

8-K - 2015-06-30

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8-K

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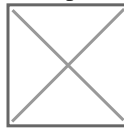
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **June 30, 2015 (June 25, 2015)**



Lucas Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation)

001-32508

(Commission File Number)

20-2660243

(I.R.S. Employer Identification No.)

**3555 Timmons Lane,
Suite 1550, Houston, Texas**

(Address of principal executive offices)

77027

(Zip Code)

Registrant's telephone number, including area code (713) 528-1881

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Effective on June 25, 2015, (a) Lucas Energy, Inc. (the “Company”, “we” and “us”) entered into (1) a Compromise Settlement Agreement and Mutual General Release with Earthstone Operating, LLC, Earthstone Energy, Inc., Oak Valley Resources, LLC, Oak Valley Operating LLC and Sabine River Energy, LLC (collectively “Earthstone” and the “Earthstone Settlement”); (2) a Compromise Settlement Agreement and Mutual General Release with Earthstone and Victory Energy Corporation, AEP Assets LLC and Aurora Energy Partners (collectively the “Victory Parties” and the “Earthstone/Victory Settlement”); and (3) a Settlement Agreement and Mutual Release with Victory Energy Corporation (“Victory” and the “Victory Settlement”); and (b) Victory and Louise H. Rogers, our senior lender (“Rogers”) entered into a Settlement Agreement and Mutual Release (the “Rogers Settlement”).

Earthstone Settlement and Earthstone/Victory Settlement

Pursuant to the terms of the Earthstone Settlement and the Earthstone/Victory Settlement, Earthstone agreed to pay us \$54,020 (representing the net of amounts previously paid by Victory to Earthstone in connection with the terms of a participation agreement covering certain leases in Karnes County, Texas and certain amounts owed to us in connection with title issues discovered in connection with those leases) and we agreed that we are deemed a non-consenting party in connection with certain wells; and Victory agreed to assign certain oil and gas interests in the wells which we transferred to Victory in February 2015, to Earthstone. We and Earthstone also agreed to not disparage or talk negatively about each other and further agreed to release each other (the Victory Parties also agreed to release Earthstone pursuant to the Earthstone/Victory Settlement) from any and all claims, demands and causes of action which either party had against the other prior to the June 25, 2015 effective date of the Earthstone/Victory Settlement, whether known or unknown, except in connection with the breach, enforcement or interpretation of the Earthstone/Victory Settlement.

Victory Settlement

Pursuant to the Victory Settlement, we and Victory agreed to terminate any and all obligations between the parties pursuant to that certain February 2, 2015 Letter of Intent for Business Combination (the “Letter of Intent”), pursuant to which we and Victory previously planned to combine our companies, and that certain Pre-Merger Collaboration Agreement dated February 26, 2015, as amended by amendment No. 1 thereto, dated March 3, 2015 (as amended, the “Collaboration Agreement”); that Victory would retain ownership and control over five Penn Virginia well-bores (the “Penn Virginia Well-Bores”) and would also retain the obligations to pay expenses associated with such Penn Virginia Well-Bores effective after August 1, 2014; and that we would also assign Victory rights to another property located in the same field as the Penn Virginia Well-Bores. We also confirmed the amount of \$600,000 previously advanced to us by Victory pursuant to the terms of a prior Pre-Merger Loan and Funding Agreement dated February 26, 2015 (the “Funding Agreement”); that Victory has no further obligations to advance any additional funds to us pursuant to the terms of the Funding Agreement (which originally provided us the right to borrow up to \$2 million from Victory); and that we would issue 1,101,729 shares of our restricted common stock to Victory (the “Victory Shares”) in full consideration of the \$600,000 owed under the Funding Agreement (which will be held in escrow until the payment of amounts owed to Rogers under the Rogers Settlement described below). We also agreed to grant Victory piggy-back registration rights in connection with the Victory Shares and Victory agreed to leakout terms associated with the Victory Shares, whereby Victory may not sell through a broker, more than 25,000 of the Victory Shares per day; 125,000 of the Victory Shares per week; and 500,000 of the Victory Shares per month. We and Victory also agreed to release each other from any and all claims, demands and causes of action which either party had against the other prior to the June 25, 2015 effective date of the Victory Settlement, whether known or unknown, in connection with the terminated agreements. The Victory Shares are in lieu of any shares of common stock we were required to pledge to Victory pursuant to the terms of the Funding Agreement and related agreements, provided that we have not issued any pledged shares to Victory to date.

The description of the Victory Settlement above is not complete and is qualified in its entirety by reference to the Victory Settlement, which is filed herewith as Exhibit 10.1 and incorporated by reference herein.

Rogers Settlement

Pursuant to the Rogers Settlement, Victory and Rogers agreed, among other things, to terminate the \$250,000 contingently payable note which was issued to Rogers in connection with the entry by us and Victory into the Collaboration Agreement and that Victory would pay Rogers, on or before July 15, 2015, \$253,750 (which amount when paid will reduce amounts we owe to Rogers under our loan agreement with Rogers), and that Rogers' legal counsel will hold the assignment of the Penn Virginia Well-Bores (described above) in escrow until such time as the required payment is made by Victory.

Item 1.02 Termination of a Material Definitive Agreement.

The information regarding the Victory Settlement, including, but not limited to the termination of the Letter of Intent, Collaboration Agreement and Funding Agreement, described above, is incorporated in this Item 1.02 by reference.

Item 3.02 Unregistered Sales of Equity Securities.

In connection with our entry into the Victory Settlement, we agreed to issue Victory the Victory Shares (defined and described above in Item 1.01). We claim an exemption from registration pursuant to Section 4(a)(2) and/or Rule 506 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder in connection with the issuance of the Victory Shares. With respect to the transactions described above, no general solicitation was made either by us or by any person acting on our behalf. The transactions were all privately negotiated, and none involved any kind of public solicitation. No underwriters or agents were involved in the foregoing issuances and we paid no underwriting discounts or commissions. The securities are subject to transfer restrictions, and the certificates evidencing the securities will contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom. The recipient (Victory) is an "accredited investor".

Item 7.01 Regulation FD Disclosure

On June 30, 2015, the Company filed a press release disclosing the Company's entry into the agreements discussed in Item 1.01 above. A copy of the press release is furnished herewith as Exhibit 99.1.

The information responsive to Item 7.01 of this Form 8-K and Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 8.01 Other Events.

Sale of Karnes County Interests

On June 25, 2015, we closed the sale (effective June 1, 2015) of 139.04 net acres of oil and gas properties located in Karnes County, Texas, to Earthstone Energy, Inc. ("Earthstone Energy"), which included the sale of all working interest, net lease interest and contractual rights owned by us in the Copeland-Karnes Unit and the Griffin Unit (the "Units"), but not any contractual obligations relating to the LEI Copeland-Karnes wellbore and the LEI Griffin wellbore or production therefrom. Earthstone Energy also became the operator of the Units. The total purchase price paid to us for the purchase was \$347,600, along with the grant from Earthstone to us of an option to participate, at cost, for up to 20% of an 8/8ths, in all future operations within the proposed ESTE-Boggs Unit upon successfully obtaining the required funding, provided that we must exercise the option (with proof of funding) on or before August 1, 2015, or such earlier date as Earthstone Energy begins drilling. We also agreed, in the event we exercise the option, to pay Earthstone Energy 20% of all costs incurred.

Item 9.01 Financial Statements and Exhibits.

Exhibit No. Description

10.1*	Settlement Agreement and Mutual Release dated June 24, 2015 and effective June 25, 2015, by and between Lucas Energy, Inc. and Victory Energy Corporation
99.1**	Press Release dated June 30, 2015

* Filed herewith.

** Furnished herewith.

Signature

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 hereunto duly authorized.

LUCAS ENERGY, INC.

By: /s/ Anthony C. Schnur
Name: Anthony C. Schnur
Title: Chief Executive Officer

Date: June 30, 2015

EXHIBIT INDEX

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EX-10.1

EX-10.1 2 ex10-1.htm SETTLEMENT AGREEMENT AND MUTUAL RELEASE DATED JUNE 24, 2015 AND EFFECTIVE JUNE 25, 2015, BY AND BETWEEN LUCAS ENERGY, INC. AND VICTORY ENERGY CORPORATION

Exhibit 10.1

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (this “**Settlement Agreement**”) is made and entered into as of the 24th day of June, 2015, by and among **Victory Energy Corporation**, a Nevada corporation (the “**Victory**”) and **Lucas Energy, Inc.**, a Nevada corporation (“**Lucas**”). Each of Victory and Lucas is referred to herein as a “**Party**” and, collectively, as the “**Parties.**”

BACKGROUND

On February 2, 2015, Victory and Lucas entered into a Letter of Intent for Business Combination (the “**Letter of Intent**”) relating to a proposed business combination (the “**Merger**”) between the two parties. Thereafter, on February 26, 2015, Victory and Lucas entered into a Pre-Merger Loan and Funding Agreement (the “**Loan Agreement**”) pursuant to which Victory agreed to loan Lucas up to Two Million Dollars (\$2,000,000) as evidenced by a Delayed Draw Term Note that was issued by Lucas to Victory on the same day (the “**Lucas Note**”). A total of \$600,000 in principal amount (the “**Principal Amount**”) has been advanced by Victory to Lucas under the Loan Agreement. The Principal Amount and accrued interest thereon is secured by a pledge of Lucas Common Stock (the “**Pledged Securities**”) pursuant to a Pledge Agreement entered into on the same date (the “**Pledge Agreement**”) between the Parties. The Parties and certain other affiliates of Victory also entered into the Pre-Merger Collaboration Agreement on February 26, 2015, as amended by Amendment No. 1 thereto, dated March 3, 2015 (the “**Collaboration Agreement**”). Pursuant to the Collaboration Agreement, Lucas’ assigned to Victory certain rights (the “**Well Rights**”) in five (5) Penn Virginia well-bores (the “**Penn Virginia Well-Bores**”) and two (2) Earthstone Energy/Oak Valley Resources Boggs Unit No. 1H and Boggs Unit No. 2H well-bores (the “**Oak Valley Wells**”). In connection with the assignment of the Well Rights, Lucas obtained a partial release from Louise H. Rogers, Lucas’ secured lender (the “**Senior Lender**”), and Sharon E. Conway, as Trustee, under that certain Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement and Fixture Filing, dated August 13, 2013, that permitted Lucas to transfer the Well Rights to Victory. The Collaboration Agreement provides that Victory retains the Well Rights whether or not the Merger is consummated. The Collaboration Agreement also required Victory to issue a contingent promissory note in the principal amount of \$250,000 to the Senior Lender (the “**Rogers Note**”). In accordance with its terms, the Rogers Note becomes due and payable, among other times, within ninety (90) days following the termination of the Letter of Intent.

The Parties now desire to resolve their respective claims under the Letter of Intent, Loan Agreement, Collaboration Agreement, Pledge Agreement, Lucas Note and Rogers Note and otherwise without admitting liability therefor, and in order to avoid the uncertainty, expense and burden of litigation.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, representations, warranties and covenants contained herein, and intending to be legally bound hereby, the Parties agree as follows:

1. Termination of Terminated Agreements; Further Assurances.

(a) Subject to the terms and conditions of this Settlement Agreement and except as expressly provided otherwise below, all rights, duties, liabilities and obligations of each of the Parties under the Letter of Intent and the Collaboration Agreement (such agreements being referred to herein as the “**Terminated Agreements**”) are hereby terminated and cancelled as of the date hereof, and neither of the Parties nor any of their affiliates (including, without limitation, Aurora Energy Partners, Navitus Energy Group, and AEP Assets, LLC), shall have any further rights, duties, liabilities or obligations to the other Party under any of the Terminated Agreements.

(b) Each of the Parties hereto agrees to execute and deliver all such other and additional instruments and documents and do all such other acts and things as may be necessary to more fully effectuate this Settlement Agreement.

2. Obligations and Understandings of the Parties. In consideration for the mutual releases contained in this Settlement Agreement, the Parties hereto agree as follows:

(a) Victory shall retain ownership and control over the Penn Virginia Well-Bores and all unpaid joint interest billings relating to the Penn Virginia Well-Bores for operations on or after August 1, 2014 shall be payable by Victory and all division orders with respect to the Penn Virginia Well-Bores shall reflect Victory as a successor in interest to Lucas. In addition to the originally assigned Penn Virginia Well-Bores, on the date hereof, Lucas shall assign to Victory (to be held in escrow by Attorney Sharon E. Conway, as agent for the Senior Lender in accordance with the Rogers Release) all related acreage, reserves and proven undeveloped drilling locations remaining at Platypus and Dingo and the proven developed Platypus Hunter 1H (the “**Additional Penn Virginia Property**”) pursuant to an assignment in substantially the form of Exhibit A to this Agreement. The Additional Penn Virginia Property is more specifically described as follows and on Exhibit A to this Agreement, which includes a full property description of the Additional Penn Virginia Property:

Penn Virginia Well-Bores

- Platypus Hunter 2H
- Platypus Hunter 3H
 - Dingo Unit 1H – 1-H
 - Dingo Unit 2H – 2H
 - Dingo Unit 3H - 3H

Additional Penn Virginia Property

One 116.11 acre Tract #4 (lessor Jackie Robertson, et al) in the 531.67 acre Dingo Unit, giving rise to a 3.27581% working interest and Two Tracts #8 & #9 totaling 75.0 acre (lessor Jackie Robertson, et al) in the 649.322 ac Platypus Unit, giving rise to a 1.481330% working interest.

(b) Neither Lucas nor its affiliates shall in anyway interfere with Victory’s ownership and control of the Penn Virginia Well-Bores or the Additional Penn Virginia Property and Lucas on behalf of itself and its affiliates hereby waives any right to contest Victory’s ownership of the Penn Virginia Well-Bores and the Additional Penn Virginia Property. Lucas shall notify the operator in writing that all future communications and divisions orders are to be sent directly to Victory (c/o Aurora Energy Partners). Lucas shall execute and deliver all such other and additional instruments and documents and do all such other acts and things as may be necessary to ensure that Victory retains ownership and control over the Penn Virginia Wells-Bores and the Additional Penn Virginia Property.

(c) Victory shall execute and deliver the mutual release with the Senior Lender in the form of Exhibit B to this Agreement (the “**Rogers Release**”) against execution and delivery by the Senior Lender of the same. Lucas shall procure the Senior Lender’s agreement to the Rogers Release and execution of the same as required by this Agreement as soon as practicable and in any event within two (2) business days of the date hereof. The Rogers Release shall include a release in favor of Victory and its affiliates from the Senior Lender from all obligations under the Rogers Note, including, without limitation, interest, fees and penalties and from any and all claims that the Senior Lender may have against Victory and its affiliates arising out of, or in connection with, the Rogers Note or any of the Terminated Agreements, and the only remaining obligations of Victory to Rogers are those set forth in the Rogers Release. The release contained herein in favor of Lucas shall not become effective unless and until the Senior Lender delivers to Victory and its affiliates the Rogers Release.

(d) Lucas acknowledges that Victory has paid \$195,928.33 toward AFEs with respect to the Oak Valley Wells (the “**Oak Valley AFE Payment**”). As part of this Agreement, Victory is relinquishing its rights to receive the return of the Oak Valley AFE Payment. Victory shall execute and deliver the mutual release with Oak Valley in the form of Exhibit C to this Agreement (the “**Oak Valley Release**”) against execution and delivery by Oak Valley of the same. Lucas shall procure Oak Valley’s agreement to the Oak Valley Release and execution of the same as required by this Agreement as soon as practicable and in any event within two (2) business days of the date hereof. The Oak Valley Release shall include a release in favor of Victory and its affiliates from Oak Valley and its affiliates that releases Victory and its affiliates from all obligations that Victory and its affiliates may have relating to the Oak Valley Wells and from any claims that Oak Valley and its affiliates may have against Victory and its affiliates. The release contained herein in favor of Lucas shall not become effective unless and until Oak Valley and its affiliates deliver to Victory and its affiliates the Oak Valley Release.

(e) Without making any representation to Lucas with respect to Victory’s title to the Oak Valley Wells, in accordance with the Oak Valley Release, Victory shall quitclaim to Sabine River Energy, LLC any and all right, title and interest that Victory may have to the Oak Valley Wells. Victory agrees to execute and deliver all such other and additional instruments and documents and do all such other acts and things as may be necessary to effectuate such assignment.

(f) Lucas acknowledges and agrees that the Principal Amount is \$600,000, that Victory has already advanced the Principal Amount to Lucas in full, and that all obligations under the Loan Agreement and the Lucas Note are secured by the Pledged Securities under the Pledge Agreement. Lucas further acknowledges that Victory has no further obligation to advance any funds to Lucas under the Loan Agreement, the Lucas Note or otherwise. Lucas shall promptly (and in any event within 14 days) issue 1,101,729 shares of Lucas Common Stock registered in the name of Victory (the “**Settlement Shares**”) subject to equitable adjustment if there is a stock split, stock combination, stock dividend, recapitalization or similar event relating to Lucas common stock prior to the issuance of such Settlement Shares. Lucas shall cause the Settlement Shares to be delivered to Attorney Sharon E. Conway, as agent for the Senior Lender, who shall hold the Settlement Shares in accordance with the Rogers Release. Victory shall accept the Settlement Shares in full satisfaction of Lucas’ Obligations under the Loan Agreement and the Lucas Note. The Settlement Shares shall upon issuance be duly issued, fully paid and non assessable. Lucas hereby grants to Victory piggyback registration rights on the terms described below and upon Victory’s request shall enter into a customary agreement relating to these rights, which will include, among other things, customary indemnification provisions. If at any time there is not an effective registration statement covering the Settlement Shares and any other shares of Lucas Common Stock held by Victory (the “**Registrable Securities**”) and Lucas shall determine to prepare and file with the Securities and Exchange Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of 1933, as amended (the “**Securities Act**”) of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, then Lucas shall send to Victory written notice of such determination and if, within fifteen days after receipt of such notice, Victory shall so request in writing, Lucas shall include in such registration statement all or any part of such Registrable Securities Victory requests to be registered; provided, however, that Lucas shall not be required to register any Registrable Securities pursuant to this Section 2(e) that are eligible for sale pursuant to Rule 144 of the Securities Act without any restriction as to volume of sales (without reference to any contractual volume limitations applicable to Victory).

(g) So long as Victory owns any Settlement Shares it shall comply with the following limitations on the number of Settlement Shares that it may sell in the market through a broker (not including private sales to unaffiliated third parties):

- (i) Victory shall not sell more than Twenty Five Thousand (25,000) Settlement Shares per trading day;
- (ii) Victory shall not sell more than One Hundred Twenty Five Thousand (125,000) Settlement Shares per week; and
- (iii) Victory shall not sell more than Five Hundred Thousand (500,000) Settlement Shares per month.
- (iv) If Lucas effects a stock split, stock combination, stock dividend recapitalization or similar event affecting the number of shares of Lucas common stock outstanding, then the aforementioned limitations on the number of Settlement Shares that Victory may sell will be equitably adjusted such that Victory shall be permitted to sell the same overall percentage of Settlement Shares per period.

(v) Upon the written request from Lucas, Victory shall promptly provide to Lucas brokerage statements confirming the number of Settlement Shares that Victory has sold in any applicable period. On the date hereof, Victory is executing and delivering to Lucas a proxy in the form of Exhibit D. This proxy provides that for a period of twenty four (24) months following the date of this Agreement, Lucas' board of directors or its designee may vote the Settlement Shares (including through the execution of a written consent) that Victory continues to hold on any matter coming before the stockholders of Lucas for a vote. Victory shall not request and Lucas shall not provide to Victory any material non-public information relating to Lucas or its affiliates. So long as Victory owns any Settlement Shares, it shall not directly or indirectly, nor shall it cause any person acting on its behalf or pursuant to any understanding with it to, execute any short sales (as such term is defined in rule 200 of Regulation SHO under the Securities Exchange Act of 1934, as amended), in the securities of Lucas.

(h) Victory acknowledges and agrees that so long as the Settlement Shares are in certificate form they shall bear any legend required by the Securities Act of 1933, as amended and they shall bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A PROXY IN FAVOR OF THE BOARD OF DIRECTORS OF THE ISSUER AND TO CERTAIN LIMITATIONS ON THE NUMBER OF SECURITIES THAT MAY BE SOLD AS SPECIFIED IN THAT CERTAIN SETTLEMENT AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THIS CERTIFICATE. A COPY OF THE SETTLEMENT AGREEMENT MAY BE OBTAINED BY REQUESTING THE SAME FROM THE SECRETARY OF THE ISSUER AT THE ISSUER'S EXECUTIVE OFFICES.

Victory acknowledges and agrees that if and to the extent that Victory transfers the Settlement Shares to any third party in a transaction other than a market transaction through a broker, it shall, as a condition to such transfer, cause such third party to be bound by the sale restrictions and voting rights provisions of this Settlement Agreement. For the avoidance of doubt, if Victory transfers the Settlement Shares in the market through a brokerage transaction to a third party, the purchaser of such unrestricted Settlement Shares shall acquire the same without any restriction or limitation imposed under this Settlement Agreement.

Lucas agrees that it shall take any and all reasonable action to facilitate the deposit of the Settlement Shares into Victory's brokerage account if such Settlement Shares are registered or may be sold in accordance with Rule 144 of the Securities Act. Such action shall include, but not be limited to, the provision to Lucas' transfer agent of an instruction letter in form satisfactory to such transfer agent, the removal of the aforementioned legend (in which case, the covenants in this Settlement Agreement relating to restrictions on sale of the Settlement Shares and the proxy for the Settlement Shares would remain in effect in accordance with their terms notwithstanding the removal of the legend), the delivery to Lucas' transfer agent of an opinion (or the acceptance of an opinion from Victory's counsel), and such other similar actions as may be necessary to facilitate the deposit of the Settlement Shares into a brokerage account.

3. Mutual Releases.

(a) Subject to the terms and conditions of this Agreement, from and after the date hereof, each of the Parties on behalf of itself and all of its affiliates and assigns hereby fully, finally, voluntarily and irrevocably releases and discharges the other Party and such other Party's affiliates and its and their officers, directors, shareholders, members, partners, employees, legal counsel, accountants, auditors, advisors and agents (the "**Released Parties**") to the fullest extent permitted under applicable law from any and all claims, counterclaims, demands, causes of action, contract obligations, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, obligations, guarantees, endorsements, liens, security interests, agreements, promises, variances, trespasses, judgments, extents, executions, damages, attorneys' fees or costs whatsoever, at law or in equity or otherwise, whether direct or indirect, known or unknown (any of the foregoing, a "**Claim**" and, collectively, the "**Claims**"), which such Party now owns or holds, or has at any time heretofore owned or held, or may in the future own or hold, against the Released Parties, or any of them, in any capacity, including as an officer, director or stockholder of the other Party, which are or may be based upon any facts, acts, omissions, representations, contracts, agreements, including the Terminated Agreements, events or matters of any kind occurring or existing at any time on or before the date of this Settlement Agreement, in each case, solely to the extent such Claims arise from or are in any way related to Terminated Agreements or any act or event taken by or on behalf of the other Party in furtherance of the Terminated Agreements.

(b) Waiver of Unknown Claims. In addition to each Party's release of Claims provided for in Section 3(a), each Party hereby expressly waives any protection under applicable state law for releases of unknown claims. Each Party understands the significance of his or its release of unknown claims and the waiver of any applicable statutory protection against a release of unknown claims. EACH PARTY EXPRESSLY ASSUMES THE RISK OF SUCH UNKNOWN AND UNANTICIPATED CLAIMS AND AGREES THAT THIS SETTLEMENT AGREEMENT APPLIES TO ALL CLAIMS, AS DEFINED UNDER SECTION 3(a), WHETHER KNOWN, UNKNOWN, OR UNANTICIPATED.

4. Waiver of Suit. For the consideration and mutual promises specified herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, each Party agrees to waive, release, promise and agrees not to bring or pursue any judicial, quasi-judicial or administrative action against the other Party for any reason whatsoever arising out of the Claims released herein up to and including the date of this Settlement Agreement. Each party further acknowledges and agrees that it has not already filed or otherwise commenced any such action. For the avoidance of doubt, any action for enforcement of this Settlement Agreement is expressly excluded from this waiver provision.

5. Representations and Warranties.

(a) Each Party represents and warrants to the other Party that it has the requisite power to enter into this Settlement Agreement and to carry out its obligations hereunder and that the terms of this Settlement Agreement have been fully disclosed to the Board of Directors of such Party and that the requisite approvals have been obtained, prior to its execution and that this Settlement Agreement does not conflict with, or result in a breach of, any other agreement to which such Party is a party.

(b) Each Party represents and warrants to the other Party that this Settlement Agreement has been duly executed and delivered and constitutes a valid and binding obligation enforceable in accordance with its terms.

6. Entire Agreement. This Settlement Agreement constitutes the entire, exclusive and final agreement among the parties and supersedes any and all prior agreements, discussions, representations and warranties among the parties with respect to the matters set forth herein. The parties have not relied upon any statements or representations made by any party outside the contents of this Settlement Agreement.

7. Choice of Law. This Settlement Agreement shall be enforced, governed by and construed in accordance with the laws of the State of Texas without regard to principles of conflict of laws.

8. Counterparts. This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one agreement.

9. Severability. If any provision of this Settlement Agreement is determined to be unlawful or otherwise unenforceable, the remaining provisions of this Settlement Agreement shall nevertheless continue in full force and effect.

10. Parties in Interest; Assignment; Third Party Beneficiaries. This Settlement Agreement is binding upon the parties and their respective successors, heirs, legal representatives and permitted assigns. Aurora Energy Partners, Navitus Energy Group and AEP Assets, LLC and each of their respective officers, directors, managers and owners are each intended third party beneficiaries of this Settlement Agreement and may enforce their rights under this Settlement Agreement.

11. No Admission of Liability or Wrongdoing. This Settlement Agreement and the negotiations and discussions leading up to this Settlement Agreement effect the settlement of claims which are denied and contested, and do not constitute, nor shall they be construed as, an admission of liability by the parties. This Settlement Agreement is made solely for the purpose of avoiding the burden and expense of litigation, which would be imposed on the parties if the disputes between them remained unsettled. This Settlement Agreement does not constitute an admission by any of the parties hereto that they have engaged in any unlawful act. Each of the parties hereto expressly deny that they have engaged in any unlawful act and deny liability for all claims any other party had, has, or may have against them.

12. Indemnification and Contribution. Each Party (an “**Indemnitor**”) agrees to indemnify the other Party and its affiliates and its and their officers, directors, employees, agents, shareholders, members and/or partners (collectively referred to as the “**Indemnitees**”) against, and hold them harmless of and from, any and all loss, liability, cost, damage and expense, including without limitation, reasonable counsel fees, which the Indemnitees may suffer or incur by reason of any action, claim or proceeding brought against the Indemnitees arising out of or relating in any way to a breach by the Indemnitor of any representation, warranty or covenant contained in this Settlement Agreement. If the indemnification provided for in Section 12 is applicable, but for any reason is held to be unavailable, the Indemnitor shall contribute such amounts as are just and equitable to pay, or to reimburse the Indemnitees for, the aggregate of any and all losses, liabilities, costs, damages and expenses, including counsel fees, actually incurred by the Indemnitees as a result of or in connection with, and any amount paid in settlement of, any action, claim or proceeding arising out of or relating in any way to any actions or omissions of the Indemnitor. The provisions of this Section 12 shall survive any termination of this Agreement.

13. Construction. This Settlement Agreement shall not be construed against the party preparing it, but shall be construed as if the parties collectively prepared it and any uncertainty or ambiguity shall not be interpreted against any party.

14. Modifications; Waiver. This Settlement Agreement may not be modified orally. No breach of any provision hereof may be waived unless in writing. Waiver of any breach shall not be deemed to be a waiver of any other breach of the same or of any other provision hereof. All modifications to this Settlement Agreement must be in writing and signed by the Party to be charged.

15. No Assignments. Each of the Parties hereby represents and warrants to the other Party that there has been no assignment or transfer whatsoever of any of the Claims released herein. Each Party agrees to defend and indemnify the other Party and the other persons and entities released herein against any Claim based upon, arising out of or in connection with any such assignment or transfer.

16. Attorneys' Fees. If any action is brought for the enforcement of this Settlement Agreement or in connection with any dispute arising out of it or the claims which are the subject of this Settlement Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and any other costs incurred in such litigation in addition to any other relief to which the prevailing party may be entitled.

17. Advice of Counsel. Each party to this Settlement Agreement has had the opportunity to discuss the matter with legal counsel, and enters into this Settlement Agreement only after such consultation.

18. Waiver Of Jury Trial. **EACH PARTY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS SETTLEMENT AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.**

19. Notices. All notices and other communications hereunder shall be in writing to the parties at the addresses specified on the signature pages hereto.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement as of the date first above written.

Victory Energy Corporation

By: /s/ Kenny Hill

Name: **Kenny Hill**

Title: Chief Executive Officer

3355 Bee Caves Road, Suite 608
Austin, TX 78746

Lucas Energy, Inc.

By: /s/ Anthony Schnur

Name: **Anthony Schnur**

Title: Chief Executive Officer

3555 Timmons Lane, Suite 1550
Houston, TX 77027

Acknowledgement of Counsel:

Each of the undersigned legal counsel to Victory and to Lucas by signing this Settlement Agreement below acknowledge that they approve the Settlement Agreement as to form:

/s/ David M. Loev
David Loev of The Loev Law Firm, PC,
Counsel to Lucas
Approving as to form only

/s/ David McCall
David McCall
Counsel to Victory
Approving as to form only

EXHIBIT A

Assignment of Additional Penn Virginia Property

PARTIAL ASSIGNMENT AND BILL OF SALE

STATE OF§
TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF§
KARNES

THAT, **LUCAS ENERGY, INC.**, a Nevada corporation, whose mailing address is 3555 Timmons Lane, Suite 1550, Houston, Texas 77027 (hereinafter referred to as "Assignor") for sufficient consideration received from **SABINE RIVER ENERGY, LLC**, a Texas limited liability company, whose mailing address is 1400 Woodloch Forest Drive, Suite 300, The Woodlands, Texas 77380-1197 (hereinafter referred to as "Assignee"), does hereby transfer, assign, sell, bargain and convey unto Assignee, subject as herein provided, all of Assignor's right, title and interest in the oil and/or gas leases listed in Exhibit "A" attached hereto and made a part hereto (said leases being hereinafter referred to as "Leases"), insofar and only insofar as the leases cover the rights below the Austin Chalk formation. The Austin Chalk formation shall mean the correlative interval from 9,982 feet to 10,294 feet as shown on the Baker-Hughes High Definition Induction Log dated February 4, 2009 of the EOG Resources, Inc. Milton Unit Well No. 1, API No. 4225531608, Eagleville (Eagle Ford) Field, Abstraction 247, Karnes County, Texas.

To have and to hold the Leases and interest forever, subject to the following:

1. This Partial Assignment and Bill of Sale is subject to the terms and provisions of the Leases and Assignee hereby assumes all express and implied covenants thereunder.
2. This Partial Assignment and Bill of Sale shall be binding upon and inure to the benefit of Assignee and Assignor and their respective successors, heirs and assigns.
3. This Partial Assignment and Bill of Sale may be executed in any number of counterparts, and each counterpart may be recorded separately or may be combined to form one (1) instrument for recording purposes.

Executed by Assignor and Assignees on the dates reflected in their respective acknowledgments, but effective as of June 1, 2015.

ASSIGNOR

LUCAS ENERGY, INC.

By: _____
Anthony Schnur
Chief Executive Officer

ASSIGNEE

SABINE RIVER ENERGY, LLC

By: _____
Christopher E. Cottrell
Executive Vice President Land & Marketing

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF MONTGOMERY

This instrument was acknowledged before me on this ____ day of _____, 2015 by Christopher E. Cottrell, who is Executive Vice President Land & Marketing of SABINE RIVER ENERGY, LLC, a Texas limited liability company, on behalf of said limited liability company.

My Commission Expires: _____
Notary Public for the State of Texas
County of Montgomery
Printed Name: _____

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was acknowledged before me on this ____ day of _____, 2015 by Anthony Schnur, who is the Chief Executive Officer of LUCAS ENERGY, INC., a Nevada corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public for the State of Texas
County of Harris

Printed Name: _____

EXHIBIT A

OIL AND GAS

LEASES:

Lessor: Leland Copeland
Lessee: Lucas Energy, Inc.
Effective Date: July 16, 2013
Memorandum: Volume 1134, Page 651
Recorded:
Description: 143.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

Lessor: Glenn D. Boggs, Jr. and Wife, Betty J. Boggs
Lessee: Lucas Energy, Inc.
Effective Date: July 16, 2013
Memorandum: Volume 1134, Page 653
Recorded:
Description: 143.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

Lessor: Red Crest Trust, JPMorgan Chase Bank, N. A. as Trustee
Lessee: Billy R. Wilson
Effective Date: March 25, 2008
Recorded: Volume 873, Page 394
Description: 250.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

EXHIBIT B

Form of Rogers Release

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (this “**Settlement Agreement**”) is made and entered into as of the ___ day of June, 2015, by and among **Victory Energy Corporation**, a Nevada corporation (the “**Victory**”) and **Louise H. Rogers**, an individual (“**Rogers**”). Each of Victory and Rogers is referred to herein as a “**Party**” and, collectively, as the “**Parties**.”

BACKGROUND

On February 2, 2015, Victory and Lucas Energy, Inc. (“**Lucas**”) entered into a Letter of Intent for Business Combination (the “**Letter of Intent**”) relating to a proposed business combination (the “**Merger**”) between the two parties. Thereafter, Lucas, Victory and certain other affiliates of Victory entered into the Pre-Merger Collaboration Agreement on February 26, 2015, as amended by Amendment No. 1 thereto, dated March 3, 2015 (the “**Collaboration Agreement**”). Pursuant to the Collaboration Agreement, Lucas assigned to Victory certain rights (the “**Well Rights**”) in five (5) Penn Virginia well-bores and two (2) Earthstone Energy/Oak Valley Resources Boggs Unit No. 1H and Boggs Unit No. 2H well-bores. In connection with the assignment of the Well Rights, Lucas obtained a partial release from Rogers, Lucas’ secured lender, and Sharon E. Conway, as Trustee, under that certain Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement and Fixture Filing, dated August 13, 2013, that permitted Lucas to transfer the Well Rights to Victory. Among other things, the Collaboration Agreement required Victory to issue a contingent promissory note in the principal amount of \$250,000 to Rogers (the “**Rogers Note**”). In accordance with its terms, the Rogers Note becomes due and payable, among other times, within ninety (90) days following the termination of the Letter of Intent.

On May 11, 2015, Victory notified Lucas that Victory does not intend to proceed with the Merger and thereby terminated the Letter of Intent.

The Parties now desire to resolve their respective claims under the Collaboration Agreement and the Rogers Note and otherwise without admitting liability therefor, and in order to avoid the uncertainty, expense and burden of litigation.

AGREEMENT

NOW, THEREFORE, in consideration of the promises, representations, warranties and covenants contained herein, and intending to be legally bound hereby, the Parties agree as follows:

1. Termination of Rogers Note; Further Assurances.

(a) Subject to the terms and conditions of this Settlement Agreement and except as expressly provided otherwise below, all rights, duties, liabilities and obligations of each of the Parties under the Rogers Note is hereby terminated and cancelled as of the date hereof, and neither of the Parties nor any of their affiliates, shall have any further rights, duties, liabilities or obligations to the other Party under the Rogers Note.

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

(b) Each of the Parties hereto agree to execute and deliver all such other and additional instruments and documents and do all such other acts and things as may be necessary to more fully effectuate this Settlement Agreement.

2. Victory Payment Obligation. On or before July 15, 2015, Victory shall pay to Rogers Two Hundred and Fifty Three Thousand Seven Hundred Fifty Dollars (\$253,750) in immediately available funds to an account specified by Rogers to Victory in writing; provided, however, that if Victory fails to make such payment on or before July 15, 2015 it shall be in breach of this Settlement Agreement and default interest on such amount shall accrue at a per diem rate of \$126.88 (i.e., 18% per annum). Victory agrees that Roger's counsel, Attorney Sharon E. Conway, may hold in escrow (i) the assignment of the additional Penn Virginia properties contemplated by Section 2(a) of the VL Settlement Agreement (as defined below), and (ii) the Settlement Shares (as defined in the VL Settlement Agreement), until such time as Victory pays to Rogers the amounts due and payable to Rogers pursuant to this Section 2 and Rogers shall immediately release such assignment once such payment has been made in full.

3. Concurrent Settlement Agreements. This Settlement Agreement has been negotiated concurrently with (a) that certain settlement agreement being entered into on or about the date hereof between Victory and Lucas (the "**VL Settlement Agreement**"), and (b) that certain settlement agreement being entered into on or about the date hereof among Oak Valley Operating LLC and its affiliates, Lucas and its affiliates and Victory and its affiliates (the "**Oak Valley Settlement Agreement**"). Notwithstanding any provision herein contained to the contrary, this Settlement Agreement shall automatically terminate and be of no force or effect if each of the VL Settlement Agreement and the Oak Valley Settlement Agreement is not executed by all of the parties thereto on or before the expiration of two (2) business days after the date hereof.

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

4. Mutual Releases.

(a) Subject to the terms and conditions of this Agreement, from and after the date hereof, each of the Parties on behalf of itself and all of its affiliates and assigns hereby fully, finally, voluntarily and irrevocably releases and discharges the other Party and such other Party's affiliates (including, specifically and without limitation, in the case of Victory, Aurora Energy Partners, Navitus Energy Group and AEP Assets, LLC) and its and their officers, directors, shareholders, members, partners, employees, legal counsel, accountants, auditors, advisors and agents (the "**Released Parties**") to the fullest extent permitted under applicable law from any and all claims, counterclaims, demands, causes of action, contract obligations, suits, losses, liabilities, rights, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, obligations, guarantees, endorsements, liens, security interests, agreements, promises, variances, trespasses, judgments, extents, executions, damages, attorneys' fees or costs whatsoever, at law or in equity or otherwise, whether direct or indirect, known or unknown (any of the foregoing, a "**Claim**" and, collectively, the "**Claims**"), which such Party now owns or holds, or has at any time heretofore owned or held, or may in the future own or hold, against the Released Parties, or any of them, in any capacity, including as an officer, director or stockholder of the other Party, which are or may be based upon any facts, acts, omissions, representations, contracts, agreements, including the Rogers Note and the Collaboration Agreement, events or matters of any kind occurring or existing at any time on or before the date of this Settlement Agreement.

(b) Waiver of Unknown Claims. In addition to each Party's release of Claims provided for in Section 4(a), each Party hereby expressly waives any protection under applicable state law for releases of unknown claims. Each Party understands the significance of his or its release of unknown claims and the waiver of any applicable statutory protection against a release of unknown claims. EACH PARTY EXPRESSLY ASSUMES THE RISK OF SUCH UNKNOWN AND UNANTICIPATED CLAIMS AND AGREES THAT THIS SETTLEMENT AGREEMENT APPLIES TO ALL CLAIMS, AS DEFINED UNDER SECTION 4(a), WHETHER KNOWN, UNKNOWN, OR UNANTICIPATED.

5. Waiver of Suit. For the consideration and mutual promises specified herein and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, each Party agrees to waive, release, promise and agrees not to bring or pursue any judicial, quasi-judicial or administrative action against the other Party for any reason whatsoever arising out of the Claims released herein up to and including the date of this Settlement Agreement. Each party further acknowledges and agrees that it has not already filed or otherwise commenced any such action. For the avoidance of doubt, any action for enforcement of this Settlement Agreement is expressly excluded from this waiver provision.

6. Representations and Warranties.

(a) Each Party represents and warrants to the other Party that it has the requisite power to enter into this Settlement Agreement and to carry out its obligations hereunder and that the terms of this Settlement Agreement have been fully disclosed to the Board of Directors, if applicable, of such Party and that the requisite approvals have been obtained, prior to its execution and that this Settlement Agreement does not conflict with, or result in a breach of, any other agreement to which such Party is a party.

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

(b) Each represents and warrants to the other Party that this Settlement Agreement has been duly executed and delivered and constitutes a valid and binding obligation enforceable in accordance with its terms.

7. Entire Agreement. This Settlement Agreement constitutes the entire, exclusive and final agreement among the parties and supersedes any and all prior agreements, discussions, representations and warranties among the parties with respect to the matters set forth herein. The parties have not relied upon any statements or representations made by any party outside the content of this Settlement Agreement.

8. Choice of Law. This Settlement Agreement shall be enforced, governed by and construed in accordance with the laws of the State of Texas without regard to principles of conflict of laws.

9. Counterparts. This Settlement Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one agreement.

10. Severability. If any provision of this Settlement Agreement is determined to be unlawful or otherwise unenforceable, the remaining provisions of this Settlement Agreement shall nevertheless continue in full force and effect.

11. Parties in Interest; Assignment; Third Party Beneficiaries. This Settlement Agreement is binding upon the parties and their respective successors, heirs, legal representatives and permitted assigns. Aurora Energy Partners, Navitus Energy Group and AEP Assets, LLC and each of their respective officers, directors, managers and owners are each intended third party beneficiaries of this Settlement Agreement and may enforce their rights under this Settlement Agreement.

12. No Admission of Liability or Wrongdoing. This Settlement Agreement and the negotiations and discussions leading up to this Settlement Agreement effect the settlement of claims which are denied and contested, and do not constitute, nor shall they be construed as, an admission of liability by the parties. This Settlement Agreement is made solely for the purpose of avoiding the burden and expense of litigation, which would be imposed on the parties if the disputes between them remained unsettled. This Settlement Agreement does not constitute an admission by any of the parties hereto that they have engaged in any unlawful act. Each of the parties hereto expressly deny that they have engaged in any unlawful act and deny liability for all claims any other party had, has, or may have against them.

13. Indemnification and Contribution. Each Party (an “**Indemnitor**”) agrees to indemnify the other Party and its affiliates and its and their officers, directors, employees, agents, shareholders, members and/or partners (collectively referred to as the “**Indemnitees**”) against, and hold them harmless of and from, any and all loss, liability, cost, damage and expense, including without limitation, reasonable counsel fees, which the Indemnitees may suffer or incur by reason of any action, claim or proceeding brought against the Indemnitees arising out of or relating in any way to a breach by the Indemnitor of any representation, warranty or covenant contained in this Settlement Agreement. If the indemnification provided for in Section 13 is applicable, but for any reason is held to be unavailable, the Indemnitor shall contribute such amounts as are just and equitable to pay, or to reimburse the Indemnitees for, the aggregate of any and all losses, liabilities, costs, damages and expenses, including counsel fees, actually incurred by the Indemnitees as a result of or in connection with, and any amount paid in settlement of, any action, claim or proceeding arising out of or relating in any way to any actions or omissions of the Indemnitor. The provisions of this Section 13 shall survive any termination of this Agreement.

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

14. Construction. This Settlement Agreement shall not be construed against the party preparing it, but shall be construed as if the parties collectively prepared it and any uncertainty or ambiguity shall not be interpreted against any party.
15. Modifications; Waiver. This Settlement Agreement may not be modified orally. No breach of any provision hereof may be waived unless in writing. Waiver of any breach shall not be deemed to be a waiver of any other breach of the same or of any other provision hereof. All modifications to this Settlement Agreement must be in writing and signed by all of the Parties hereto.
16. No Assignments. Each of the Parties hereby represents and warrants to the other Party that there has been no assignment or transfer whatsoever of any of the Claims released herein. Each Party agrees to defend and indemnify the other Party and the other persons and entities released herein against any Claim based upon, arising out of or in connection with any such assignment or transfer.
17. Attorneys' Fees. If any action is brought for the enforcement of this Settlement Agreement or in connection with any dispute arising out of it or the claims which are the subject of this Settlement Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and any other costs incurred in such litigation in addition to any other relief to which the prevailing party may be entitled.
18. Advice of Counsel. Each party to this Settlement Agreement has had the opportunity to discuss the matter with legal counsel, and enters into this Settlement Agreement only after such consultation.
19. Waiver Of Jury Trial. **EACH PARTY EXPRESSLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS SETTLEMENT AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.**
20. Notices. All notices and other communications hereunder shall be in writing to the parties at the addresses specified on the signature pages hereto.

[Signature page follows]

**For Purposes of Settlement Discussions;
Subject to Texas Rule of Evidence 408 and
Federal Rule of Evidence 408**

IN WITNESS WHEREOF, the parties have executed this Settlement Agreement as of the date first above written.

Victory Energy Corporation

By:

Name: **Kenneth Hill**

Title: Chief Executive Officer

3355 Bee Caves Road, Suite 608

Austin, TX 78746

Louise H. Rogers

c/o Sharon E. Conway

Attorney at Law

2441 High Timbers, Suite 410

The Woodlands, Texas 77380-1052

Acknowledgement of Counsel:

Each of the undersigned legal counsel to Victory and to Rogers by signing this Settlement Agreement below acknowledge that they approve the Settlement Agreement as to form:

Sharon E. Conway
Counsel to Rogers
Approving as to form only

David McCall
Counsel to Victory
Approving as to form only

EXHIBIT C

Form of Oak Valley Release

COMPROMISE SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

I. PARTIES

The parties to this Compromise Settlement Agreement and Mutual General Release are:

1.01 Earthstone Operating, LLC; Earthstone Energy, Inc.; Oak Valley Resources, LLC; Oak Valley Operating, LLC; and Sabine River Energy, LLC (collectively, “**Earthstone**”).

1.02 Lucas Energy, Inc. (“**LEI**”).

1.03 Victory Energy Corporation; AEP Assets LLC, and Aurora Energy Partners (together, “**Victory**”).

II. DEFINITIONS

2.01 “**JOA**” means that certain Joint Operating Agreement which appears as Exhibit “C” to the Participation Agreement, as defined below.

2.02 “**Earthstone Parties**” means Earthstone and its past and present principals, officers, directors, shareholders, employees, agents, representatives, members, parents, subsidiaries, affiliates, assigns, predecessors and successors.

2.03 “**LEI Parties**” means LEI and its past and present principals, officers, directors, shareholders, employees, agents, representatives, members, parents, subsidiaries, affiliates, assigns, and successors.

2.04 “**Participation Agreement**” means that certain Participation Agreement, dated August 1, 2014, between Earthstone and LEI.

2.05 “**Victory Assignment**” means the assignment to Victory of the Subject Interests, as defined below, pursuant to that certain Partial Assignment and Bill of Sale of Wellbore Rights dated effective as of February 27, 2015 and recorded in Volume 1223, Page 133 in the Official Records of Karnes County, Texas.

2.06 “**Victory Parties**” means Victory and its past and present principals, officers, directors, shareholders, employees, agents, representatives, members, parents, subsidiaries, affiliates, assigns, and successors.

2.07 “**Settlement Agreement**” means this Compromise Settlement Agreement and Mutual General Release.

COMPROMISE SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

PAGE 1

2.08 “**Subject Interests**” means a purported fifty percent (50%) Working/Leasehold Interest in and to the Boggs #1H and #2H wellbore rights, along with one hundred feet (100’) laterally perpendicular to said wellbores that were assigned by Lucas to Victory pursuant to the Victory Assignment.

2.09 “**Parties**” means Earthstone, LEI, and Victory, each of whom shall be individually referred to as a “**Party.**”

2.10 The “**Dispute**” means all claims and causes of action of any kind whatsoever which the Parties have or may have in the future against each other, based on any acts or events that have occurred on or before the Effective Date, as defined below, related to or arising out of those facts set forth in Section III below, except as otherwise provided in this Settlement Agreement.

2.11 “**Effective Date**” means the date on which this Settlement Agreement is executed by LEI, Earthstone and Victory. If executed on different dates, the Effective Date shall be the date that this Agreement is executed by the last party to any such agreement to execute.

2.12 “**VL Settlement Agreement**” means that certain Settlement Agreement and Mutual Release between Victory and Lucas, including all exhibits thereto.

2.13 “**Rogers Release**” means the full mutual release, including a release in favor of Victory and its affiliates from Louis H. Rogers, Lucas’ senior secured lender that is contemplated by the VL Settlement Agreement.

III. Background

3.01 Each of the Parties has informed the other Parties that it intends to assert claims against the other Parties for various reasons, including, without limitation, claims arising out of the following agreements, conveyances or interests:

- (a) the Participation Agreement;
- (b) the JOA;
- (c) the letter of intent dated August 4, 2014 between LEI and the Earthstone Parties;
- (d) the Partial Assignment dated effective August 1, 2014, and recorded in Volume 1196, Page 702 of the Official Records of Karnes County;
- (e) the Victory Assignment;
- (f) the letter agreement dated February 9, 2015, between LEI and the Earthstone Parties;
- (g) a letter dated May 1, 2015, from the Earthstone Parties to LEI; and
- (h) an oil and gas lease, the memorandum of which is recorded as Instrument No. 201500142279 of the Official Records of Karnes County (the “**Boggs Lease**”).

All of the Parties dispute the claims that each other Party has made against it. The parties wish to resolve the respective claims by entering into this Agreement without admitting liability therefor, and in order to avoid the uncertainty, expense and burden of litigation. Concurrently, one or more of the Parties is entering into the Lucas Settlement, the VL Settlement Agreement and the Rogers Release.

Scope of Settlement

3.02 Bona fide disputes and controversies may exist between the Parties, both as to the fact and extent of liability, if any, and as to the fact and extent of damages, if any, and by reason of such disputes and controversies, the Parties to this Settlement Agreement desire to settle all claims and causes of action of any kind whatsoever which the Parties have or may have in the future against each other, based on any acts or events that have occurred on or before the Effective Date, except as otherwise provided in this Settlement Agreement.

3.03 The Parties intend that the full terms and conditions of the compromise and settlement be set forth in this Settlement Agreement.

In consideration of the agreements contained in this Settlement Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

IV. REPRESENTATIONS AND WARRANTIES

The following representations and warranties shall survive the execution of this Settlement Agreement and the completion of the settlement provided below.

Authority/Capacity

4.01 Each Party to this Settlement Agreement warrants and represents that it has the power and authority to enter into this Settlement Agreement and that this Settlement Agreement and all documents delivered pursuant to this Settlement Agreement are valid, binding, and enforceable upon him or it.

4.02 Each Party to this Settlement Agreement warrants and represents that no consent, approval, authorization or order of, and no notice to, or filing with any court, governmental authority, person or entity is required for the execution, delivery, and performance of this Settlement Agreement.

4.03 Earthstone warrants and represents that it is not the fiduciary of LEI or Victory; no fiduciary relationship exists between Earthstone and LEI or between Earthstone and Victory; and this is an arm's length transaction. LEI warrants and represents that it is not the fiduciary of Earthstone or Victory; no fiduciary relationship exists between LEI and Earthstone or between LEI and Victory; and this is an arm's length transaction. Victory warrants and represents that it is not the fiduciary of LEI or Earthstone; no fiduciary relationship exists between Victory and LEI or between Victory and Earthstone; and this is an arm's length transaction.

4.04 Earthstone warrants and represents that it is duly formed under the laws of the state of its organization and is duly organized and validly existing in good standing under such laws. Earthstone warrants and represents that it has the power and authority to execute and deliver this Settlement Agreement and all other agreements and instruments to be executed by it as contemplated by this Settlement Agreement and to carry out the transactions and perform its obligations provided for in this Settlement Agreement and in those other agreements and instruments. The execution and delivery of this Settlement Agreement and such other agreements and instruments and the consummation of the transactions contemplated by this Settlement Agreement and such other agreements and instruments have been duly and validly authorized by all necessary action on the part of Earthstone.

4.05 LEI warrants and represents that it is duly formed under the laws of the state of its organization and is duly organized and validly existing in good standing under such laws. LEI warrants and represents that it has the power and authority to execute and deliver this Settlement Agreement and all other agreements and instruments to be executed by it as contemplated by this Settlement Agreement and to carry out the transactions and perform its obligations provided for in this Settlement Agreement and in those other agreements and instruments. The execution and delivery of this Settlement Agreement and such other agreements and instruments and the consummation of the transactions contemplated by this Settlement Agreement and such other agreements and instruments have been duly and validly authorized by all necessary action on the part of LEI.

4.06 Victory warrants and represents that it is duly formed under the laws of the state of its organization and is duly organized and validly existing in good standing under such laws. Victory warrants and represents that it has the power and authority to execute and deliver this Settlement Agreement and all other agreements and instruments to be executed by it as contemplated by this Settlement Agreement and to carry out the transactions and perform its obligations provided for in this Settlement Agreement and in those other agreements and instruments. The execution and delivery of this Settlement Agreement and such other agreements and instruments and the consummation of the transactions contemplated by this Settlement Agreement and such other agreements and instruments have been duly and validly authorized by all necessary action on the part of Victory.

V.
SETTLEMENT TERMS

This Settlement Agreement has been negotiated concurrently with (a) the VL Settlement Agreement, (b) the Rogers Release and (c) that certain Compromise Settlement Agreement and General Release by and between Earthstone and LEI of even date herewith (the “**Lucas Settlement**”). Notwithstanding any provision herein contained to the contrary, this Settlement Agreement shall automatically terminate and be of no force or effect if (a) the VL Settlement Agreement, (b) the Rogers Release or (c) the Lucas Settlement is not executed by all of the parties thereto on or before the expiration of two (2) business days after the Effective Date.

In reliance upon the representations, warranties, and covenants in this Settlement Agreement, and concurrently with the execution and delivery of this Settlement Agreement, the Parties have settled and compromised their claims and causes of action against each other as follows:

COMPROMISE SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

Payment, Reassignment & Non-Consent

5.01 LEI shall be entitled to receive from Earthstone \$195,928.33, being the sum previously advanced to Earthstone on behalf of LEI (the “**JIB Return**”); and Earthstone shall be entitled to receive from LEI \$141,907.50 (the “**Title Failure Return**”).

THEREFORE, Earthstone shall pay to LEI the difference between the JIB Return and the Title Failure Return, being FIFTY-FOUR THOUSAND TWENTY AND 83/100 DOLLARS (\$54,020.83) (the “**Payment**”).

5.02 Earthstone shall deliver the Payment by wire transfer of immediately available funds in U.S. dollars to the account of LEI to the bank or account specified as follows:

5.03 The parties hereby agree that, notwithstanding the election period set forth in the Letter dated May 1, 2015 (described in Section 3.01(g) above), LEI is hereby deemed a Non-Consenting Party as defined under the terms of the JOA, for all purposes.

5.04 LEI shall execute and deliver an irrevocable election not to participate in the Boggs #1H and #2H Wells (or any AFEs related thereto) as proposed under the above described May 1, 2015 Letter. LEI will further acknowledge in such election that it and its interests in the Boggs #1H and #2H wells are subject to the non-consent penalties set forth in the JOA for failure to participate in such wells.

5.05 Victory shall execute and record a “quit claim” assignment of leasehold working interest in favor of Sabine River Energy, LLC, effective as of February 27, 2015, substantially in the form attached hereto as Exhibit A (the “**Reassignment**”), of all of the right, title and interest conveyed pursuant to the Victory Assignment. LEI shall warrant title to the Subject Interests unto Sabine River Energy, LLC, against all persons claiming by, through and under LEI and/or Victory, but not otherwise.

5.06 As described in Section 5.02 above, the Payment shall be transmitted to the account specified by LEI within two (2) business days after receipt by Earthstone’s counsel, Thompson & Knight, LLP (“**T&K**”) of the fully executed signature pages of this Settlement Agreement, the Lucas Settlement, the VL Settlement Agreement, and the Rogers Release for all respective parties thereto; the Reassignment; and any other documentation required to be exchanged under this Settlement Agreement. This Settlement Agreement shall automatically terminate and be null and void, and of no further force or effect, if the Payment is not timely transmitted in accordance with this Settlement Agreement.

5.07 LEI acknowledges that Earthstone has in good faith commenced operations, and Earthstone shall take commercially reasonable steps to continue such operations on or before August 31, 2015, for the drilling of either the Boggs #1H well or the Boggs #2H well. LEI’s sole and exclusive remedy for any failure of Earthstone to take such further steps shall be Earthstone’s waiver of the non-consent penalty as to the AFEs included in the May 1, 2015 letter to the extent such waiver is required under the JOA, and LEI shall waive all other rights and remedies for the same (including, without limitation, LEI shall not sue Earthstone for money damages or injunctive relief for failure to continue its operations for such wells).

5.08 In the event that “Recoupment”, as defined under Article VI(d) of the JOA, occurs as to either the Boggs #1H well or the Boggs #2H well, respectively, then within thirty (30) days thereafter Earthstone shall assign to LEI its proportionate share of the applicable wellbore, and the Subject Interests to the extent located within one hundred feet (100’) laterally perpendicular to such wellbore with special warranty of title by, through and under Earthstone, but not otherwise, effective as of the first day of the month following the month in which such Recoupment occurs. For purposes of this section, LEI’s “proportionate share” means an undivided 34.3971%, provided that if as of the Effective Date Earthstone, Victory and LEI, collectively, own less than one hundred percent (100%) of the wells, leases, and other oil and gas properties lying within the “Contract Area” of the JOA (as defined therein), as reflected in the real property records of Karnes County, Texas, then such percentage shall be proportionately reduced.

Non-Disparagement

5.09 From and after the Effective Date, LEI agrees not to discuss or comment upon, or publish any information concerning, any Earthstone Parties or Victory Parties, their business affairs, or their management in a negative or disparaging manner. From and after the Effective Date, Victory agrees not to discuss or comment upon, or publish any information concerning, any Earthstone Parties or LEI Parties, their business affairs, or their management in a negative or disparaging manner. From and after the Effective Date, Earthstone agrees not to discuss or comment upon, or publish any information concerning, any Victory Parties or LEI Parties, their business affairs, or their management in a negative or disparaging manner. LEI, Victory, and Earthstone each agree not to act to disrupt, derogate, or detrimentally affect, directly or indirectly, the business or any business relationship, services, operations, reputation, officers, employees, financial status, or liabilities of any other Party.

Release by LEI of the Earthstone Parties

5.10 Except as otherwise expressly set forth in the Lucas Settlement, as of the Effective Date, LEI generally releases and forever discharges the Earthstone Parties from any and all claims, demands, and causes of action of whatever kind or character which LEI or any other LEI Parties have, or may have in the future, based on any acts or omissions that have occurred on or before the Effective Date, whether known or unknown, including claims for fraud, fraudulent inducement, and breach of fiduciary duty (collectively, the “**LEI Claims**”), save and except solely those claims, demands, and causes of action arising out of or relating to the breach, enforcement, or interpretation of this Settlement Agreement.

5.11 This release is to be construed as the broadest type of general release and includes, but is not limited to: (a) any claim growing out of, or connected in any way with, the Dispute; (b) any claims growing out of, or connected in any way with, LEI’s business dealings with the Earthstone Parties; (c) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to violate any laws or administrative rules of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country, pertaining to inter alia, breach of contract, fraud, negligent misrepresentation, tortious interference of prospective contractual relations, intentional interference with an existing contract, attorneys’ fees, breach of fiduciary duty, or punitive damages; (d) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to create any right or action for recovery for damages or injunction, under any federal or state statutes or administrative rule or other judicial decisions or the common law of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country; (e) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to create or contribute to any other right, claim or cause of action of LEI against the Earthstone Parties; and (f) claims for punitive or exemplary damages, attorneys’ fees, or penalties.

5.12 This release is intended to constitute a general release by LEI of the Earthstone Parties of the LEI Claims, whether known or unknown. To the extent any of the LEI Claims have not been released by this Settlement Agreement, LEI hereby assigns those claims to Earthstone.

Release by Victory of the Earthstone Parties

5.13 As of the Effective Date, Victory generally releases and forever discharges the Earthstone Parties from any and all claims, demands, and causes of action of whatever kind or character which Victory or any other Victory Parties have, or may have in the future, based on any acts or omissions that have occurred on or before the Effective Date, whether known or unknown, including claims for fraud, fraudulent inducement, and breach of fiduciary duty (collectively, the “**Victory Claims**”), save and except solely those claims, demands, and causes of action arising out of or relating to the breach, enforcement, or interpretation of this Settlement Agreement.

5.14 This release is to be construed as the broadest type of general release and includes, but is not limited to: (a) any claim growing out of, or connected in any way with, the Dispute; (b) any claims growing out of, or connected in any way with, Victory’s business dealings with the Earthstone Parties; (c) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to violate any laws or administrative rules of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country, pertaining to inter alia, breach of contract, fraud, negligent misrepresentation, tortious interference of prospective contractual relations, intentional interference with an existing contract, attorneys’ fees, breach of fiduciary duty, or punitive damages; (d) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to create any right or action for recovery for damages or injunction, under any federal or state statutes or administrative rule or other judicial decisions or the common law of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country; (e) any claim based in whole or in part on the activities of the Earthstone Parties that may have been alleged to create or contribute to any other right, claim or cause of action of Victory against the Earthstone Parties; and (f) claims for punitive or exemplary damages, attorneys’ fees, or penalties.

5.15 This release is intended to constitute a general release by Victory of the Earthstone Parties of the Victory Claims, whether known or unknown. To the extent any of the Victory Claims have not been released by this Settlement Agreement, Victory hereby assigns those claims to Earthstone.

COMPROMISE SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

PAGE 7

Release of the Earthstone Claims

5.16 Except as otherwise expressly set forth in the Lucas Settlement as to Earthstone Claims against LEI, as of the Effective Date, Earthstone generally releases and forever discharges the LEI Parties and the Victory Parties from any and all claims, demands, and causes of action of whatever kind or character which Earthstone or any other Earthstone Parties have, or may have in the future, based on any acts or omissions that have occurred on or before the Effective Date, whether known or unknown, including claims for fraud, fraudulent inducement, and breach of fiduciary duty (collectively, the “**Earthstone Claims**”), save and except solely those claims, demands, and causes of action arising out of or relating to the breach, enforcement, or interpretation of this Settlement Agreement.

5.17 This release is to be construed as the broadest type of general release and includes, but is not limited to: (a) any claim growing out of, or connected in any way with, the Dispute; (b) any claims growing out of, or connected in any way with, Earthstone’s business dealings with the LEI Parties and/or the Victory Parties; (c) any claim based in whole or in part on the activities of the LEI Parties and/or the Victory Parties that may have been alleged to violate any laws or administrative rules of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country, pertaining to inter alia, breach of contract, fraud, negligent misrepresentation, tortious interference of prospective contractual relations, intentional interference with an existing contract, attorneys’ fees, breach of fiduciary duty, or punitive damages; (d) any claim based in whole or in part on the activities of the LEI Parties and/or the Victory Parties that may have been alleged to create any right or action for recovery for damages or injunction, under any federal or state statutes or administrative rule or other judicial decisions or the common law of the United States, or any state or subdivision of the United States, or any foreign country or subdivision of any foreign country; (e) any claim based in whole or in part on the activities of the LEI Parties and/or the Victory Parties that may have been alleged to create or contribute to any other right, claim or cause of action of Earthstone against the LEI Parties and/or the Victory Parties; and (f) claims for punitive or exemplary damages, attorneys’ fees, or penalties.

5.18 This release is intended to constitute a general release by Earthstone of the LEI Parties and/or the Victory Parties of the Earthstone Claims, whether known or unknown. To the extent any of the Earthstone Claims have not been released by this Settlement Agreement, Earthstone hereby assigns those claims to LEI and/or Victory, as may be applicable.

5.19 Notwithstanding anything in this Settlement Agreement to the contrary, the Earthstone Claims do not include, and Earthstone hereby reserves and does not release or waive, and does not assign to LEI and/or Victory, any claims, demands, and/or causes of action of whatever kind or character which Earthstone or any other Earthstone Parties have against LEI arising from or relating to the Lucas Settlement or the performance or enforcement thereof.

Indemnification

5.20 LEI warrants and represents that it owns the LEI Claims and that no part of the LEI Claims has been assigned or transferred to any other person or entity. LEI AGREES TO FULLY INDEMNIFY AND HOLD HARMLESS EARTHSTONE FROM ANY AND ALL CLAIMS ARISING OUT OF, OR DERIVATIVE OF, THE CLAIMS RELEASED BY LEI IN THIS SETTLEMENT AGREEMENT, INCLUDING ALL CLAIMS FOR CONTRIBUTION AND INDEMNITY, AND EXPRESSLY INCLUDING ANY CLAIMS ARISING OUT OF LEI'S OWN NEGLIGENCE OR FAULT. LEI AGREES THAT THE INDEMNIFICATION AND HOLD HARMLESS INCLUDES THE AMOUNTS OF THE CLAIMS, THE EXPENSES OF DEFENDING AGAINST THE CLAIMS, COURT COSTS, AND ATTORNEYS' FEES.

5.21 Victory warrants and represents that it owns the Victory Claims and that no part of the Victory Claims has been assigned or transferred to any other person or entity. Victory AGREES TO FULLY INDEMNIFY AND HOLD HARMLESS EARTHSTONE FROM ANY AND ALL CLAIMS ARISING OUT OF, OR DERIVATIVE OF, THE CLAIMS RELEASED BY VICTORY IN THIS SETTLEMENT AGREEMENT, INCLUDING ALL CLAIMS FOR CONTRIBUTION AND INDEMNITY, AND EXPRESSLY INCLUDING ANY CLAIMS ARISING OUT OF VICTORY'S OWN NEGLIGENCE OR FAULT. VICTORY AGREES THAT THE INDEMNIFICATION AND HOLD HARMLESS INCLUDES THE AMOUNTS OF THE CLAIMS, THE EXPENSES OF DEFENDING AGAINST THE CLAIMS, COURT COSTS, AND ATTORNEYS' FEES.

5.22 Earthstone warrants and represents that it owns the Earthstone Claims and that no part of the Earthstone Claims has been assigned or transferred to any other person or entity. EARTHSTONE AGREES TO FULLY INDEMNIFY AND HOLD HARMLESS LEI AND/OR VICTORY FROM ANY AND ALL CLAIMS ARISING OUT OF, OR DERIVATIVE OF, THE CLAIMS RELEASED BY EARTHSTONE IN THIS SETTLEMENT AGREEMENT, INCLUDING ALL CLAIMS FOR CONTRIBUTION AND INDEMNITY, AND EXPRESSLY INCLUDING ANY CLAIMS ARISING OUT OF EARTHSTONE'S OWN NEGLIGENCE OR FAULT. EARTHSTONE AGREES THAT THE INDEMNIFICATION AND HOLD HARMLESS INCLUDES THE AMOUNTS OF THE CLAIMS, THE EXPENSES OF DEFENDING AGAINST THE CLAIMS, COURT COSTS, AND ATTORNEYS' FEES.

Covenant Not to Sue

5.23 LEI covenants and agrees not to sue Earthstone for any matters released in Sections 5.10 and 5.11 above.

5.24 Victory covenants and agrees not to sue Earthstone for any matters released in Sections 5.13 and 5.14 above.

5.25 Earthstone covenants and agrees not to sue LEI and/or Victory for any matters released in Sections 5.16 and 5.17 above.

5.26 The parties agree that for any breach of a covenant not to sue the breaching party shall be liable for the non-breaching party's attorneys' fees and costs as actual damages in a breach of contract action.

Cooperation and Additional Actions

5.27 The Parties agree to cooperate fully in executing any and all supplementary documents, and to take all additional actions that may be necessary or appropriate to give full force and effect to the basic terms and intent of this Settlement Agreement.

Costs and Fees

5.28 The Parties agree that each Party shall bear its or his own costs and attorneys' fees incurred in connection with the Dispute and the negotiation, drafting, and execution of this Settlement Agreement.

Choice of Law

5.29 This Settlement Agreement shall be governed by, construed, interpreted, and enforced in accordance with the laws of the State of Texas, except that any conflict of law rule of that jurisdiction that may require reference to the laws of some other jurisdiction shall be disregarded.

Confidentiality

5.30 From the Effective Date forward, the Parties agree not to reveal the terms of this Settlement Agreement to anyone who is not a Party to this Settlement Agreement. However, the Parties agree that this section shall not prevent any Party from revealing or discussing the terms of this Settlement Agreement (a) with its or his legal advisors, accountants, tax advisors, or financial advisors; (b) in any action regarding the breach, enforcement, or interpretation of this Settlement Agreement; and (c) as required by law (including, where applicable, the Securities and Exchange Commission filing obligations of the Parties), contract, governmental agency, or any court of competent jurisdiction.

Miscellaneous

5.31 The Parties agree that this Settlement Agreement is entered into for settlement purposes only in order to avoid further trouble, litigation, and expense, and it is further agreed that no Party admits any liability or damages as a result of the acts and omissions that form the basis of the Dispute.

5.32 This Settlement Agreement has been prepared by the joint efforts of the respective attorneys for each of the Parties.

5.33 Section numbers and section titles have been set forth herein for convenience only; they shall not be construed to limit or extend the meaning or interpretation of any part of this Settlement Agreement.

5.34 With the exception of Sections 5.10, 5.13 and 5.16, if any provision of this Settlement Agreement is or may be held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless survive and continue in full force and effect without being impaired or invalidated in any way.

5.35 None of the Parties to this Settlement Agreement has expressed any facts, representations, or express or implied warranties to the other Party, except as expressly contained in this Settlement Agreement.

5.36 This Settlement Agreement shall continue perpetually and shall be binding upon the Parties and their heirs, successors, and assigns and shall inure to the benefit of the Parties and their heirs, successors, and assigns.

5.37 Except, as between Earthstone and LEI, as expressly set forth in the Lucas Settlement, and as between Victory and LEI as expressly set forth in the VL Settlement Agreement or the Rogers Release, this Settlement Agreement represents the entire agreement of the Parties and supersedes all prior written or oral agreements, and the terms are contractual and not mere recitals.

5.38 This Settlement agreement may not be amended, altered, modified or changed in any way except in writing signed by all the Parties to this Settlement Agreement.

5.39 EACH PARTY WARRANTS THAT IT HAS CAREFULLY READ THIS AGREEMENT (INCLUDING THIS DISCLAIMER OF RELIANCE SET FORTH HEREIN IN WHAT EACH PARTY AGREES TO BE APPROPRIATELY CONSPICUOUS LANGUAGE) AND ANY EXHIBITS ATTACHED TO THIS AGREEMENT, EACH PARTY REPRESENTS AND WARRANTS THAT IT UNDERSTANDS THIS AGREEMENT AND DISCLAIMER'S CONTENTS, AND SIGNS THIS AGREEMENT AS ITS OR HIS OWN FREE ACT. EACH PARTY EXPRESSLY WARRANTS THAT NO PROMISE OR AGREEMENT WHICH IS NOT HEREIN EXPRESSED HAS BEEN MADE TO IT OR HIM IN EXECUTING THIS AGREEMENT, AND THAT EACH PARTY IS NOT RELYING UPON (INDEED, EXPRESSLY DISCLAIMS RELIANCE UPON) ANY STATEMENT OR REPRESENTATION OF ANY PARTY OR ANY AGENT OF ANY OF THE PARTIES HERETO. EACH PARTY AGREES THIS IS AN ARM'S-LENGTH TRANSACTION (NO FIDUCIARY RELATIONSHIP EXISTS) AND EACH PARTY REPRESENTS, WARRANTS, AND PROMISES THAT IT OR HE IS RELYING SOLELY ON ITS OR HIS OWN JUDGMENT AND DUE DILIGENCE, WHICH IT OR HE HEREBY CONTRACTUALLY AGREES TO UNDERTAKE. EACH PARTY WARRANTS IT OR HE HAS BEEN REPRESENTED BY LEGAL COUNSEL IN THIS MATTER. EACH PARTY REPRESENTS THAT ITS OR HIS LEGAL COUNSEL HAS READ AND EXPLAINED TO THAT PARTY THE ENTIRE CONTENTS OF THIS AGREEMENT IN FULL, AS WELL AS THE LEGAL CONSEQUENCES OF THIS AGREEMENT AND DISCLAIMER. EACH PARTY AGREES AND WARRANTS THAT IT OR HE HAS READ THE ENTIRE CONTENTS OF THIS AGREEMENT IN FULL, IS SOPHISTICATED AND KNOWLEDGEABLE ABOUT BUSINESS, AND FULLY UNDERSTANDS THE LEGAL CONSEQUENCES OF THIS AGREEMENT AND DISCLAIMER. EACH PARTY REPRESENTS, WARRANTS, AND PROMISES THAT THIS SECTION IS A CLEAR, UNEQUIVOCAL, AND EFFECTIVE DISCLAIMER OF RELIANCE UNDER TEXAS LAW AND THAT THIS AGREEMENT AND DISCLAIMER IS INTENDED TO AND DOES NEGATE ANY CLAIM FOR FRAUD OR FRAUDULENT INDUCEMENT INTO THIS AGREEMENT.

[The remainder of this page has been intentionally left blank]

5.40 This Settlement Agreement may be executed in multiple counterparts or copies and/or on separated signature pages and/or by e-mail transmission, any or all of which when taken together shall be deemed an original for all purposes.

EARTHSTONE OPERATING, LLC (formerly Oak Valley Operating, LLC)

By: _____
Name, Title: _____, _____
Date: _____

EARTHSTONE ENERGY, INC.

By: _____
Name, Title: _____, _____
Date: _____

OAK VALLEY RESOURCES, LLC

By: _____
Name, Title: _____, _____
Date: _____

SABINE RIVER ENERGY, LLC

By: _____
Name, Title: _____, _____
Date: _____

LUCAS ENERGY INC.

By: _____
Name, Title: _____, _____

Date: _____

VICTORY ENERGY CORPORATION

By: _____
Name, Title: _____, _____

Date: _____

AEP ASSETS, LLC

By: _____
Name, Title: _____, _____

Date: _____

AURORA ENERGY PARTNERS

By _____
Its General Partner

By: _____
Name, Title: _____, _____

Date: _____

COMPROMISE SETTLEMENT AGREEMENT AND MUTUAL GENERAL RELEASE

EXHIBIT A
Form of Reassignment

[attached]

EXHIBIT A - PAGE 1

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ASSIGNMENT AND BILL OF SALE

STATE OF TEXAS

KNOW ALL MEN BY

THESE PRESENTS:
COUNTY OF KARNES

THAT, **VICTORY ENERGY CORPORATION**, a Texas corporation, whose mailing address is 3355 Bee Caves Road, Suite 608, Austin, Texas 78746 (hereinafter referred to as "Assignor"), for sufficient consideration received from **SABINE RIVER ENERGY, LLC**, a Texas limited liability company, whose mailing address is 1400 Woodloch Forest Drive, Suite 300, The Woodlands, Texas 77380-1197 (hereinafter referred to as "Assignee"), does hereby transfer, assign, sell, bargain and convey unto Assignee, subject as herein provided, all of Assignor's right, title and interest in and to the Oil and Gas Leases described on Exhibit "A" attached hereto and made a part hereof (said leases being hereinafter referred to as "Leases").

It is the intent of this Assignment and Bill of Sale that Assignor shall retain no interest of any kind or character in the Leases described on Exhibit "A" attached hereto and made a part hereof.

To have and to hold the Leases and interest forever, subject to the following:

1. This Assignment and Bill of Sale is subject to the terms and provisions of the Leases and Assignee hereby assumes its proportionate share of all express and implied covenants thereunder.
2. This Assignment and Bill of Sale shall be binding upon and inure to the benefit of Assignee and Assignor and their respective successors, heirs and assigns.
3. This Assignment and Bill of Sale is subject to all of the terms and provisions contained in the unrecorded Participation Agreement dated effective August 1, 2014. It is agreed between the Parties that should there arise any conflict between the terms of this Assignment and Bill of Sale and said Participation Agreement, the terms and provisions of the Participation Agreement shall control.
4. This Assignment and Bill of Sale is further made subject to all of the terms and provisions contained in that certain unrecorded Compromise Settlement Agreement and General Release executed by and among the Assignor, the Assignee, Lucas Energy, Inc., and certain affiliated parties, dated June __, 2015 (the "Settlement Agreement"). Notwithstanding anything contained herein to the contrary, in the event of conflict between the terms of this Assignment and Bill of Sale, the Participation Agreement referenced in Section 3 above, and the Settlement Agreement, the terms of the Settlement Agreement shall control.

5. This Assignment and Bill of Sale may be executed in any number of counterparts, and each counterpart may be recorded separately or may be combined to form one (1) instrument for recording purposes.

[Signature Page to Follow]

EXHIBIT A - PAGE 3

Executed by Assignor and Assignee on the dates reflected in their respective acknowledgments, but effective as of February 27, 2015.

ASSIGNOR

VICTORY ENERGY CORPORATION

By: _____

Printed Name: _____

Title: _____

ASSIGNEE

SABINE RIVER ENERGY, LLC

By: _____

Christopher E. Cottrell

Executive Vice President Land & Marketing

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on this ____ day of _____, 2015 by _____, who is _____ of VICTORY ENERGY CORPORATION, a Texas corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public for the State of Texas
County of Travis
Printed Name: _____

STATE OF TEXAS

COUNTY OF MONTGOMERY

This instrument was acknowledged before me on this ____ day of _____, 2015 by Christopher E. Cottrell, who is Executive Vice President Land & Marketing of SABINE RIVER ENERGY, LLC, a Texas limited liability company, on behalf of said limited liability company.

My Commission Expires: _____
Notary Public for the State of Texas
County of Montgomery
Printed Name: _____

EXHIBIT "A"

Attached hereto and made to that certain Assignment and Bill of Sale dated effective February 27, 2015 by and between Victory Energy Corporation, as Assignor, and Sabine River Energy, LLC, as Assignee.

OIL AND GAS LEASES:

Lessor: Leland Copeland
Lessee: Lucas Energy, Inc.
Effective Date: July 16, 2013
Memorandum Volume 1134, Page 651
Recorded:
Description: 143.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

Lessor: Glenn D. Boggs, Jr. and Wife, Betty J. Boggs
Lessee: Lucas Energy, Inc.
Effective Date: July 16, 2013
Memorandum Volume 1134, Page 653
Recorded:
Description: 143.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

Lessor: Red Crest Trust, JPMorgan Chase Bank, N. A. as Trustee
Lessee: Billy R. Wilson
Effective Date: March 25, 2008
Recorded: Volume 873, Page 394
Description: 250.00 acres more or less, out of the Thomas P. Crosby Survey,
Abstract 66, Karnes County, Texas

IN ADDITION TO ANY AND ALL INTEREST ASSIGNOR HAS IN THE ABOVE DESCRIBED LEASES, ASSIGNOR IS CONVEYING TO ASSIGNEE ALL OF ITS RIGHT, TITLE AND INTEREST THAT ASSIGNOR WAS ASSIGNED IN THAT CERTAIN PARTIAL ASSIGNMENT AND BILL OF SALE OF WELLBORE RIGHTS BY AND BETWEEN LUCAS ENERGY, INC., AS ASSIGNOR, AND VICTORY ENERGY CORPORATION, AS ASSIGNEE, DATED EFFECTIVE FEBRUARY 27, 2015, RECORDED IN VOLUME 1223, PAGE 133, DOCUMENT NO. 00141110 IN THE OFFICIAL RECORDS OF KARNES COUNTY, TEXAS.

All recording references are as to Karnes County, Texas.

END OF EXHIBIT "A"

EXHIBIT D

Form of Proxy

PROXY

The undersigned, Victory Energy Corporation, having an address at 3355 Bee Caves Road, Suite 608, Austin, Texas 78746, being the holder of 1,517,241 shares of Lucas Energy, Inc. (or such lesser number of shares of Lucas Energy, Inc. that Victory continues to hold after the date hereof), does hereby constitute and appoint the Board of Directors of Lucas Energy, Inc. acting through its authorized officer, including its Chief Executive Officer, as the undersigned's proxy to act by written consent of the stockholders of Lucas Energy, Inc. during the period from the date hereof through the second anniversary of the date hereof and to attend all the meetings of the stockholders of said corporation to be held between the date hereof and the second anniversary of the date hereof or any continuation or adjournment thereof, with full power to vote and act for undersigned and in the undersigned's name, place and stead, in the same manner, to the same extent and with the same effect that the undersigned might were the undersigned personally present thereat, giving to said Board of Directors of Lucas Energy, Inc. full power of substitution and revocation, and the undersigned hereby revokes any other proxy heretofore given by the undersigned. This proxy is coupled with an interest and is irrevocable during the period from the date hereof through the second anniversary of the date hereof.

Dated _____, 2015.

Victory Energy Corporation

By:
Kenneth Hill, Chief Executive Officer



**LUCAS ENERGY ANNOUNCES SETTLEMENT AGREEMENT
AND MUTUAL RELEASE WITH VICTORY ENERGY**

COMPLETES SALE OF INTERESTS IN KARNES COUNTY ACREAGE

HOUSTON, TEXAS –June 30, 2015 – Lucas Energy, Inc. (NYSE MKT: LEI) (“Lucas” or the “Company”), an independent oil and gas company with its operations in Texas, today announced that on June 25, 2015, the Company entered into a Settlement Agreement and Mutual Release with Victory Energy Corporation (“Victory”). As part of the settlement, Lucas will transfer certain properties to Victory including a 3.27581% Leasehold working interest in the Dingo Unit and a 1.481330% Leasehold working interest in the Platypus Unit; and Victory will assign two Karnes County well-bores (the Boggs Unit No. 1H and the Boggs Unit No. 2H) to Earthstone Energy/Oak Valley Resources (“Oak Valley”). Regarding the pre-merger funding agreements and amounts paid by Victory, the settlement includes the return of a net of an aggregate of \$54,020 in pre-drilling costs from Oak Valley Resources to be paid to Lucas and finally, the forgiveness by Victory of debt Lucas owed in the amount of \$600,000 in consideration for the issuance by Lucas of 1.1 million shares of common stock. A concurrent Settlement Agreement between Lucas, Victory and Oak Valley Resources has also been entered into.

All parties have agreed to a Mutual Release of all claims under the Settlement Agreement including, counterclaims, legal actions, contract obligations, suits, losses, and any or all other obligations except in the event of a dispute or breach by Lucas or Victory arising from certain actions or omissions with regard to the agreement.

In a separate transaction with Earthstone and its affiliate, Oak Valley Resources, Lucas has sold 139.04 net acres of oil and gas properties located in Karnes County, Texas, while retaining the right to participate in future operations for up to 20% of an 8/8ths interest. The total consideration paid for the property was approximately \$350,000.

“With our entry into these Settlements, we can once again concentrate our efforts toward moving the company forward,” stated Anthony C. Schnur, Chief Executive Officer of Lucas, who continued, “To that end, we are pursuing opportunities where ready capital is available whether that is from professional investment funds or potential business combination partners.”

The transactions outlined herein have only recently been entered into, but because they are material and have occurred subsequent to the year ended March 31, 2015, they are required to be included in our Annual Report on Form 10-K for the year ended March 31, 2015. Consequently, the Company will be delayed in filing its Annual Report on Form 10-K for the year ended March 31, 2015, provided such report will be filed within 15 days of the original due date of such Form 10-K pursuant to applicable SEC rules and regulations.

About Lucas Energy, Inc.

Lucas Energy (NYSE MKT: LEI) is engaged in the development of crude oil and natural gas in the Austin Chalk and Eagle Ford formations in South Texas. Based in Houston, Lucas Energy's management team is committed to building a platform for growth and the development of its five million barrels of proved Eagle Ford and other oil reserves while continuing its focus on operating efficiencies and cost control.

For more information, please visit the Lucas Energy web site at www.lucasenergy.com.

Safe Harbor Statement and Disclaimer

This news release includes “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements give our current expectations, opinion, belief or forecasts of future events and performance. A statement identified by the use of forward looking words including “may,” “expects,” “projects,” “anticipates,” “plans,” “believes,” “estimate,” “should,” and certain of the other foregoing statements may be deemed forward-looking statements. These statements include statements regarding our planned fund raising and drilling activities, the planned status and timing of production, the availability of funding, and related disclosures. Although Lucas believes that the expectations reflected in such forward-looking statements are reasonable, these statements involve risks and uncertainties that may cause actual future activities and results to be materially different from those suggested or described in this news release. These include risks inherent in natural gas and oil drilling and production activities, including risks of fire, explosion, blowouts, pipe failure, casing collapse, unusual or unexpected formation pressures, environmental hazards, and other operating and production risks, which may temporarily or permanently reduce production or cause initial production or test results to not be indicative of future well performance or delay the timing of sales or completion of drilling operations; delays in receipt of drilling permits; risks with respect to natural gas and oil prices, a material decline which could cause Lucas to delay or suspend planned drilling operations or reduce production levels; risks relating to the availability of capital to fund drilling operations that can be adversely affected by adverse drilling results, production declines and declines in natural gas and oil prices; risks relating to unexpected adverse developments in the status of properties; risks relating to the absence or delay in receipt of government approvals or fourth party consents; and other risks described in Lucas’s Annual Report on Form 10-Q, Form 10-K and other filings with the SEC, available at the SEC’s website at www.sec.gov. Investors are cautioned that any forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those projected. The forward-looking statements in this press release are made as of the date hereof. The Company takes no obligation to update or correct its own forward-looking statements, except as required by law, or those prepared by third parties that are not paid for by the Company. The Company's SEC filings are available at <http://www.sec.gov>.

Lucas Investor Relations Contact

Carol Coale / Ken Dennard
Dennard ? Lascar Associates, LLC
(713) 529-6600
ccoale@dennardlascar.com

