<b>(875,617)</b>	<b>43,653</b>
<b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(786,851)</b>	<b>103,922</b>
INCOME TAX EXPENSE (BENEFIT)	(263,086)	42,326
<b>NET INCOME (LOSS)</b>	<b>\$ (523,765)</b>	<b>\$ 61,596</b>
UNREALIZED HOLDING GAIN (LOSS) ON MARKETABLE EQUITY SECURITIES	-	43,000
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ (523,765)</b>	<b>\$ 104,596</b>
INCOME (LOSS) PER SHARE ? BASIC AND DILUTED	\$ (0.05)	\$ 0.01
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING ? BASIC AND DILUTED</b>	<b>10,241,407</b>	<b>9,346,629</b>

See notes to consolidated financial statements.

**Consolidated Statement of Stockholders' Equity**  
**For the Three and Six Months September 30, 2008**  
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings
	Shares	Amount	Shares	Amount		
<b>Balance, March 31, 2008</b>	-	\$ -	10,246,189	\$ 10,246	\$18,518,806	
Adoption of FASB statement No. 159	-	-	-	-	-	
Net income for the three months ended June 30, 2008	-	-	-	-	-	
<b>Balance, June 30, 2008</b>	-	\$ -	10,281,189	\$ 10,246	\$18,518,806	
Common stock repurchased and retired	-	-	(10,000)	(10)	(21,077)	
Stock-based compensation	-	-	-	-	11,128	
Stock issued for oil and gas properties	-	-	5,250	5	17,373	
Net loss for the three months ended September 30, 2008	-	-	-	-	-	
<b>Balance, September 30, 2008</b>	-	\$ -	10,241,439	\$ 10,241	\$18,526,230	

See notes to consolidated financial statements.

**LUCAS ENERGY, INC.**  
**Consolidated Statements of Cash Flows**  
**For the Six Months Ended September 30, 2008 and 2007**  
(Unaudited)

For the Six Months Ended September 30, 2008	For the Ended 2007
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## CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$	866,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and accretion		364,642
Deferred taxes		454,554
Noncash interest on note receivable		-
Unrealized gain on investments		(765,457)
Realized loss on investments		121,273
Stock-based compensation		11,128
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable		324,986
(Increase) decrease in other current assets		1,803
(Increase) in other assets		(87,714)
(Increase) in related party receivable		-
Increase in accounts payable and accrued expenses		312,955
		<hr/>
<b>Net Cash Provided by Operating Activities</b>		<b>1,604,535</b>

## CASH FLOWS FROM INVESTING ACTIVITIES

Cash received for investments		(121,273)
Payment of note receivable		-
Purchase of oil and gas properties and equipment		(2,072,770)
		<hr/>
<b>Net Cash Used in Investing Activities</b>		<b>(2,194,043)</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds from the sale of common stock		-
Cash paid to retire common stock		(21,087)
Repayment of note payable		-
		<hr/>
<b>Net cash Provided (Used) by Financing Activities</b>		<b>(21,087)</b>

**NET INCREASE (DECREASE) IN CASH** **(610,595)**

CASH AT BEGINNING OF PERIOD 

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 1,142,386

**CASH AT END OF PERIOD** 

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**\$ 531,791** 

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## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID FOR:

Interest	\$	102
Income taxes	\$	-

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

Adoption of SFAS 159	\$	1,229,253
Receivable for sale of oil and gas property	\$	240,000
Increase in asset retirement obligation, net	\$	721
Unrealized holding gain on available for sale securities	\$	-
Stock issued for oil and gas properties	\$	17,378

See notes to consolidated financial statements.

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**LUCAS ENERGY, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

**NOTE 1. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements of Lucas Energy, Inc. ("Lucas") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Lucas' annual report filed with the SEC on Form 10-K for the year ended March 31, 2008. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2008 as reported in Form 10-K have been omitted.

**NOTE 2. ORGANIZATION AND BUSINESS OPERATIONS**

Lucas was originally incorporated in the State of Nevada on April 6, 2005 for the purpose of acquiring and operating certain oil and gas leases in the state of Texas.

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**USE OF ESTIMATES**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lucas' financial statements are based on a number of significant estimates, including oil and gas reserve quantities which are the basis for the calculation of depreciation, depletion and impairment of oil and gas properties, and timing and costs associated with its retirement obligations.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in banks and financial instruments which mature within three months of the date of purchase.

## **MARKETABLE SECURITIES**

Lucas reports its short-term investments and other marketable securities at fair value. At September 30, 2008, Lucas' short-term investments consisted of investments in the common stock of Bonanza Oil & Gas, Inc. The shares of common stock in Bonanza have always been recorded on Lucas' balance sheet at fair value. However, pursuant to accounting rules prior to March 31, 2008, the change in fair value of the investments had not been included in Lucas' results of operations, but instead had been recorded directly to stockholders' equity as part of "accumulated other comprehensive income."

Effective April 1, 2008, Lucas adopted Statement of Financial Accounting Standards No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES -- INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115 . Statement No. 159 allows a company the option to value its financial assets and liabilities, on an instrument by instrument basis, at fair value, and include the change in fair value of such assets and liabilities in its results of operations. Lucas chose to apply the provisions of Statement No. 159 to all its existing investments. Accordingly, beginning with the first quarter of 2009, the change in fair value of the investments owned by Lucas, are included in Lucas' results of operations.

For the six months ended September 30, 2008, the change in fair value of financial instruments caption on Lucas' statement of operations includes an unrealized gain of \$765,457 million related to the common stock investments and a \$121,273 realized loss related to the marketable securities. Prior to adopting Statement No. 159, unrealized gains (net of tax) of \$1,229,253 were included in other comprehensive income. This is the amount of unrealized gains that, prior to Lucas' adoption of Statement No. 159, had not been recorded in Lucas' historical results of operations. Upon the adoption of Statement No. 159 as of April 1, 2008, this \$1,229,253 of unrealized gains (net of deferred taxes of \$633,252) was reclassified on Lucas' balance sheet from accumulated other comprehensive income to retained earnings. The deferred tax portion in the amount of \$633,252 of accumulated other comprehensive income is reflected in deferred tax liabilities. In conjunction with the adoption of Statement No. 159, Lucas also adopted on April 1, 2008 Statement of Financial Accounting Standards No. 157, FAIR VALUE MEASUREMENTS. Statement No. 157 provides a common definition of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements, but does not require any new fair value measurements. The adoption of Statement No. 157 had no impact on Lucas' financial statements, but the adoption did result in additional required disclosures as set forth in Note 4.

## **CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject Lucas to concentration of credit risk consist of cash. At September 30, 2008, Lucas had \$331,791 in cash in excess of federally insured limits. As of October 3, 2008, the FDIC temporarily increased the insurance limits from \$100,000 to \$250,000 per depositor through December 31, 2009. Lucas maintains cash accounts only at large high quality financial institutions and Lucas believes the credit risk associated with cash held in banks is remote.

Lucas' receivables primarily consist of accounts receivable from oil and gas sales. Accounts receivable are recorded at invoiced amount and generally do not bear interest. Any allowance for doubtful accounts is based on management's estimate of the amount of probable losses due to the inability to collect from customers. As of September 30, 2008, no allowance for doubtful accounts has been recorded and none of the accounts receivable have been collateralized.

## **FAIR VALUE OF FINANCIAL INSTRUMENTS**

As of September 30, 2008, the fair value of cash, accounts receivable, and accounts payable, approximate carrying values because of the short-term maturity of these instruments.

## **OIL AND GAS PROPERTIES, FULL COST METHOD**

Lucas uses the full cost method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells used to find proved reserves, and to drill and equip development wells, including directly related overhead costs and related asset retirement costs are capitalized.

Under this method of accounting, all costs, including internal costs directly related to acquisition, exploration and development activities are capitalized as oil and gas property costs. Properties not subject to amortization consist of exploration and development costs which are evaluated on a property-by-property basis. Amortization of these unproved property costs begins when the properties become proved or their values become impaired. Lucas assesses the realizability of unproved properties, if any, on at least an annual basis or when there has been an indication that impairment in value may have occurred. Impairment of unproved properties is assessed based on management's intention with regard to future exploration and development of individually significant properties and the ability of Lucas to obtain funds to finance such exploration and development. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

Costs of oil and gas properties are amortized using the units of production method.

Under full cost accounting rules for each cost center, capitalized costs of proved properties, less accumulated amortization and related deferred income taxes, shall not exceed an amount (the "cost ceiling") equal to the sum of (a) the present value of future net cash flows from estimated production of proved oil and gas reserves, based on current economic and operating conditions, discounted at 10 percent, plus (b) the cost of properties not being amortized, plus (c) the lower of cost or estimated fair value of any unproved properties included in the costs being amortized, less (d) any income tax effects related to differences between the book and tax basis of the properties involved. If capitalized costs exceed this limit, the excess is charged as an impairment expense. There was no impairment expense in the three and six months ended September 30, 2008.

## **ASSET RETIREMENT OBLIGATIONS**

Lucas follows the provisions of Financial Accounting Standards Board Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). The fair value of an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The present value of the estimated asset retirement costs is capitalized as part of the carrying amount of the long-lived asset. For Lucas, asset retirement obligations relate to the abandonment of oil and gas producing facilities. The amounts recognized are based upon numerous estimates and assumptions, including future retirement costs, future recoverable quantities of oil and gas, future inflation rates and the credit-adjusted risk-free interest rate.

## **REVENUE RECOGNITION**

Lucas recognizes oil and natural gas revenue under the sales method of accounting for its interests in producing wells as the oil and natural gas is produced and sold from those wells. Oil and natural gas sold by Lucas is not significantly different from Lucas' share of production.

## **INCOME PER SHARE OF COMMON STOCK**

Basic and diluted net income per share calculations are presented in accordance with Financial Accounting Standards Statement 128 and are calculated on the basis of the weighted average number of common shares outstanding during the year. Common stock equivalents are excluded from the calculation when a loss is incurred as their effect would be anti-dilutive. The basic income per share of common stock is based on the weighted average number of shares issued and outstanding at the date of the financial statements. Lucas had 200,000 options and 2,763,049 warrants outstanding at September 30, 2008 that were out of the money and are therefore anti-dilutive.

## **RECLASSIFICATIONS**

Certain amounts in prior periods have been reclassified to conform to current period presentation.

## **NOTE 4. FAIR VALUE MEASUREMENTS**

The carrying values of cash and cash equivalents, accounts receivable and accounts payable (including income taxes payable) included in the accompanying consolidated balance sheets approximated fair value at September 30, 2008. These assets and liabilities are not presented in the following tables.

Carrying Amount	Total Fair Value	Quoted	Significant	Significant	
		Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Financial Assets					
(Liabilities):					
Trading Securities	\$ 3,153,812	\$ 3,153,812	\$ 3,153,812	\$ --	\$ --
Accrued Expense	--	--	--	--	--

Statement No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table above, this hierarchy consists of three broad levels. Level 1 inputs on the hierarchy consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs consist of fair values of the investment in commodity futures contracts, which are estimated valuations provided by counterparties using the Black-Scholes model based upon the forward commodity price curves as of the end of the quarter, implied volatilities of commodities, and a risk free rate (using the treasury yield as of the end of the quarter). Level 3 inputs have the lowest priority. Lucas uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, Lucas measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

#### **LEVEL 1 FAIR VALUE MEASUREMENTS**

SHORT-TERM INVESTMENTS IN MARKETABLE SECURITIES -- The fair values of these investments are based on quoted market prices. Lucas' short-term investments as of September 30, 2008 consisted entirely of trading securities which are subject to market fluctuations.

#### **LEVEL 2 FAIR VALUE MEASUREMENTS**

COMMODITY INVESTMENTS AND COMMODITY LIABILITY - All commodity contracts were closed prior to September 30, 2008.

#### **NOTE 5. COMMON STOCK**

##### **During the three months ended September 30, 2008:**

- Lucas issued 5,250 shares of common stock to a geologist for their services on various oil and gas properties. These shares were valued and recorded at \$17,378 as an addition to the oil and gas full cost pool.
- Lucas repurchased 10,000 shares of its common stock in the open market trading for \$21,087 and subsequently cancelled the stock.

#### **NOTE 6. OPTIONS AND WARRANTS**

During the three months ended September 30, 2008, Lucas granted 200,000 non-qualified options to purchase Lucas? common stock to an officer of the corporation. These options vest as follows: 50,000 on March 1, 2009; 50,000 September 1, 2009; 50,000 March 1, 2010; and 50,000 September 1, 2010 at an exercise price of \$2.60 per share and will expire in September 2010. The options were valued at \$267,083 using the Black-Scholes Options Pricing Model with the following assumptions: i) Expected share price volatility of 95.93%; ii) Risk free interest rate of 2.26%; iii) Contractual term weighted of two years; and iv) No dividend yield. Lucas recorded \$11,128 of expense related to these options for the period ended September 30, 2008.

**Summary information regarding options and warrants are as follows:**

	Options	Weighted Average Exercise Price	Warrants
Outstanding at March 31, 2008:	-	\$ -	2,763,049
Three months ended June 30, 2008:			
Granted (Cancelled)	-	\$ -	
Outstanding at June 30, 2008	-	\$ -	2,763,049
Three months ended September 30, 2008:			
Granted (Cancelled)	200,000	\$ 2.60	
Outstanding at September 30, 2008	200,000	\$ 2.60	2,763,049

**Options and warrants outstanding and exercisable as of September 30, 2008:**

Exercise Price	Remaining Life	Options Outstanding	Options Exercisable	Warrants Outstanding
\$ 8.00	3 Years	-	-	2,763,049
\$ 2.60	2 Years	200,000	-	-
<b>Total</b>		200,000	-	2,763,049

**NOTE 7. SUBSEQUENT EVENT**

On October 8, 2008, Lucas closed a credit agreement with Amegy Bank. Amegy Bank has agreed to provide Lucas up to a \$100 million reserve-based revolving line of credit and letter of credit facility with a maturity of October 2011. Repayments are subject to a borrowing base determination. Lucas has immediate access to \$3 million of the credit facility and can borrow additional amounts as proved developed producing reserves are added to its borrowing base. Lucas has agreed to use the proceeds from the credit agreement (1) to finance trade payables, (2) to fund its continuing lateral drilling and revitalization programs on existing underperforming, overlooked and shut-in wells, (3) to finance leasehold acquisitions, (4) to conduct other activities on the Lucas properties, and (5) for working capital

purposes. The credit facility is secured by first liens on certain of Lucas proved developed producing properties. Lucas has agreed to pay interest on amounts borrowed as set forth in the credit agreement, but not less than at a 5% annual rate; to pay a variable commitment fee not to exceed a 0.05% annual rate for the unused portion of the full line of credit; and to repay funds borrowed within 3 years of the closing date.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this report. The terms "Lucas Energy," "Lucas," "we," "us" and "our" refer to Lucas Energy, Inc.*

### **OVERVIEW**

#### **Cautionary Statement Regarding Forward-Looking Statements**

This Quarterly Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect our future plans of operations, business strategy, operating results, and financial position. We caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other matters expressed in forward-looking statements. These risks and uncertainties, many of which are beyond our control, include:

- \* the sufficiency of existing capital resources and our ability to raise additional capital to fund cash requirements for future operations;
- \* uncertainties involved in the rate of growth of our business and acceptance of any products or services;
- \* volatility of the stock market, particularly within the energy sector; and

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- \* general economic conditions.

Although we believe the expectations reflected in these forward-looking statements are reasonable, such expectations cannot guarantee future results, levels of activity, performance or achievements.

All forward-looking statements included in this report and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made, other than as required by law, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **NATURE OF OPERATIONS**

Lucas Energy is an independent oil and gas company focused on building, revitalizing and developing a diversified portfolio of oil and gas properties located in onshore fields in Texas. We seek to acquire underperforming oil and gas

assets in which we believe we can increase production. We currently control over 12,000 gross acres of leases.

Revitalization brings wells back into production, or enhances production through ordinary practices used in the oil and gas industry. With respect to the wells we acquire, investigation includes installation of new or good used equipment on the well; cleaning out the well with opened tubing, tubing with a bit, or tubing with a mule shoe; treating the well with acid, soapy water, or other proprietary chemicals furnished by third parties; re-entry of a plugged and abandoned well; and drilling of a new lateral extension on an existing well.

Acquisitions are a core part of our growth strategy. The majority of the acquisition prospects and proposals that we review are sourced directly by our senior management or specialized third-party consultants with local area knowledge. We focus on well acquisitions in which we estimate (a) we have a good opportunity and the appropriate acreage to drill additional laterals; (b) our related payback periods will be less than 12 months; and (c) our projected internal rate of return on capital invested will be accretive to earnings.

We have conducted engineering on a program to drill new laterals on existing well-bores or offset locations that we have already leased. The purpose of these laterals will be to provide more aerial access to the formation in order to increase the flow rate and to recover additional oil and gas reserves not recoverable from the existing vertical (straight) holes. We are continuing the drilling program which we began in August 2007.

We focus on acquiring shut-in wells that we believe have been overlooked by larger companies and have a high probability of containing large reserves recoverable through the lateral drilling process or responding to our revitalization process. We seek opportunities to acquire mature oil fields that are underdeveloped and have significant original oil reserves still in place. These fields typically have lost some or all of the reservoir pressure required to drive the oil through the overlying rock and sand and into the well bores of the producing wells, or have experienced mechanical problems. We believe we have standardized a process that enables us to quickly restore oil production as well as increase production yield.

Underdeveloped is an industry term meaning that the reservoirs of interest have either not been fully exploited through drilling, or the reserves in current well bores, whether active or plugged and abandoned, have not been fully recovered by primary recovery techniques. We do not calculate remaining recoveries to determine our interest in a particular field, but determine if we have an interest in a particular field by extensive research which includes reviewing the decline curves of wells acquired; reviewing location maps from public sources to determine potential development drilling locations; reviewing current horizontal wells to determine if there is the potential for new laterals in a different direction; reviewing well bore casing conditions to determine the technical potential for drilling a new lateral from the old well bore; researching shut-in wells in the field of interest; and researching plugged and abandoned wells in the field of interest. We do not calculate reserves on a field wide basis, since most of our wells are in Austin Chalk formation, and volumetric calculations are not valid, the formations have little or no matrix porosity and production is primarily from natural fractures.

As of September 30, 2008 our proved undeveloped properties (PUDs) consisted of approximately 20 new laterals to drill from existing wellbores, shut-in well bores, and re-entries of plugged and abandoned wells.

We maintain a low overhead cost structure. We remain focused on growing our portfolio of properties. Since inception, we have achieved positive cash flow from operations. We have retained our earnings in order to continue and to support our growth program.

We use diverse financing arrangements in making acquisitions. We intend to capitalize on the increasing availability of attractive acquisitions in the energy sector in which we operate. We believe that the continuing divestiture of mature assets held by large companies and smaller operators has created an opportunity to acquire undervalued properties with significant upside potential

Our primary source of revenue currently comes from the sale of the oil we produce from our wells. We also derive ancillary revenue from natural gas sales related to our existing producing oil wells. The main costs associated with our business are related to property acquisitions, drilling costs, well revitalizations and ongoing lease operating expenses. The revitalization of wells enables us to generate short-term cash and to hold the lease for additional future development.

We currently own and operate 28 producing oil and gas wells located in four counties in Texas; and own an interest in 3 non-operated wells. Our net production of oil has increased to approximately 3,150 average barrels per month during the six months ended September 30, 2008 compared to approximately 2,200 average barrels per month for the six months ended September 30, 2007.

#### RECENT EVENTS

- The recorded cost of oil and gas properties on our balance sheet using the full cost method of accounting increased from \$18,883,000 as of June 30, 2008 to \$19,621,000 as of September 30, 2008. We control more than 12,000 gross acres of leases, and operate 38.85 net wells.
- Oil production for the quarter ending September 30, 2008 was 8,231 barrels compared to 5,323 barrels for the quarter ending September 30, 2007, an increase of 54.6%. Production in the current year quarter was impacted by several producing wells being temporarily shut down during the months of August and September for scheduled treatments and deferred maintenance work.
- We announced that the lateral extension of the Hagen Ranch No.3 well which commenced mid-September 2008 and was completed in late October with an initial production rate of 175 BOPD and, after testing, was producing at a rate of 84 BOPD and 35 MCFPD with no water. The initial well bore was drilled to a total depth of 9,570 feet and the lateral extended an additional 1,300 feet from the well bore.
- We acquired approximately 800 gross acres of leases in Gonzales County, Texas during the quarter ended September 30, 2008 as part of our on-going leasing program.
- We have entered into a contract with Houston Pipe Line, a division of ETC, a public energy company, to connect several of Lucas's key gas producing wells into a central metering point in Gonzales County, Texas.
- On October 8, 2008 we closed a senior secured revolving line of credit facility with Houston-based Amegy Bank providing an initial borrowing base of \$3,000,000 which is collateralized by certain proven developed producing properties.

#### RESULTS OF OPERATIONS

##### **For the Three Months Ended September 30, 2008 compared to the Three Months Ended September 30, 2007**

##### *Oil and Gas Revenues*

For the three months ended September 30, 2008, our oil and gas net sales were \$998,018 compared to \$433,174 for the three months ended September 30, 2007. Oil and gas revenues increased during the current period due to additional wells put on line through our ongoing acquisition and revitalization programs as well as the addition of new laterals drilled in the previous fiscal year. The increase of \$38.52 per barrel in the average price of oil for the three months ended September 30, 2008 compared to the three months ended September 30, 2007 contributed \$317,000 of the increase in revenues and the increase in production sold of 2,908 barrels contributed the balance of the increase.

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	For the three months ended September 30, 2008	For the three months ended September 30, 2007	Increase
Volumes:	(net)	(net)	
Oil (bbls)	8,231	5,323	2,908
Gas (mcf)	2,431	778	1,653
Average price received:			
Oil	\$ 119.03	\$ 80.51	\$ 38.52
Gas	\$7.50	\$5.96	\$1.54
Revenues:			
Oil	\$ 979,794	\$ 428,540	\$ 551,254
Gas	\$ 18,224	\$ 3,133	\$ 15,091
Total	\$ 998,018	\$ 431,673	\$ 566,345

The increase in our current quarter oil and gas net revenues of \$566,345 was primarily attributable to the increase in production of oil from the additional wells brought into production through our ongoing acquisition and revitalization program and from the new laterals drilled or reentered on existing well sites. The per barrel increase in the average price we received for our oil production was due primarily to the unprecedented surge in the commodity price of crude oil which peaked in mid-July and then declined to \$131 per barrel at July 31, 2008, \$113 per barrel at August 31, 2008 and \$101 per barrel at September 30, 2008. We have a contractual pricing arrangement with our primary oil purchaser to receive a \$2.10 premium over West Texas Intermediate posted prices until December 31, 2008.

Overall, our production increase over the prior year quarter also reflects the impact of the investment in capital expenditures we made on our acquisition and revitalization program and our development activities on existing well sites.

#### *Lease Operating Expenses*

Lease operating expenses during the current quarter increased \$294,083 due to the increase in production resulting from our acquisition and development activities. The increase in lease operating costs was primarily due to increased field costs directly related to our additional production volumes as well as from over \$200,000 in increased workover costs, including contract labor and oil field supervision, related to scheduled treatments, repairing and cleaning of certain wells to restore and increase production. This activity increased our operating expenses and also caused a temporary decrease in production while the wells were going through this process. Normal workover costs for equipment repairs, maintenance of ongoing production facilities and unsuccessful workovers undertaken to increase production are expensed when incurred. We achieve certain economies of scale since our operations are located in a limited geographical area which allows our fixed operating costs to be generally consistent and ratable over a greater production base although workover activity can significantly affect production volumes and impact the related operating cost per barrel during a quarter.

#### *Depreciation, Depletion and Accretion*

Depreciation, depletion and accretion expense increased \$108,270 due to an increase in the depletion rate to \$17.97 per barrels of oil equivalent from \$8.75 per barrels of oil equivalent and the increased production volume of nearly 3,200 barrels of oil equivalent. The increase in the depletion rate is primarily due to the estimated future development costs to recover our reserves.

#### *General and Administrative Expenses*

For the three months ended September 30, 2008, general and administrative expenses were \$317,545 compared to \$197,978 for the three months ended September 30, 2007. The current quarter increase was primarily due to an increase in payroll costs and insurance expenses, as well as professional fees and investor relations fees related to being a public company.

#### *Unrealized Gains (Losses) on Investments*

Effective April 1, 2008, Lucas adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities ? Including an Amendment of FASB Statement No. 115*. Statement No. 159 allows a company the option to value its financial assets and liabilities, on an instrument by instrument basis, at fair value, and include the change in fair value of such assets and liabilities in its results of operations. We chose to apply the provisions of Statement No. 159 to all existing investments. Beginning with the first quarter of fiscal year 2009, the change in fair value of our investments is included in the results of operations. As a result, we recognized an unrealized holding loss on investments of \$879,858 during the current quarter.

#### *Interest Expense*

For the three months ended September 30, 2008, interest expense decreased to \$102 from \$18,730 in 2007 as a result of the repayment of the note payable in the prior year.

#### *Income Tax Expense (Benefit)*

For the three months ended September 30, 2008, an income tax benefit of \$263,086 was recognized due primarily to the deferred taxes related to the unrealized holding loss on investments.

#### *Income from Operations and Net Loss*

For the three months ended September 30, 2008 net income from operations was \$88,765 compared to \$60,269 for the prior year quarter and resulted primarily from increased production volumes and the increase in the average price of production sold and decreased by the lease operating expenses which were incurred, including the scheduled acidizing, maintenance and repairs on certain wells to restore and increase production levels.

For the three months ended September 30, 2008 net loss was \$523,765 and resulted primarily from recognizing the unrealized holding loss on investments resulting from the decrease in fair value of a financial asset and recognizing a deferred income tax benefit attributable to the decrease in investments.

## **RESULTS OF OPERATIONS**

**For the six months ended September 30, 2008 compared to the six months ended September 30, 2007.**

The table below summarizes and compares our volumes, prices and revenues relating to the six month periods ending September 30, 2008 and can be reviewed in conjunction with the Results of Operations set forth in this quarterly report for the three month period ended September 30, 2008 and our Form 10-Q for the quarterly period ended June 30, 2008 which we filed with the SEC on August 13, 2008.

	For the six months ended September 30, 2008	For the six months ended September 30, 2007	Increase
Volumes:	(net)	(net)	
Oil (bbls)	18,897	13,257	5,640
Gas (mcf)	3,354	1,245	2,109
Average price received:			
Oil	\$ 121.34	\$ 69.36	\$ 51.98
Gas	\$ 8.60	\$ 5.62	\$ 2.98
Revenues:			
Oil	\$ 2,292,967	\$ 919,492	\$ 1,373,475
Gas	\$ 28,855	\$ 6,995	\$ 21,860
Total	\$ 2,321,822	\$ 926,487	\$ 1,395,335

#### *Oil and Gas Revenues*

Volumes of production increased during the current six month period as indicated above, as we continued our revitalization, rework and lateral drilling programs which we commenced in our prior fiscal year.

Revenues and the average price received for products sold increased during the current six month period as indicated above, primarily due to increased production and the unprecedented oil price increase during the spring and early summer months of 2008 and partially offset by reduced revenue from certain wells temporarily shut-in for scheduled maintenance.

#### *Lease Operating Expenses*

Lease operating expenses increased during the current six month period to \$624,000 compared to \$264,000 in the prior year six-month period due to the increase in our production volumes and reflect both the economies of scale related to the concentration of our operations in a limited geographical area and related operating cost per barrel produced, as well as the costs associated with our scheduled treatments and deferred maintenance and repair work on certain wells during the second quarter to restore and increase production.

#### *Depreciation, Depletion and Accretion*

Depreciation, depletion and accretion expense increased \$257,568 due to an increase in the depletion rate to \$18.23 per barrels of oil equivalent from \$7.20 per barrels of oil equivalent and the increased production volume of over 5,900 barrels of oil equivalent.

#### *General and Administrative Expenses*

General and administration expenses increased during the current six month period to \$580,000 compared to \$353,000 in the prior year six-month period primarily due to additional personnel costs and professional fees related to being a public company.

### *Unrealized Gains (Losses) on Investments*

The unrealized holding gain on an investment recognized in the current year first quarter of \$1,645,000 was partially reduced by an unrealized loss of \$880,000 recorded in the second quarter as the fair market value of the investment decreased.

### *Interest Expense*

Interest expense during the current year six month period was nil since an outstanding note was repaid in the prior year.

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### *Income Tax Expense (Benefit)*

Income tax expense recognized in the current year first quarter of \$718,000 was partially reversed in the second quarter by an income tax benefit of \$263,000 resulting from the unrealized holding loss on an investment.

### *Income from Operations and Net Loss*

Income from operations of \$675,000 during the current year six month period reflected revenue increases in both quarters partially offset by the second quarter impact of the increased lease operating expenses incurred on certain wells and related reduction of production from those wells.

Net income of \$866,000 for the current year six month period was impacted by the increased income from operations of \$506,000 and the net unrealized holding gain in the first quarter and the unrealized holding loss of \$644,000 during the six months ended September 30, 2008 offset by the related income tax effects.

### **EBITDA**

In evaluating our business, we consider earnings before interest, taxes, depreciation, depletion, amortization, unrealized gains and loss on investments, stock-based compensation expense and accretion of abandonment liability (? Adjusted EBITDA?) as a key indicator of financial operating performance and as measure of the ability to generate cash for operational activities and future capital expenditures. Adjusted EBITDA is not a Generally Accepted Accounting Principle (?GAAP?) measure of performance. We use this non-GAAP measure primarily to compare our performance with other companies in the industry that make a similar disclosure and as a measure of our current liquidity. We believe that this measure may also be useful to investors for the same purpose and as an indication of our ability to generate cash flow at a level that can sustain or support our operations and capital investment program. Investors should not consider this measure in isolation or as a substitute for income from operations, or cash flow from operations determined under GAAP, or any other measure for determining operating performance that is calculated in accordance with GAAP. In addition, because EBITDA is not a GAAP measure, it may not necessarily be comparable to similarly titled measures employed by other companies.

Reconciliation between EBITDA and net income (loss) for the three months and six months ended September 30, 2008 and 2007 is provided below:

#### Reconciliation of Adjusted EBITDA



For the six-month period ended September 30, 2008, net cash provided from operating activities was \$1,604,535 compared to net cash provided from the operating activities of \$436,616 for the six-month period ended September 30, 2007. This increase in net cash provided from operating activities was primarily due to cash flow generated from field operations due to increased volumes and prices from our production.

### **Cash Flow from Investing Activities**

For the six-month period ended September 30, 2008, net cash used in investing activities was \$2,194,043, primarily due to our on-going lease acquisition and continuing rework program, compared to net cash used in investing activities of \$5,228,247 for the six-month period ended September 30, 2007 which was used for the same purposes. Our investing activities were funded from cash generated by our operations and the cash we received from the sale of our common stock in the prior year.

### **Cash Flow from Financing Activities**

During the six-month period ended September 30, 2008, we used \$21,087 to retire 10,000 shares of stock purchased in the open market while in the prior year six-month period we raised net proceeds of \$11,368,983 from the sale of common stock and repaid a \$ 2,300,000 note payable.

### **Hedging**

We did not hedge any of our oil or natural gas production during 2008 and have not entered into any such hedges from September 30, 2008 through the date of this filing.

### **Contractual Commitments**

None

### **Off-Balance Sheet Arrangements**

None

### **Related Party Transactions**

None

### **Critical Accounting Policies**

Our discussion and analysis of our 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 of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### *Fair Value Measurement*

We determined the fair value of its short term investments using quoted market prices. In accordance with Statement of Financial Accounting Standards (?SFAS?), No. 157. See note 4, ?Fair Value Measurements? we have determined that the fair value methodology described above for our investments is consistent with observable market inputs and have categorized our investments as level 1 in accordance with SFAS No. 157.

During the three-month period ended September 30, 2008, we recorded a decrease in the fair value of its investment in trading securities, principally due to the decrease in trading price of a publicly traded stock held as an investment. Approximately \$880,000 of the decrease was recorded as an unrealized loss in the income statement due to the change in trading price.

During the three-month period ended September 30, 2008, a realized settlement gain of \$4,147 was recorded in the income statement for the remaining value of a commodity futures contract entered into during the prior quarter and closed in the current quarter.

#### *Unrealized Gains on Investments*

Effective April 1, 2008, we adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities ? Including an Amendment of FASB Statement No. 115* . Statement No. 159 allows a company the option to

value its financial assets and liabilities, on an instrument by instrument basis, at fair value, and include the change in fair value of such assets and liabilities in its results of operations. We chose to apply the provisions of Statement No. 159 to all its existing investments. Accordingly, beginning with the first quarter of fiscal year 2009, the change in fair value of the investments we own, are included in our results of operations.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

Market risk is the risk of loss arising from adverse changes in market rates and prices. We are exposed to risks related to increases in the prices of fuel and raw materials consumed in exploration, development and production. We do not engage in commodity price hedging activities.

#### **Item 4. Controls and Procedures.**

Disclosure Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that a company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We maintain disclosure controls and procedures designed to ensure that material information related to our company is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Under the supervision of our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2008, the design and operation of such disclosure controls and procedures were effective.

There were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 1. Legal Proceedings.**

Our management is not aware of any significant litigation, pending or threatened, that would have a significant adverse effect on our financial position or results of operations.

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended March 31, 2008, as filed with the SEC on August 13, 2008. The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008, in addition to the other information set forth in this quarterly report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

Exhibit 31.1, 31.2\*

Chief Executive Officer and Chief Financial Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act of 1934

Exhibit 32.1, 32.2\*

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**\*Filed herewith**

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**SIGNATURES**

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

**LUCAS ENERGY, INC.**  
Registrant

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<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ W.A. SIKORA</u> W.A. Sikora	President and C.E.O. (Principal Executive Officer)	November 10, 2008
<u>/s/ MALEK BOHSALI</u> Malek Bohsali	Principal Financial Officer and Accounting Officer	November 10, 2008

**INDEX TO EXHIBITS**

**OF**

**LUCAS ENERGY, INC.**

[Exhibit 31.1](#) \* Chief Executive Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act

[Exhibit 31.2](#) \* Chief Financial Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act

[Exhibit 32.1](#) \* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes

[Exhibit 32.2](#) \* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes

**\*Filed herewith**

**EXHIBIT 32.2**

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICERS

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Lucas Energy, Inc. (the "Company") on Form 10-Q for the three month period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Malek, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/S/ MALEK BOHSALI

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Malek Bohsali

Chief Financial Officer

November 10, 2008

**EXHIBIT 32.1**

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICERS

Pursuant to 18 U.S.C. 1350

(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Lucas Energy, Inc. (the "Company") on Form 10-Q for the three month period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report?"), I, W.A. Sikora, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/S/ W.A. SIKORA

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W.A. Sikora

President and Chief Executive Officer

November 10, 2008

**EX-31**

EX-31 5 lei908qex312.htm

**EXHIBIT 31.2**

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Malek Bohsali, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2008, of Lucas Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: November 10, 2008

/S/ MALEK BOHSALI

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Malek Bohsali

Chief Financial Officer

**EX-31**

EX-31 6 lei908qex311.htm

**EXHIBIT 31.1**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, W.A. Sikora, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2008, of Lucas Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: November 10,2008

/S/ W.A. SIKORA

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W.A. Sikora

Chief Executive Officer