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

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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

Commission File Number: 001-32508



LUCAS ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

20-2660243
(I.R.S. Employer
Identification No.)

450 Gears Road, Suite 780, Houston, Texas 77067
(Address of principal executive offices) (Zip Code)

3555 Timmons Lane, Suite 1550, Houston, Texas 77027
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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

Title of each class
Common Stock, par value \$0.001 per share

Number of Shares
1,454,287 (as of August 11, 2015)

LUCAS ENERGY, INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

LUCAS ENERGY, INC.
CONDENSED BALANCE SHEETS

	<u>June 30,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
	<i>(Unaudited)</i>	
ASSETS		
Current Assets		
Cash	\$ 511,347	\$ 166,597
Accounts Receivable	160,210	170,542
Inventories	194,519	194,519
Other Current Assets	105,881	165,800
Total Current Assets	<u>971,957</u>	<u>697,458</u>
Property and Equipment		
Oil and Gas Properties (Full Cost Method)	48,538,545	49,299,535
Other Property and Equipment	420,950	420,950
Total Property and Equipment	48,959,495	49,720,485
Accumulated Depletion, Depreciation and Amortization	<u>(12,848,158)</u>	<u>(12,604,570)</u>
Total Property and Equipment, Net	36,111,337	37,115,915
Other Assets	<u>47,273</u>	<u>125,145</u>
Total Assets	<u>\$ 37,130,567</u>	<u>\$ 37,938,518</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 2,470,910	\$ 2,436,543
Common Stock Payable	232,437	19,363
Accrued Expenses	465,486	226,975
Note Payable - Victory	—	350,000
Current Portion of Long-Term Notes Payable - Rogers	7,265,407	7,249,411
Total Current Liabilities	<u>10,434,240</u>	<u>10,282,292</u>
Asset Retirement Obligation	1,083,194	1,051,694
Commitments and Contingencies (see Note 10)		
Stockholders' Equity		
Preferred Stock Series A, 2,000 Shares Authorized of \$0.001 Par, 500 Shares Issued and Outstanding	773,900	773,900
Common Stock, 100,000,000 Shares Authorized of \$0.001 Par, 1,405,986 Shares Issued and 1,404,510 Outstanding at June 30, 2015 and 1,402,297 Shares Issued and 1,400,821 Outstanding at March 31, 2015, respectively	1,406	1,402
Additional Paid in Capital	57,435,899	57,395,429
Accumulated Deficit	(32,548,913)	(31,517,040)
Common Stock Held in Treasury, 1,476 Shares, at Cost	<u>(49,159)</u>	<u>(49,159)</u>
Total Stockholders' Equity	<u>25,613,133</u>	<u>26,604,532</u>
Total Liabilities and Stockholders' Equity	<u>\$ 37,130,567</u>	<u>\$ 37,938,518</u>

The accompanying notes are an integral part of these condensed financial statements.

LUCAS ENERGY, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	June 30,	
	2015	2014
Operating Revenues		
Crude Oil	\$ 393,727	\$ 941,920
Total Revenues	\$ 393,727	\$ 941,920
Operating Expenses		
Lease Operating Expenses	162,724	453,267
Severance and Property Taxes	37,623	73,495
Depreciation, Depletion, Amortization, and Accretion	275,088	390,386
General and Administrative	549,821	860,452
Total Expenses	1,025,256	1,777,600
Operating Loss	\$ (631,529)	\$ (835,680)
Other Expense (Income)		
Interest Expense	385,455	381,705
Other Expense (Income), Net	14,889	36,489
Total Other Expenses	400,344	418,194
Net Loss	\$ (1,031,873)	\$ (1,253,874)
Net Loss Per Share		
Basic and Diluted	\$ (0.73)	\$ (0.96)
Weighted Average Shares Outstanding		
Basic and Diluted	1,404,767	1,305,109

The accompanying notes are an integral part of these condensed financial statements.

LUCAS ENERGY, INC.
CONDENSED STATEMENTS OF CASH FLOWS
Unaudited

	Three Months Ended	
	June 30,	
	2015	2014
Cash Flows from Operating Activities		
Net Loss	\$ (1,031,873)	\$ (1,253,874)
Adjustments to reconcile net losses to net cash used in operating activities:		
Depreciation, Depletion, Amortization and Accretion	275,088	390,386
Share-Based Compensation	40,784	65,799
Amortization of Discount on Notes	15,996	15,996
Amortization of Deferred Financing Costs	77,872	72,719
Settlement of Debt	—	(10,057)
Gain on Sale of Property and Equipment	—	(1,722)
Changes in Components of Working Capital and Other Assets		
Accounts Receivable	10,332	(1,548)
Other Current Assets	59,919	59,929
Accounts Payable and Accrued Expenses	279,389	(116,282)
Net Cash Used in Operating Activities	(272,493)	(778,654)
Investing Cash Flows		
Additions of Oil and Gas Properties	(188,649)	(853,576)
Proceeds from Sale of Oil and Gas Properties	555,892	—
Proceeds from Sale of Other Property and Equipment	—	3,000
Net Cash Provided by (Used in) Investing Activities	367,243	(850,576)
Financing Cash Flows		
Proceeds from the Funding of Notes Payable	250,000	—
Net Proceeds from the Sale of Common Stock	—	1,847,090
Deferred Financing Costs	—	(32,621)
Net Cash Provided by Financing Activities	250,000	1,814,469
Increase (Decrease) in Cash	344,750	185,239
Cash at Beginning of the Period	166,597	522,155
Cash at End of the Period	\$ 511,347	\$ 707,394

The accompanying notes are an integral part of these condensed financial statements.

LUCAS ENERGY, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – GENERAL

History of the Company. Incorporated in Nevada in December 2003 under the name Panorama Investments Corp., the Company changed its name to Lucas Energy, Inc. effective June 9, 2006.

The accompanying unaudited interim condensed financial statements of Lucas Energy, Inc. (“Lucas” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in Lucas’s annual report filed with the SEC on Form 10-K for the year ended March 31, 2015. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the condensed financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year 2014 as reported in the Form 10-K have been omitted.

The Company’s fiscal year ends on the last day of March of the calendar year. The Company refers to the twelve-month periods ended March 31, 2016 and 2015 as its 2016 and 2015 fiscal years, respectively.

Pursuant to the authorization provided by the Company’s stockholders at the Company’s March 25, 2015 annual meeting of stockholders, and in order to meet the continued listing standards of the NYSE MKT, the Board of Directors of the Company approved the filing of a Certificate of Amendment to the Company’s Articles of Incorporation with the Secretary of State of Nevada to effect a 1-for-25 reverse stock split of all of the outstanding shares of the Company’s common stock which was effective on July 15, 2015 (the “Reverse Split”). The effect of the Reverse Split was to combine each 25 shares of outstanding common stock prior to the Reverse Split into one new share subsequent to the Reverse Split, with no change in authorized shares or par value per share, and to reduce the number of common stock shares outstanding from approximately 35.1 million shares to approximately 1.4 million shares (prior to rounding fractional shares up to the nearest whole share). Proportional adjustments were also made to the conversion and exercise prices of the Company’s outstanding convertible preferred stock, warrants and stock options, and to the number of shares issued and issuable under the Company’s stock incentive plans. All issued and outstanding shares of common stock, conversion terms of preferred stock, options and warrants to purchase common stock and per share amounts contained in the financial statements, in accordance with SAB TOPIC 4C, have been retroactively adjusted to reflect the Reverse Split for all periods presented.

NOTE 2 – LIQUIDITY AND GOING CONCERN CONSIDERATIONS

At June 30, 2015, the Company’s total current liabilities of \$10.4 million exceeded its total current assets of \$1.0 million, resulting in a working capital deficit of approximately \$9.4 million, while at March 31, 2015, the Company’s total current liabilities of \$10.3 million exceeded its total current assets of \$0.7 million, resulting in a working capital deficit of \$9.6 million. The \$0.2 million decrease in the working capital deficit is primarily related to the settlement of the \$0.4 million note payable (as of March 31, 2015) to Victory Energy Corporation (“Victory”) offset by the addition of approximately \$0.2 million relating to the value of 44,070 shares of restricted common stock issuable to Victory in settlement of such note payable, which amount was accrued as of June 30, 2015 (as such shares had not been physically issued) and evidenced by common stock payable on the balance sheet as of June 30, 2015, which award and settlement agreement are described below under “Note 13 – Settlement Agreements”.

On February 3, 2015, Lucas executed a Letter of Intent and Term Sheet (“Letter of Intent”) for a proposed business combination with Victory. Through May 2015, the Company had received \$600,000 in funding from Victory per the terms of a Pre-Merger Loan and Funding Agreement (the “Loan Agreement”) between Lucas and Victory, which was executed on February 26, 2015. On May 11, 2015, Victory notified Lucas that Victory did not intend to proceed with the merger contemplated by the Letter of Intent and thereby terminated the Letter of Intent. Thereafter, on June 24, 2015, Lucas and Victory executed a Settlement Agreement and Mutual Release whereby Lucas acknowledged and agreed that among other things, Lucas would exchange working interests in certain oil and gas properties and issue Victory 44,070 shares of restricted common stock in full satisfaction of the \$600,000 owed by Lucas to Victory (which exchange is described in greater detail below under “Note 13 – Settlement Agreements”).

The Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) due under the terms of the Letter Loan, as amended (see “Note 6 – Note Payable” below). Consequently, the amount owed under the Letter Loan, as amended, of approximately \$7.3 million has been in default since May 2015, and accrues a default interest rate of 18% per annum. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report. In the event the lender seeks the immediate repayment of the debt (which is currently in default), which they have the right to do at any time, we will be forced to sell assets to raise additional funds and may be forced to seek bankruptcy protection. Additionally, because we are currently in default of the debt, the lender can at any time, subject to the terms of the Letter Loan, as amended, foreclose on our assets, pursuant to its security interest over substantially all of our assets.

On August 1, 2015, the Company was required to provide approximately \$3.4 million of funding in order to participate in the future drilling activities contemplated by the June 2015 sale of certain oil and gas properties by us to Earthstone Energy, Inc. (described below under “Note 4 – Property and Equipment”). As of the date of this report, we were unable to provide the required funding, and as a result, we were not able to exercise our option to participate.

Over the next several months, we anticipate requiring funding of approximately \$0.5 million for drilling and workover activities on existing properties, as well as the funding required to repay the amounts owed under the Letter Loan, in the event we cannot extend or restructure such debt. In order to address the Company’s capital obligations over the next several months and ensure the future viability of the Company, we plan to seek to acquire the necessary funding through a combination with another entity with the financing to recapitalize the new company or by acquiring the necessary development funding on a stand-alone basis. Lucas is actively discussing potential transactions (financings, acquisitions and mergers) which we believe, if finalized and completed, will provide the financial mass to develop the significant reserves at our disposal. As of this date, Lucas has not entered into any binding agreements and no definitive transactions are pending in connection with our planned strategic transaction.

Due to the nature of oil and gas interests, i.e., that rates of production generally decline over time as oil and gas reserves are depleted, if we are unable to drill additional wells and develop our proved undeveloped reserves (PUDs) or acquire additional operating properties; we believe that our revenues will continue to decline over time. Furthermore, in the event we are unable to raise additional funding in the future, we will not be able to complete drilling and/or workover activities and may not be able to make required payments on our outstanding liabilities, including the amounts owed under the Letter Loan, as amended, and in fact as described above, we have not been able to make certain of such payments to date and such Letter Loan is currently in default. Therefore, in the event we do not raise additional funding in the future, we may be forced to scale back our business plan, sell assets to satisfy outstanding debts or take other remedial steps which may include seeking bankruptcy protection.

These conditions raise substantial doubt about our ability to continue as a going concern for the next twelve months. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has provided a discussion of significant accounting policies, estimates and judgments in its 2015 Annual Report. There have been no changes to the Company's significant accounting policies since March 31, 2015.

NOTE 4 – PROPERTY AND EQUIPMENT

Oil and Gas Properties

Lucas uses the full cost method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells used to find proved reserves, and to drill and equip development wells including directly related overhead costs and related asset retirement costs are capitalized. Properties not subject to amortization consist of acquisition, exploration and development costs, which are evaluated on a property-by-property basis. Amortization of these unproved property costs begins when the properties become proved or their values become impaired and the corresponding costs are added to the capitalized costs subject to amortization. Costs of oil and gas properties are amortized using the units of production method. Amortization expense calculated per equivalent physical unit of production amounted to \$31.95 per barrel of oil equivalent ("Boe") for the three months ended June 30, 2015, and was \$36.34 per Boe for the three months ended June 30, 2014.

In applying the full cost method, Lucas performs an impairment test (ceiling test) at each reporting date, whereby the carrying value of property and equipment is compared to the "estimated present value," of its proved reserves discounted at a 10-percent interest rate of future net revenues, based on current economic and operating conditions at the end of the period, plus the cost of properties not being amortized, plus the lower of cost or fair market value of unproved properties included in costs being amortized, less the income tax effects related to book and tax basis differences of the properties. The price used in the ceiling test is the simple average first of the month price for the prior 12 months. If capitalized costs exceed this limit, the excess is charged as an impairment expense. As of June 30, 2015, no impairment of oil and gas properties was indicated.

All of Lucas's oil and gas properties are located in the United States. Below are the components of Lucas's oil and gas properties recorded at:

	June 30, 2015	March 31, 2015
Proved leasehold costs	\$ 10,297,216	\$ 11,062,137
Costs of wells and development	37,523,992	37,520,061
Capitalized asset retirement costs	717,337	717,337
Total oil and gas properties	48,538,545	49,299,535
Accumulated depreciation and depletion	(12,561,767)	(12,336,704)
Net capitalized costs	<u>\$ 35,976,778</u>	<u>\$ 36,962,831</u>

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 Energy to us of an option to participate, at cost, for up to 20% of an 8/8ths interest, in all future operations within the proposed ESTE-Boggs Unit upon successfully obtaining the required funding, provided that we were required to 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 exercised the option, to pay Earthstone Energy for 20% of all costs incurred. As of the date of this report, we were unable to provide the required funding and as a result, we were not able to exercise our option to participate, which option expired.

Also, on June 25, 2015, per the Earthstone Settlement and Earthstone/Victory Settlement (described below under “Note 13 - Settlement Agreements”), Earthstone agreed to pay us approximately \$54,000 (representing the net of amounts previously paid by Victory to Earthstone in connection with the terms of a prior 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 such wells; and Victory agreed to assign certain oil and gas interests in the wells which we transferred to Victory in February 2015, to Earthstone. As a result, we capitalized approximately \$142,000 (approximately \$196,000 paid by Victory to Earthstone less approximately \$54,000 paid by Earthstone to Lucas) to our oil and gas property full-cost pool.

In addition, on June 25, 2015, per the Victory Settlement Agreement (described below under “Note 13 - Settlement Agreements”), Victory retained ownership and control over five Penn Virginia well-bores and also retained the obligations to pay expenses associated with such Penn Virginia well-bores effective after August 1, 2014; and we also assigned Victory rights to another property located in the same field as the Penn Virginia well-bores. In total, six Penn Virginia well-bores rights were assigned to Victory, representing an approximately \$596,000 credit to our oil and gas property full-cost pool.

Office Lease

On July 27, 2015, we moved our corporate headquarters from 3555 Timmons Lane, Suite 1550, Houston, Texas 77027 to 450 Gears Road, Suite 780, Houston, Texas 77067 in connection with the expiration, pursuant to its terms, of our prior office space lease. We sublease approximately 3,300 square feet of office space pursuant to a sublease that expires on January 31, 2016 that has a base monthly rent of approximately \$5,000 of which we have already paid four months in advance as well as a \$5,000 security deposit.

NOTE 5 – ASSET RETIREMENT OBLIGATIONS

The following table presents the reconciliation of the beginning and ending aggregate carrying amounts of long-term legal obligations associated with the retirement of oil and gas property and equipment for the three-month period ended June 30, 2015. Lucas does not have short-term asset retirement obligations as of June 30, 2015.

Carrying amount at beginning of period - March 31, 2015	\$ 1,051,694
Accretion	31,500
Carrying amount at end of period - June 30, 2015	<u>\$ 1,083,194</u>

NOTE 6 – NOTE PAYABLE

Victory Loan

On February 3, 2015, Victory and Lucas entered into a Letter of Intent for Business Combination between Victory and Lucas (the “Letter of Intent”) that outlined the proposed terms under which Victory and Lucas planned to combine through a merger (the “Merger”). In anticipation of the Merger, Victory desired to provide Lucas with loans necessary to allow Lucas to meet working capital requirements and to pay down certain payables so that Lucas could maintain key vendors and cover transaction costs during the period prior to the Merger. As collateral for the loans that were to be made by Victory to Lucas, Lucas was to pledge to Victory shares of Lucas common stock pursuant to a pledge and security agreement.

Pursuant to the Loan Agreement, Victory agreed to loan the Company up to \$2 million, with \$250,000 initially loaned on February 26, 2015 (the “Closing” and the “Initial Draw”). The Initial Draw, and any other amounts borrowed under the Loan Agreement were to be evidenced by a Secured Subordinated Delayed Draw Term Note issued by the Company in favor of Victory, which was in an initial amount of \$250,000 (the “Draw Note”). Amounts owed under the Draw Note were to be secured by the pledge of shares of the Company’s common stock pursuant to the terms of a Pledge Agreement between the Company as pledgor and Victory as secured party (the “Pledge Agreement”). Victory had loaned Lucas a total of \$350,000 through March 31, 2015, which was recognized as a current liability on the balance sheet on March 31, 2015 as the maturity date for the loan was February 26, 2016. Through May 2015, Victory loaned Lucas an additional \$250,000 for a total loan of \$600,000.

On May 11, 2015, Victory notified Lucas that Victory did not intend to proceed with the Merger and thereby terminated the Letter of Intent. Thereafter, on June 24, 2015, Lucas and Victory executed a Settlement Agreement and Mutual Release whereby among other things, Lucas acknowledged that Victory had no further obligation to advance any funds to Lucas under the Loan Agreement, the Draw Note or otherwise and Lucas exchanged working interests in certain oil and gas properties and 44,070 shares of restricted common stock (the "Settlement Shares") in complete satisfaction of the \$600,000 owed to Victory under the Loan Agreement. Therefore, we recognized no liability to Victory as of June 30, 2015 on our balance sheet.

Rogers Loan

Effective on August 13, 2013, Lucas entered into a Letter Loan Agreement with Louise H. Rogers (as amended and modified to date, the "Letter Loan"). In connection with the Letter Loan and a Promissory Note entered into in connection therewith, Ms. Rogers loaned the Company \$7.5 million (the "Loan"). The Loan accrues interest at the rate of 12% per annum (18% upon the occurrence of an event of default), can be prepaid by Lucas at any time without penalty after November 13, 2013 and was due and payable on August 13, 2015, provided that \$75,000 in interest only payments were due on the Loan during the first six months of the term (which were escrowed by Lucas) and beginning on March 13, 2014, Lucas was required to make monthly amortization principal payments equivalent to the sum of fifty-percent of the Loan during months seven through twenty-four of the term (which requirement has since been modified by the amendment described below). An escrow deposit of \$450,000 for the first six months interest was recorded as restricted cash within the balance sheet, with no balance outstanding on the balance sheet as of June 30, 2015. Lucas is also required to make mandatory prepayments of the loan in the event the collateral securing the Loan does not meet certain thresholds and coverage ratios. Repayment of the Loan is secured by a security interest in substantially all of Lucas's assets which was evidenced by a Security Agreement and a Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement and Fixture Filing. Lucas agreed to pay a \$15,000 quarterly administrative fee in connection with the Loan and grant the administrator a warrant to purchase up to 11,195 shares of Lucas's common stock at an exercise price of \$33.75 per share and a term continuing until the earlier of (a) August 13, 2018; and (b) three years after the payment in full of the Loan. On August 16, 2013, a portion of the funds raised in connection with the Loan were used to repay \$3.25 million in outstanding notes issued in April and May 2013. The Company also capitalized approximately \$495,000 in deferred financing costs in relation to expenses incurred in the execution of the Letter Loan.

The Company recorded the fair value of warrants issued in connection with the Note Payable as a discount on the Note and amortizes the discount through non-cash interest expense using the effective interest method over the term of the debt. The fair value of the 11,195 Letter Loan warrants was recorded as a \$127,963 debt discount, of which, \$122,636 has been amortized as of June 30, 2015.

Effective on April 29, 2014, the Company entered into an Amended Letter Loan Agreement (the "Amended Letter Loan") and Amended and Restated Promissory Note (the "Amended Note"), each effective March 14, 2014, in connection with the Letter Loan. Pursuant to the Amended Letter Loan and Amended Note, we restructured the repayment terms of the original Letter Loan and Promissory Note to defer monthly amortizing principal payments which began on March 13, 2014, during the period from April 13, 2014 through September 13, 2014, during which six month period interest on the Amended Note accrued at 15% per annum (compared to 12% per annum under the terms of the original Promissory Note). Beginning on October 13, 2014, the interest rate of the Amended Note returned to 12% per annum and we were required to pay the monthly amortization payments in accordance with the original repayment schedule (which total approximately \$205,000 to \$226,000, depending on the due date), as well as additional principal amortization payments of approximately \$266,000 every three months (beginning October 13, 2014, and ending on July 13, 2015) until maturity, with approximately \$3.87 million due on maturity, which maturity date remained August 13, 2015. Additionally, we agreed to pay all legal expenses of the lender related to the amendments and agreed to (i) pay \$25,000 and (ii) issue 3,000 shares of restricted common stock, to Robertson Global Credit, LLC ("Robertson"), the administrator of the Loan, as additional consideration for the modifications. Should we opt to prepay the Amended Note prior to the maturity date, we are required to pay an exit fee equal to the advisory fees of approximately \$15,000 per quarter that would have been due, had the note remained outstanding through maturity.

On November 24, 2014, and effective on November 13, 2014, the Company entered into a Second Amended Letter Loan Agreement (the "Second Amended Letter Loan") and Second Amended and Restated Promissory Note (the "Second Amended Note"), in connection with the Letter Loan and the Amended Letter Loan. Pursuant to the Second Amended Letter Loan and a Second Amended Note, we restructured the repayment terms of the Amended Letter Loan and Amended Note to defer the principal payment in the amount of \$428,327 which was originally due November 13, 2014, until December 13, 2014, as we were in the process of obtaining new financing, which new financing failed to close as a result of the subsequent precipitous decline in oil prices. Additionally, the Second Amended Letter Loan and Second Amended Note provides that (a) amounts outstanding under the Second Amendment Note will accrue interest at the rate of 15% per annum and (b) additional principal amortization payments of approximately \$266,000 are due every three months (beginning January 13, 2015, and ending on July 13, 2015) until maturity, with approximately \$3.87 million due on maturity, which maturity date remained August 13, 2015. Additionally, we agreed to pay all legal expenses of the lender related to the amendments and agreed to pay \$15,000 to Robertson, the administrator of the Loan, as additional consideration for the modifications.

We failed to make the required December 13, 2014 principal payment under the terms of the Second Amended Letter Loan. Specifically, on January 26, 2015, we received notice from a representative of Ms. Rogers that we had defaulted on a payment. Consequently, the amount owed under the Second Amended Letter Loan and Second Amended Note of approximately \$7.3 million accrued at a default interest rate of 18% per annum. Subsequently, we also failed to make the required January 13, 2015 and February 13, 2015 principal payments under the terms of the Second Amended Letter Loan.

The Company capitalized approximately \$88,000 in additional deferred financing costs in relation to expenses incurred in connection with the execution of the Amended Letter Loan and the Second Amended Letter Loan. Together, with the initial Letter Loan, the Amended Letter Loan and the Second Amended Letter Loan, the Company has paid approximately \$1.4 million in cash interest and amortized approximately \$536,000 in deferred financing cost as of June 30, 2015.

On February 23, 2015, we entered into a letter agreement (the "Letter Agreement") with Ms. Rogers. Pursuant to the Letter Agreement, the parties agreed that the interest payments due under the promissory note for January, February and March 2015 (which January and February 2015 interest payments were not previously made by the Company) would be added to the principal amount of the promissory note and be due at maturity; and that interest only payments on the promissory note at the rate of 12% per annum (compared to 15% per annum pursuant to the Second Amended and Restated Promissory Note, and 18% per annum as a result of various events of default which occurred under the loan documents prior to the parties' entry into the Letter Agreement) would be due between April 2015 and August 2015 compared to the terms of the Second Amended and Restated Promissory Note, which required amortizing principal payments every month between December 2014 and August 2015 (which amortizing payments we failed to pay from December 2014 to July 2015). In total, \$211,769 was added to the principal amount bringing the total principal balance due to our lender to \$7,270,734 as of February 23, 2015.

The Letter Agreement also provides us the right to extend the maturity date of the promissory note to September 13, 2015, by paying an extension fee of 2% of the remaining balance of the note on or before the maturity date, and to thereafter further extend the maturity date of the promissory note to October 13, 2015, by paying an additional extension fee of 2% of the then remaining balance of the note on or before the September 13, 2015 extended maturity date.

We also agreed to pay the lender all current and past due credit administration and legal fees, a \$50,000 loan amendment fee upon final repayment of the promissory note, and to require Victory to provide Rogers a promissory note in the amount of \$250,000, payable within 90 days following the termination of our proposed merger transaction with Victory. Subsequently (described below under "Note 13 - Settlement Agreements"), Victory and Ms. Rogers entered into a settlement agreement providing for the repayment of the \$250,000 owed.

The lender agreed to waive the prior defaults under the promissory note upon the parties' entry into the new agreements.

The Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) under the terms of the Letter Agreement. Consequently, the amount owed under the Letter Loan, as amended, of approximately \$7.3 million has been in default since May 2015, and accrues a default interest rate of 18% per annum. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring or extension of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report. In the event the lender seeks the immediate repayment of the debt (which is currently in default), which they have the right to do at any time, we will be forced to sell assets to raise additional funds and may be forced to seek bankruptcy protection. Additionally, because we are currently in default of the debt, the lender can at any time, subject to the terms of the Letter Loan, as amended, foreclose on our assets, pursuant to its security interest over substantially all of our assets.

As of June 30, 2015, the amount owed under the Letter Loan still had an August 13, 2015 maturity date; therefore, the outstanding balance of the Note Payable is \$7,265,407 (net of the remaining \$5,327 note discount) and listed as a current liability in the balance sheet.

NOTE 7 – STOCKHOLDERS’ EQUITY

Preferred Stock

As of June 30, 2015, Lucas had 500 shares of Series A Convertible Preferred Stock issued and outstanding. Each share of the Series A Convertible Preferred Stock is convertible into 40 shares of the Company’s common stock and has no liquidation preference and no maturity date. Additionally, the conversion rate of the Series A Convertible Preferred Stock adjusts automatically in connection with and in proportion to any dividends payable by the Company in common stock.

Common Stock

The following summarizes Lucas’s common stock activity during the three-month period ended June 30, 2015:

	Common Shares				
	Amount (a)	Per Share	Issued Shares	Treasury	Outstanding
Balance at March 31, 2015			1,402,297	(1,476)	1,400,821
Share-Based Compensation	\$ 19,363	\$ 5.25	3,689	—	3,689
Balance at June 30, 2015			<u>1,405,986</u>	<u>(1,476)</u>	<u>1,404,510</u>

(a) Net proceeds or fair market value on grant date, as applicable.

See Note 9 – Share-Based Compensation for information on common stock activity related to Share-Based Compensation, including shares granted to the board of directors, officers, employees and consultants.

Warrants

During the three months ended June 30, 2015, no warrants were issued, exercised or cancelled.

The following is a summary of the Company's outstanding warrants at June 30, 2015:

Warrants Outstanding	Exercise Price (\$)	Expiration Date	Intrinsic Value at June 30, 2015
100,422 ⁽¹⁾	71.50	July 4, 2016	—
41,300 ⁽²⁾	57.50	October 18, 2017	—
11,000 ⁽³⁾	37.50	April 4, 2018	—
2,000 ⁽⁴⁾	37.50	May 31, 2018	—
11,195 ⁽⁵⁾	33.75	August 13, 2018	—
66,668 ⁽⁶⁾	25.00	April 21, 2019	—
<u>232,585</u>			<u>\$ —</u>

- (1) Series B Warrants issued in connection with the sale of units in the Company's unit offering in December 2010. The Series B Warrants became exercisable on July 4, 2011 and will remain exercisable thereafter until July 4, 2016.
- (2) Warrants issued in connection with the sale of units in the Company's unit offering in April 2012. The warrants became exercisable on October 18, 2012, and will remain exercisable thereafter until October 18, 2017.
- (3) Warrants issued in connection with the issuance of certain notes in April 2013, or which the outstanding principal and interest was paid in full on August 16, 2013. The warrants were exercisable on the grant date (April 4, 2013) and remain exercisable until April 4, 2018.
- (4) Warrants issued in connection with the issuance of certain notes in May 2013, for which the outstanding principal and interest was paid in full on August 16, 2013. The warrants were exercisable on the grant date (May 31, 2013) and remain exercisable until May 31, 2018.
- (5) Warrants issued in connection with the Letter Loan. The warrants were exercisable on the grant date (August 13, 2013) and remain exercisable until the earlier of (a) August 13, 2018; and (b) three years after the payment in full of the Loan. The exercise price was lowered to \$0.01 per share on August 12, 2015.
- (6) Warrants issued in connection with the sale of units in the Company's unit offering in April 2014. The Warrants became exercisable on April 21, 2014 and will remain exercisable thereafter until April 21, 2019.

NOTE 8 – INCOME TAXES

The Company has estimated that its effective tax rate for U.S. purposes will be zero for the 2016 fiscal year and consequently, recorded no provision or benefit for income taxes for the three months ended June 30, 2015.

NOTE 9 – SHARE-BASED COMPENSATION

Lucas measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award over the vesting period.

Common Stock

Lucas issued 3,689 shares of its common stock with an aggregate grant date fair value of \$19,363 during the three-month period ended June 30, 2015, which were valued based on the trading value of Lucas's common stock on the date of grant. Also, on June 30, 2015, the Company awarded an additional 5,621 shares of its common stock with an aggregate grant fair value of \$19,673, which were valued based on the trading value of Lucas's common stock on the date of grant. Those common stock awards had yet to be physically issued as of June 30, 2015, and therefore, were recognized as accrued common stock payable on the balance sheet. The shares were awarded according to the employment agreement with an officer and as additional compensation for other managerial personnel.

Stock Options

As of June 30, 2015, the Company had 24,920 stock options outstanding with a weighted average price of \$33.80 and 36,579 stock options outstanding with a weighted average price of \$34.75 as of June 30, 2014.

Of the Company's outstanding options, no options expired, were exercised, or forfeited during the three months ended June 30, 2015 and June 30, 2014, respectively. Additionally, no stock options were granted during the quarters ended June 30, 2015 and June 30, 2014, respectively.

Compensation expense related to stock options outstanding during the three-month periods ended June 30, 2015 and June 30, 2014 was \$21,111 and \$40,689, respectively.

Options outstanding and exercisable at June 30, 2015 and June 30, 2014 had no intrinsic value, respectively. The intrinsic value is based upon the difference between the market price of Lucas's common stock on the date of exercise and the grant price of the stock options.

The following tabulation summarizes the remaining terms of the options outstanding:

Exercise Price (\$)	Remaining Life (Yrs.)	Options Outstanding	Options Exercisable
32.00	*	2,000	2,000
51.75	5.3	1,920	1,920
24.50	1.5	3,000	3,000
40.75	2.3	4,000	2,000
43.50	2.3	6,000	6,000
40.25	2.5	2,000	2,000
39.50	2.3	2,000	—
5.50	2.7	4,000	4,000
	Total	24,920	20,920

*Options expired on July 2, 2015 and are no longer outstanding as of the date of this report.

As of June 30, 2015, total unrecognized stock-based compensation expense related to all non-vested stock options was \$70,597, which is being recognized over a remaining weighted average period of approximately 1.6 years.

In prior periods, the shareholders of the Company approved the Company's 2014, 2012 and 2010 Stock Incentive Plans ("the Plans"). The Plans are intended to secure for the Company the benefits arising from ownership of the Company's common stock by the employees, officers, directors and consultants of the Company, all of whom are and will be responsible for the Company's future growth. The Plans provide an opportunity for any employee, officer, director or consultant of the Company to receive incentive stock options (to eligible employees only), nonqualified stock options, restricted stock, stock awards and shares in performance of services. There are 56,916 shares available for issuance under the Plans as of June 30, 2015.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings. From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

NOTE 11 – POSTRETIREMENT BENEFITS

Lucas maintains a matched defined contribution savings plan for its employees. During the three-month periods ended June 30, 2015 and 2014, Lucas's total costs recognized for the savings plan were \$7,375 and \$12,324, respectively.

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for interest and income taxes was as follows for the three-month periods ended June 30, 2015 and 2014:

	Three Months Ended June 30,	
	2015	2014
Interest	\$ 73,465	\$ 284,058
Income taxes	—	—

Non-cash investing and financing activities for the three-month periods ended June 30, 2015 and 2014 included the following:

	Three Months Ended June 30,	
	2015	2014
Accrued capital expenditures included in accounts payable and accrued liabilities	\$ 610,627	\$ 675,820
Extinguishment of note payable in exchange of common stock	212,764	—
Extinguishment of note payable in exchange of certain oil and gas properties	387,236	—
Issuance of restricted stock for amended loan	—	47,250

NOTE 13 – SETTLEMENT AGREEMENTS

Effective on June 25, 2015, (a) we 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, 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 (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 such 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 44,070 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 piggyback 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 (post reverse split values), more than 1,000 of the Victory Shares per day; 5,000 of the Victory Shares per week; and 20,000 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.

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 additional Penn Virginia property and the Victory Shares (described above) in escrow until such time as the required payment is made by Victory. As of the date of this report, Victory has not made the required payment.

NOTE 14 – SUBSEQUENT EVENTS

Pursuant to the authorization provided by the Company's stockholders at the Company's March 25, 2015 annual meeting, and in order to meet the continued listing standards of the NYSE MKT, on June 29, 2015, the Board of Directors approved the filing of a Certificate of Amendment to the Company's Articles of Incorporation with the Secretary of State of Nevada to effect a 1-for-25 reverse stock split of all outstanding common stock shares of the Company, effective on July 15, 2015.

The effect of the reverse stock split combined each 25 shares of outstanding common stock into one new share, with no change in authorized shares or par value per share, and reduced the number of common stock shares outstanding from 36,354,973 shares to 1,454,261 shares. Proportional adjustments were made to the conversion and exercise prices of the Company's outstanding convertible preferred stock, warrants and stock options, and to the number of shares issued and issuable under the Company's stock incentive plans. The Company's trading symbol of "LEI" did not change as a result of the reverse stock split, and the common stock trades under a new CUSIP number, 549333300. In accordance with SAB TOPIC 4C, the Company has reported the effects of this stock split retrospectively to the earliest period presented in these financial statements.

The Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) under the terms of the Letter Agreement (see "Note 6 – Note Payable" above). Consequently, the amount owed under the Letter Loan, as amended, of approximately \$7.3 million has been in default since May 2015, and accrues a default interest rate of 18% per annum. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring or extension of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report. In the event the lender seeks the immediate repayment of the debt (which is currently in default), which they have the right to do at any time, we will be forced to sell assets to raise additional funds and may be forced to seek bankruptcy protection. Additionally, because we are currently in default of the debt, the lender can at any time, subject to the terms of the Letter Loan, as amended, foreclose on our assets, pursuant to its security interest over substantially all of our assets.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). These forward-looking statements are generally located in the material set forth below under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. For a more detailed description of the risks and uncertainties involved, the following discussion and analysis should be read in conjunction with management's discussion and analysis contained in Lucas's Annual Report on Form 10-K for the fiscal year ended March 31, 2015 (the "2015 Annual Report") and related discussion of our business and properties contained therein.

These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements which include, among others:

- the availability of funding and the terms of such funding;
- our growth strategies;
- anticipated trends in our business;
- our ability to make or integrate acquisitions;
- our ability to repay outstanding loans and satisfy our outstanding liabilities;
- our liquidity and ability to finance our exploration, acquisition and development strategies;
- market conditions in the oil and gas industry;
- the timing, cost and procedure for future acquisitions;
- the impact of government regulation;
- estimates regarding future net revenues from oil and natural gas reserves and the present value thereof;
- legal proceedings and/or the outcome of and/or negative perceptions associated therewith;
- planned capital expenditures (including the amount and nature thereof);
- increases in oil and gas production;
- changes in the market price of oil and gas;
- changes in the number of drilling rigs available;
- the number of wells we anticipate drilling in the future;
- estimates, plans and projections relating to acquired properties;
- the number of potential drilling locations; and
- our financial position, business strategy and other plans and objectives for future operations.

We identify forward-looking statements by use of terms such as "may," "will," "expect," "anticipate," "estimate," "hope," "plan," "believe," "predict," "envision," "intend," "will," "continue," "potential," "should," "confident," "could" and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements. You should consider carefully the statements under the "Risk Factors" section of this report and other sections of this report which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, and the following factors:

- the possibility that our acquisitions may involve unexpected costs;
- the volatility in commodity prices for oil and gas;
- the accuracy of internally estimated proved reserves;
- the presence or recoverability of estimated oil and gas reserves;
- the ability to replace oil and gas reserves;
- the availability and costs of drilling rigs and other oilfield services;
- environmental risks; exploration and development risks;
- competition;
- the inability to realize expected value from acquisitions;
- our ability to maintain the listing of our common stock on the NYSE MKT;
- the ability of our management team to execute its plans to meet its goals; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our businesses, operations and pricing.

Forward-looking statements speak only as of the date of this report or the date of any document incorporated by reference in this report. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Overview

Lucas Energy, Inc., a Nevada corporation, is an independent oil and natural gas company based in Houston, Texas (herein the “Company”, “Lucas”, “Lucas Energy” or “we”). We are engaged in the acquisition and development of crude oil and natural gas from various known productive geological formations, including the Austin Chalk and Eagle Ford formations, primarily in Gonzales, Wilson and Karnes counties south of the city of San Antonio, Texas.

We continue to operate with sound judgment keeping lower overall costs as a priority while pursuing a strategic partnership, acquisitions and mergers with a focus on development of reserves, increasing revenue and improving shareholder value. As to be expected, the Company has been in a production maintenance mode through this process, and the minimal capital outlay for development has curbed the expected decline in costs on a per barrel basis.

The Company is pursuing a growth posture toward developing our leaseholds in the Eagle Ford shale play. The magnitude of the opportunity in the Eagle Ford shale and associated drilling costs will require external sources of capital, and we will continue to utilize combinations of debt and equity in conjunction with operating cash flow to fund the development of our leaseholds into oil producing assets. It is our objective to “right-size” our development program, operating expenses and capital requirements in accordance with our strategy to unlock the Company’s full potential and to grow in both size and scope of operations.

The goal and planned end result of our near-term activity will be to create a company with a sturdy platform capable of delivering on the long expected conversion of reserves to production, continued long term development and sustainable shareholder value.

Our website address is <http://www.lucasenergy.com>. Our fiscal year ends on the last day of March of each year. The information on, or that may be accessed through, our website is not incorporated by reference into this report and should not be considered a part of this report. We refer to the twelve-month periods ended March 31, 2016 and March 31, 2015 as our 2016 Fiscal Year and 2015 Fiscal Year, respectively.

At June 30, 2015, the Company had leasehold interests (working interests) in approximately 9,800 gross acres, or 9,700 net acres, which is the Company’s total net developed and undeveloped acreage as measured from the surface to the base of the Austin Chalk formation. In deeper formations, the Company has approximately 3,000 net acres in the Eagle Ford oil window.

As of June 30 2015, Lucas was producing an average of approximately 77 net barrels of oil equivalent per day (Boepd) from 23 active well bores, of which 15 wells accounted for more than 90% of our production. The ratio between the gross and net production varies due to varied working interests and net revenue interests in each well. An affiliate of Marathon Oil Corporation operates two Eagle Ford horizontal wells in our Gonzales leases, of which we have a 15% working interest on each well. Our production sales totaled 7,045 barrels of oil equivalent, net to our interest, for the quarter ended June 30, 2015.

At March 31, 2015, Lucas's total estimated proved reserves were 5.1 million barrels of oil equivalent (Boe), of which 4.6 million barrels (Bbls) were crude oil reserves, and 3.0 billion cubic feet (Bcf) were natural gas reserves. Approximately 3% of the barrel of oil equivalent (Boe) was proved producing. As of June 30, 2015, Lucas employed seven full-time employees. We also utilized three contractors on an "as-needed" basis to carry out various functions of the Company, including but not limited to field operations, land administration, corporate activity and information technology maintenance.

Industry Segments

Lucas Energy's operations are all crude oil and natural gas exploration and production related.

Operations and Oil and Gas Properties

We operate in known productive areas in order to decrease geological risk. Our holdings are located in an increased area of current industry activity in Gonzales, Wilson, Karnes, Frio and Leon counties in Texas. We concentrate on two vertically adjoining formations in Gonzales, Wilson and Karnes counties: the Austin Chalk and Eagle Ford formations, listed in the order of increasing depth measuring from land surface. The recent development of the Eagle Ford as a high potential producing zone has heightened industry interest and success. Lucas's acreage position is in the oil window of the Eagle Ford trend and we currently have approximately 9,700 gross acres in the Gonzales, Karnes and Wilson County, Texas areas.

Austin Chalk

The Company's original activity started in Gonzales County by acquiring existing shut-in and stripper wells and improving production from those wells. Most of the wells had produced from the Austin Chalk. The Austin Chalk is a dense limestone, varying in thickness along its trend from approximately 200 feet to more than 800 feet. It produces by virtue of localized fractures within the formation.

Eagle Ford

On Lucas's leases, the Eagle Ford is a porous limestone with organic shale matter. The Eagle Ford formation directly underlies the Austin Chalk formation and is believed to be the primary source of oil and natural gas produced from the Austin Chalk. Reservoir thickness in the area of the Company's leases varies from approximately 60 feet to 80 feet.

Our Strategic Path

In the current commodity price environment, we do not generate enough revenue from our production to cover our overhead burden. While we have diligently reduced costs since 2013, such reduction is not sufficient to overcome the recent 50% decline in the price of oil. We have made significant strides in cost cutting programs including overall general and administrative expenses; however, without also generating new production the commodity price environment outweighs the cost savings.

We benefit from having asset-rich properties in core areas such as the Eagle Ford Shale trend, one of the most active plays in the country. The activity around our Eagle Ford assets sharpens the focus of opportunities in our leases. The number of wells drilled near and offsetting our leases continues to support our enhanced view of the Eagle Ford area. In addition, leading operators in the Eagle Ford area have developed drilling and completion technologies that have significantly reduced production risk and decreased per unit drilling and completion costs. While commodity prices have dropped precipitously, the associated drilling and completion costs are now dropping as well.

We continue to review opportunities to accelerate development of our five million barrels of proved Eagle Ford and other oil reserves. These potential opportunities include, but are not limited to, strategic partnership(s), asset or corporate acquisitions and/or merger opportunities.

The future viability of the Company is dependent on the development of our oil reserves, specifically of the Eagle Ford Shale, and is further dependent on our ability to acquire the necessary funding for such development through one or a number of alternatives such as combining with another entity with the financing to recapitalize the new company or by acquiring the necessary development funding on a stand-alone basis. We are actively discussing potential transactions (financings, acquisitions and mergers) which we believe, if finalized and completed, will provide the financial mass to develop the significant reserves at our disposal. As of this date, we have not entered into any binding agreements to date and no definitive transactions are pending in connection with our planned strategic transaction.

We continue to benefit from having an experienced management team. Through this period of oil price uncertainty, we benefit from the proven merger and acquisition, and operating and financing, capabilities of our Chief Executive Officer, Mr. Anthony Schnur, and the rest of the Company's management team and directors. Mr. Schnur has over twenty years of extensive oil and gas and financial management experience. He has developed strategic business plans, raised debt and equity capital, and provided asset management, cash flow forecasts, transaction modeling and development planning for both start-ups and special situations. On three separate occasions, Mr. Schnur has been asked to lead work-out/turn-around initiatives in the E&P space. Further, the Company has highly experienced personnel in its operations, reservoir analysis, land and accounting functions and believes it has brought together a professional and dedicated team to deliver value to Lucas's shareholders.

Liquidity and Going Concern Consideration

On August 1, 2015, the Company was required to provide approximately \$3.4 million of funding in order to participate in the future drilling activities contemplated through the June 2015 sale of certain oil and gas properties by us to Earthstone Energy, Inc. ("Earthstone") (see "Note 4 – Property and Equipment" to our unaudited condensed financial statements included in "Part 1. Financial Statements" – "Item 1. Financial Statements", above). As of August 1, 2015, we were unable to provide the required funding, and as a result, we were not able to exercise our option to participate, which has since expired. Over the next several months, we also anticipate requiring funding of approximately \$0.5 million for drilling and workover activities on existing properties. In order to address the Company's capital obligations over the next several months and ensure the future viability of the Company, we plan to seek to acquire the necessary funding through a combination with another entity with the financing to recapitalize the new company or by acquiring the necessary development funding on a stand-alone basis. Lucas is actively discussing potential transactions (financings, acquisitions and mergers) which we believe, if finalized and completed, will provide the financial mass to develop the significant reserves at our disposal. As of this date, Lucas has not entered into any binding agreements to date and no definitive transactions are pending in connection with our planned strategic transaction.

The Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) under the terms of the Letter Loan, as amended (see "Note 6 – Note Payable" to our unaudited condensed financial statements included in "Part 1. Financial Statements" – "Item 1. Financial Statements", above). Consequently, the amount owed under the Letter Loan, as amended, of approximately \$7.3 million has been in default since May 2015, and accrues a default interest rate of 18% per annum. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring or extension of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report. In the event the lender seeks the immediate repayment of the debt (which is currently in default), which they have the right to do at any time, we will be forced to sell assets to raise additional funds and may be forced to seek bankruptcy protection. Additionally, because we are currently in default of the debt, the lender can at any time, subject to the terms of the Letter Loan, as amended, foreclose on our assets, pursuant to its security interest over substantially all of our assets.

Due to the nature of oil and gas interests, i.e., that rates of production generally decline over time as oil and gas reserves are depleted, if we are unable to drill additional wells and develop our proved undeveloped reserves (PUDs) or acquire additional operating properties; we believe that our revenues will continue to decline over time. Furthermore, in the event we are unable to raise additional funding in the future, we will not be able to participate with Earthstone in the drilling of planned additional wells, will not be able to complete other drilling and/or workover activities, and may not be able to make required payments on our outstanding liabilities, including the amount due under the Letter Loan, as amended, and in fact as described above, have not been able to make certain of such payments to date. Therefore, in the event we do not raise additional funding in the future, we may be forced to scale back our business plan, sell assets to satisfy outstanding debts or take other remedial steps which may include seeking bankruptcy protection.

These conditions raise substantial doubt about our ability to continue as a going concern for the next twelve months. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three-month periods ended June 30, 2015 and 2014, should be read in conjunction with our condensed financial statements and notes thereto included in this Quarterly Report on Form 10-Q. As used below, the abbreviations “Bbls” stands for barrels, “NGL” stands for natural gas liquids, “Mcf” for thousand cubic feet and “Boe” for barrels of oil equivalent on the basis of six Mcf per barrel. The majority of the numbers presented below are rounded numbers and should be considered as approximate.

Three Months Ended June 30, 2015 vs. Three Months Ended June 30, 2014

We reported a net loss for the three months ended June 30, 2015 of approximately \$1.0 million, or \$0.73 per share. For the same period a year ago, we reported a net loss of approximately \$1.3 million, or \$0.96 per share. As discussed in more detail below, our net loss decreased by \$0.3 million primarily due to a decrease in operating expenses of approximately \$0.8 million offset by a decrease of approximately \$0.5 million in sales revenue.

The following table sets forth the operating results and production data for the three-month periods ended June 30, 2015 and 2014. There were no reportable natural gas sales.

	Three Months Ended June 30,		Increase (Decrease)	% Increase (Decrease)
	2015	2014		
Sale Volumes:				
Crude Oil (Bbls)	7,045	9,361	(2,316)	(25%)
Crude Oil (Bbls per day)	77	103	(26)	(25%)
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 55.89	\$ 100.62	\$ (44.73)	(45%)
Net Operating Revenues:				
Crude Oil	\$ 393,727	\$ 941,920	\$ (548,193)	(58%)

Oil and Gas Revenues

Total crude oil and natural gas revenues for the three months ended June 30, 2015 decreased approximately \$0.5 million, or 58%, to \$0.4 million from \$0.9 million for the same period a year ago due primarily to an unfavorable crude oil volume variance of \$0.1 million coupled with an unfavorable crude oil price variance of \$0.4 million. The production decline can be attributed to two of the Company's top producing wells being shut-in for over two months, following severe flooding conditions that impacted most of south and central Texas during the current reporting period. Additional production declines can be attributed to workover drilling and lateral programs with higher front-end production in the prior reporting period coupled with production declines primarily related to interference from offset activity in the current period.

Operating and Other Expenses

The following table summarizes our production costs and operating expenses for the periods indicated:

	Three Months Ended June,		Increase (Decrease)	% Increase (Decrease)
	2015	2014		
Direct lease operating expense	\$ 111,594	\$ 259,154	\$ (147,560)	(57%)
Workovers expense	20,183	163,323	(143,140)	(88%)
Other	30,947	30,790	157	1%
Total Lease Operating Expenses	<u>\$ 162,724</u>	<u>\$ 453,267</u>	<u>\$ (290,543)</u>	(64%)
Severance and Property Taxes	37,623	73,495	(35,872)	(49%)
Depreciation, Depletion, Amortization and Accretion	275,088	390,386	(115,298)	(30%)
General and Administrative (G&A)(not including Share-Based Compensation)	\$ 509,037	\$ 794,653	\$ (285,616)	(36%)
Share-Based Compensation	40,784	65,799	(25,015)	(38%)
Total G&A Expense	<u>\$ 549,821</u>	<u>\$ 860,452</u>	<u>\$ (310,631)</u>	(36%)
Interest Expense	385,455	381,705	3,750	1%
Other Expense (Income), Net	14,889	36,489	(21,600)	(59%)

Lease Operating Expenses

There was a decrease in lease operating expense of approximately \$0.3 million including an 88% reduction in workovers when comparing the current quarter to the prior year's period. In total, the overall lease operating expenses decreased 64% for the current period as compared to the prior period. Although much of the downward movement can be attributed to the production declines noted above, the Company has also maintained a concerted effort to keep lease operating expenses at lower levels by improving operating efficiencies and cost reductions.

Depreciation, Depletion, Amortization and Accretion (DD&A)

DD&A decreased for the current quarter as compared to the prior year period by approximately \$0.1 million primarily related to a decrease in production of 2,316 Boe compared to the previous period. As noted above, the production decrease was primarily due to significant producing wells being shut-in during the current reporting period and drilling and lateral programs with higher front-end production when compared to the prior period.

General and Administrative (G&A) Expenses and Share-Based Compensation

G&A expenses (not including share-based compensation) decreased by approximately \$0.3 million for the current quarter as compared to the prior year's period primarily due to the Company's overall focus in improving the efficiency of the daily operating activities within the Company by performing functions related to these expenses internally as opposed to engaging outside support and due to the restructuring of employee responsibilities and duties within the Company. Share-Based compensation also decreased by approximately 38% due to a decrease in employee based stock option and compensation costs. As a result, total G&A expenses decreased by 36% when comparing the current quarter to the prior period.

Interest Expense

Interest expense for the three months ended June 30, 2015 and June 30, 2014 consisted of cash interest payments, amortization of discounts and deferred financing costs of approximately \$0.4 million and approximately \$0.4 million, respectively, which were made in relation to the August 2013 Letter Loan, as amended (see “Note 6. Notes Payable” to our unaudited financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above).

Other Expense (Income), Net

Other expense (income) for the three months ended June 30, 2015, primarily consisted of approximately \$15,000 in financing fees compared to approximately \$48,000 in financing fees offset by accounts payable settlements of approximately \$10,000 in the prior period.

LIQUIDITY AND CAPITAL RESOURCES

The accompanying condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The primary sources of cash for Lucas during the three months ended June 30, 2015 were funds generated from sales of crude oil and asset sales and funds raised through a funding agreement which has since been terminated. The primary uses of cash were funds used in operations.

Working Capital

At June 30, 2015, the Company’s total current liabilities of \$10.4 million exceeded its total current assets of \$1.0 million, resulting in a working capital deficit of approximately \$9.4 million, while at March 31, 2015, the Company’s total current liabilities of \$10.3 million exceeded its total current assets of \$0.7 million, resulting in a working capital deficit of \$9.6 million. The \$0.2 million decrease in the working capital deficit is primarily related to the settlement of the \$0.4 million note payable (as of March 31, 2015) to Victory Energy Corporation (“Victory”) offset by the addition of approximately \$0.2 million relating to the value of 44,070 shares of restricted common stock issuable to Victory in settlement of such note payable, which amount was accrued as of June 30, 2015 (as such shares had not been physically issued) and evidenced by common stock payable on the balance sheet as of June 30, 2015 (see “Note 13 – Settlement Agreements” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above).

Financing

On February 3, 2015, Lucas executed a Letter of Intent and Term Sheet (“Letter of Intent”) for a proposed business combination with Victory. Through May 2015, the Company had received \$600,000 in funding from Victory per the terms of a Pre-Merger Loan and Funding Agreement (the “Loan Agreement”) between Lucas and Victory, which was executed on February 26, 2015. On May 11, 2015, Victory notified Lucas that Victory did not intend to proceed with the merger contemplated by the Letter of Intent and thereby terminated the Letter of Intent. Thereafter, on June 24, 2015, Lucas and Victory executed a Settlement Agreement and Mutual Release whereby Lucas acknowledged and agreed that among other things, Lucas would exchange working interests in certain oil and gas properties and issue Victory 44,070 shares of restricted common stock in full satisfaction of the \$600,000 owed by Lucas to Victory (see “Note 13 – Settlement Agreements” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above).

The Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) due under the terms of the Letter Agreement (see “Note 6 – Notes Payable” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above). Consequently, the amount owed under the Letter Loan, as amended, of approximately \$7.3 million has been in default since May 2015, and accrues a default interest rate of 18% per annum. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring or extension of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report. In the event the lender seeks the immediate repayment of the debt (which is currently in default), which they have the right to do at any time, we will be forced to sell assets to raise additional funds and may be forced to seek bankruptcy protection. Additionally, because we are currently in default of the debt, the lender can at any time, subject to the terms of the Letter Loan, as amended, foreclose on our assets, pursuant to its security interest over substantially all of our assets.

On August 1, 2015, the Company was required to provide approximately \$3.4 million of funding in order to participate in the future drilling activities contemplated by the June 2015 sale of certain oil and gas properties by us to Earthstone Energy, Inc. (“Earthstone”) (see “Note 4 – Property and Equipment” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above). As of the date of this report, we were unable to provide the required funding, and as a result, we were not able to exercise our option to participate.

Over the next several months, we also anticipate requiring funding of approximately \$0.5 million for drilling and workover activities on existing properties, as well as the funding required to repay the amounts owed under the Letter Loan, in the event we cannot extend or restructure such debt. In order to address the Company’s capital obligations over the next several months and ensure the future viability of the Company, we plan to seek to acquire the necessary funding through a combination with another entity with the financing to recapitalize the new company or by acquiring the necessary development funding on a stand-alone basis. Lucas is actively discussing potential transactions (financings, acquisitions and mergers) which we believe, if finalized and completed, will provide the financial mass to develop the significant reserves at our disposal. As of this date, Lucas has not entered into any binding agreements to date and no definitive transactions are pending in connection with our planned strategic transaction.

Cash Flows

	Three Months Ended June 30,	
	2015	2014
Cash flows used in operating activities	\$ (272,493)	\$ (778,654)
Cash flows provided by (used in) investing activities	367,243	(850,576)
Cash flows provided by financing activities	250,000	1,814,469
Net increase (decrease) in cash	\$ 344,750	\$ 185,239

Net cash used in operating activities was approximately \$0.3 million for the three months ended June 30, 2015 as compared to approximately \$0.8 million for the same period a year ago. The decrease in net cash used in operating activities of approximately \$0.5 million was primarily related to production declines, a \$0.1 million decrease in depreciation, depletion, amortization and accretion and a \$0.3 decrease in net loss coupled with an approximately \$0.3 million increase in accounts payable.

Net cash provided by investing activities was approximately \$0.4 million for the three months ended June 30, 2015 as compared to net cash used in investing activities of \$0.9 million for the same period a year ago. The increase in net cash provided by investing activities of approximately \$1.3 million was primarily due to a \$0.7 million reduction of additions to oil and gas properties and approximately \$0.6 million in additional oil and gas property sales proceeds from various sales and settlement agreements.

Net cash provided by financing activities for the quarter ended June 30, 2015 was approximately \$0.3 million in relation to loan proceeds as compared to net cash provided by financing activities of approximately \$1.8 million in relation to net proceeds associated with the issuance of common stock in the prior period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures.

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Acting Chief Financial Officer (our principal executive officer and principal financial officer), to allow timely decisions regarding required disclosures. The Company's management, including the Chief Executive Officer and Acting Chief Financial Officer (our principal executive officer and principal financial officer), evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Principal Financial Officer (our principal executive officer and principal financial officer) concluded that the Company's disclosure controls and procedures were effective as of June 30, 2015.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the three months ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Lucas is periodically named in legal actions arising from normal business activities. Lucas evaluates the merits of these actions and, if it determines that an unfavorable outcome is probable and can be reasonably estimated, Lucas will establish the necessary reserves.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2015, filed with the Commission on July 14, 2015, except as provided below and investors should review the risks provided below and in the Form 10-K prior to making an investment in the Company.

We currently owe significant funds under an outstanding promissory note, the repayment of which is secured by a first priority security interest in substantially all of our assets, which promissory note is currently in default.

Effective on August 13, 2013, we entered into a Letter Loan Agreement with Louise H. Rogers, which was amended effective April 29, 2014, November 13, 2014 and February 23, 2015 (as amended and modified to date, the "Letter Loan"), as described in greater detail under "Note 2 – Liquidity and Going Concern Considerations" to our unaudited condensed financial statements included in "Part 1. Financial Statements" – "Item 1. Financial Statements", above. The repayment of the amounts due under the Letter Loan are secured by a security interest in substantially all of our assets which was evidenced by a Security Agreement and a Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement and Fixture Filing. We failed to make amortizing payments due under the Letter Loan from December 2014 to July 2015. We failed to make the required May, June and July 2015 interest payments under the terms of the Letter Loan. Consequently, an event of default occurred under the Letter Loan and the amount owed under the Letter Loan of approximately \$7.3 million accrues at a default interest rate of 18% per annum. Subsequently, the Company also failed to pay the outstanding principal balance of approximately \$7.3 million, due on August 13, 2015. On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time. We are in discussions with the lender regarding a potential restructuring or extension of the Letter Loan, and the lender has not provided us any notice of their intent to demand immediate repayment of the amounts owed or to enforce their security interests associated therewith. Therefore, we are hopeful that we and the lender will be able to reach mutually agreeable terms on a restructuring of the debt subsequent to the date of this report.

As of the date of this report, the loan is in default and we currently do not have sufficient cash on hand to repay the \$7.3 million due under the Letter Loan. Therefore, the lender may seek to secure their interest pursuant to the aforementioned security rights. Consequently, the value of our securities may decline in value. As we are in default of the Letter Loan, the lender can take certain actions under the Letter Loan, including demanding immediate repayment of all amounts outstanding or initiating foreclosure proceedings against us. As the Letter Loan is secured by substantially all of our assets, the lender (or where applicable, its agent) can foreclose on our assets which would cause us to significantly curtail or cease operations. Additionally, even if foreclosed upon, our assets might not be sufficient to repay in full the indebtedness due in connection with the Letter Loan and our other indebtedness and we may not be able to raise funds from alternative sources to repay such obligations on favorable terms, or at all. As such, the value of our securities may decline in value or become worthless in the event our lender seeks to enforce its security interest or demand we repay amounts due under the Letter Loan. Additionally, as a result of the above, in the event we are unable to raise additional funding in the future, or our lender agrees to restructure and/or extend the amounts due under the Letter Loan, we may be forced to seek bankruptcy protection.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

In connection with our entry into the Victory Settlement on June 25, 2015, we issued a total of 44,070 shares of restricted common stock to Victory Energy Corporation (see “Note 13 – Settlement Agreements” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above).

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. With respect to the transaction described above, no general solicitation was made either by us or by any person acting on our behalf. The transaction was privately negotiated, and did not involve any kind of public solicitation. No underwriters or agents were involved in the foregoing issuance and we paid no underwriting discounts or commissions. The securities sold are subject to transfer restrictions, and the certificates evidencing the securities contain (or will contain, once issued) 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 was an “accredited investor”.

Use of Proceeds from Sale of Registered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As a result of termination of the Loan Agreement with Victory, the Company failed to make the required May, June and July 2015 interest payments (approximately \$73,000 for each month) under the terms of the Letter Loan and furthermore failed to pay the Letter Loan when due on August 13, 2015 (notwithstanding the change in the due date described below under “Item 5. Other Information”). Consequently, the amount owed under the Letter Loan of approximately \$7.3 million is currently in default (see “Note 6 – Note Payable” to our unaudited condensed financial statements included in “Part 1. Financial Statements” – “Item 1. Financial Statements”, above).

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

On August 12, 2015, the Company entered into an amendment to the Letter Loan and the promissory note entered into in connection therewith (as amended to date). Pursuant to the amendment, the maturity date of the Letter Loan and the promissory note, which was August 13, 2015, was extended to September 13, 2015, and among other things, we also agreed to reprice the exercise price of the outstanding warrants to purchase 11,195 shares of common stock held by Robertson Global Credit, LLC, the administrator of the loan, to \$0.01 per share (from \$33.75 per share prior to the amendment). Notwithstanding the change in the maturity date of the Letter Loan and promissory note, the lender did not waive any past events of default by us under the Letter Loan and retained the right to pursue any and all remedies for those defaults at any time.

ITEM 6. EXHIBITS.

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

LUCAS ENERGY, INC.
(Registrant)

/s/ Anthony C. Schnur

Anthony C. Schnur
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Date: August 14, 2015

EXHIBIT INDEX

	Description
10.1	Letter Loan Agreement (Louise H. Rogers)(August 13, 2013) (Filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Commission on August 14, 2013, and incorporated herein by reference)(File No. 001-32508)
10.2	Amended Letter Loan Agreement (Louise H. Rogers)(April 29, 2014) (Filed as Exhibit 10.1 to our Current Report on Form 8-K, dated April 29, 2014, and filed with the Commission on May 1, 2014 and incorporated herein by reference) (File No. 001-32508)
10.3	Promissory Note (\$7.5 million)(Louise H. Rogers)(August 13, 2013) (Filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Commission on August 14, 2013, and incorporated herein by reference)(File No. 001-32508)
10.4	Amended and Restated Promissory Note (\$7,308,817.32)(Louise H. Rogers)(April 29, 2014) (Filed as Exhibit 10.2 to our Current Report on Form 8-K, dated April 29, 2014, and filed with the Commission on May 1, 2014 and incorporated herein by reference)(File No. 001-32508)
10.5	Security Agreement (Louise H. Rogers)(August 13, 2013) (Filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Commission on August 14, 2013, and incorporated herein by reference)(File No. 001-32508)
10.6	Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing (Louise H. Rogers)(August 13, 2013) (Filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed with the Commission on August 14, 2013, and incorporated herein by reference)(File No. 001-32508)
10.7	Second Amended Letter Loan Agreement (Louise H. Rogers)(November 13, 2014) (Incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 17, 2015)(File No. 001-32508)
10.8	Second Amended and Restated Promissory Note (\$7,058,964.65)(Louise H. Rogers)(November 13, 2014) (Incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q filed with the SEC on February 17, 2015)(File No. 001-32508)
10.9	Letter Agreement between Lucas Energy, Inc. and Louise H. Rogers dated February 23, 2015 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 24, 2015)(File No. 001-32508)
10.10	Pre-Merger Collaboration Agreement by and between the Company, Victory Energy Corporation, Aurora Energy Partners, Navitus Energy Group and Aurora Energy Holdings LLC (February 26, 2015)(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)
10.11	Pre-Merger Loan and Funding Agreement between the Company and Victory Energy Corporation (February 26, 2015) (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)
10.12	Pledge Agreement between the Company as pledger and Victory Energy Corporation as secured party (February 26, 2015)(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)

10.13	Secured Subordinated Delayed Draw Term Note by the Company in favor of Victory Energy Corporation in the initial amount of \$250,000 (February 26, 2015)(Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)
10.14	Form of Subsidiary Guaranty (February 26, 2015)(Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)
10.15	Amendment No. 1 to Pre-Merger Collaboration Agreement (March 3, 2015)(Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on March 3, 2015)(File No. 001-32508)
10.16	Settlement Agreement and Mutual Release dated June 24, 2015 and effective June 25, 2015, by and between Lucas Energy, Inc. and Victory Energy Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 30, 2015)(File No. 001-32508)
10.17*	<u>Amendment dated August 12, 2015, to the Second Amended Letter Loan Agreement and the Second Amended Promissory Note, both dated November 13, 2014, by and between Lucas Energy, Inc. and Louise H. Rogers</u>
31.1*	<u>Section 302 Certification of Periodic Report of Principal Executive Officer and Principal Financial Officer.</u>
32.1**	<u>Section 906 Certification of Periodic Report of Principal Executive Officer and Principal Financial Officer.</u>
99.1**	<u>Press release dated August 14, 2015</u>
***101.INS	XBRL Instance Document.
***101.SCH	XBRL Schema Document.
***101.CAL	XBRL Calculation Linkbase Document.
***101.LAB	XBRL Label Linkbase Document.
***101.PRE	XBRL Presentation Linkbase Document.

* Exhibits filed herewith.

** Exhibits furnished herewith.

*** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Balance Sheets – June 30, 2015 and March 31, 2015, (ii) the Condensed Statements of Operations - Three Months Ended June 30, 2015 and 2014, (iii) the Condensed Statements of Cash Flows - Three Months Ended June 30, 2015 and 2014; and (iv) Notes to Condensed Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

**AMENDMENT DATED AUGUST 12, 2015, TO THE SECOND AMENDED
LETTER LOAN AGREEMENT AND THE SECOND AMENDED
PROMISSORY NOTE, BOTH DATED NOVEMBER 13, 2014**

This Amendment to that certain Second Amended Letter Loan Agreement and that certain Second Amended Promissory Note, both dated November 13, 2014, between Lucas Energy, Inc. (“LEI”), and Louise H. Rogers, an individual as her separate property (“Rogers”), is entered into and made effective on this 12th day of August, 2015. This document is referred to as the “Amendment.”

Recitals

On or about November 13, 2014, LEI and Rogers (collectively, the “Parties”) entered into the Second Amended Letter Loan Agreement (“2d LLA”) and the Second Amended Promissory Note (“2d Note”).

The Parties desire to extend the Maturity Date and make certain additional amendments to the 2d LLA and the 2d Note as set forth below.

All capitalized terms in this Amendment shall have the meaning given in this document, and if not defined in this document, they shall have the meaning given in the 2d LLA in its Schedule A entitled “Definitions.”

Terms of Amendment

In recognition of the facts set forth above and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Parties, the Parties agree as follows:

1. The term “Maturity Date” in the 2d LLA and the 2d Note (and in any of the other Loan Documents) which is currently August 13, 2015, is amended to be September 13, 2015, effective as of the date of this Amendment.
2. LEI shall reprice the 11,195 warrants (this quantity is already adjusted for LEI’s reverse stock split that occurred on July 15, 2015) issued to Robertson Global Credit, LLC, pursuant to Section 5(a)(xv) of the 2d LLA, to \$0.01 per share, effective as of the date of this Amendment.
3. LEI shall, as soon as practicable but in no event later than September 1, 2015, begin using a single lockbox or locked account for all of its revenues and expenses and shall provide counsel for Rogers a monthly statement of this account. The September 1, 2015, date is subject to cooperation of bank personnel only, and LEI agrees to use its best efforts to accomplish the locked account by September 1, 2015. If a delay beyond September 1, 2015, in setting up the locked account occurs that is caused by lack of cooperation or of prompt attention by LEI personnel, then this shall constitute a breach of and shall be considered an event of default of this Amendment and of the 2d LLA and 2d Note.
4. LEI shall provide to counsel for Rogers a true copy of a written consent or minutes of a Board meeting of LEI approving the above terms promptly but no later than Monday, August 17, 2015. Failure to timely provide the consent shall nullify and void this Amendment.

5. Except as set forth in this Amendment, the 2d LLA and the 2d Note shall remain in full force and effect with no other modifications or amendments.
6. In entering into this Amendment, Rogers expressly does not waive any past events of default by LEI, and expressly retains her right to pursue her remedies for those defaults if and when she so chooses.

This Amendment is intended to be a part of the 2d LLA and the 2d Note (and all of the other Loan Documents), effective as of August 12, 2015.

LEI and Rogers have duly executed this Amendment as of this 12th day of August, 2015.

Lucas Energy, Inc.

By: /s/ Anthony C. Schnur
Anthony C. Schnur, Chief Executive
Officer

/s/ Louise H. Rogers/by Sharon E. Conway as attorney-in-fact
Louise H. Rogers, as her separate property/By Sharon E.
Conway as her attorney-in-fact

*Amendment Dated August 12, 2015, to the Second Amended Letter Loan Agreement
And the Second Amended Promissory Note, Both Dated November 13, 2014
Rogers-LEI/August 12, 2015*

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CERTIFICATION

I, Anthony C. Schnur, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2015, of Lucas Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Anthony C. Schnur

Anthony C. Schnur
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lucas Energy, Inc. on Form 10-Q for the three months ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony C. Schnur, Chief Executive Officer and Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2015

/s/ Anthony C. Schnur

Anthony C. Schnur
Chief Executive Officer and Acting Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.



Contacts: Carol Coale / Ken Dennard
Dennard ▪ Lascar Associates LLC
(713) 529-6600

FOR IMMEDIATE RELEASE

**LUCAS ENERGY ANNOUNCES FISCAL 2016
FIRST QUARTER FINANCIAL RESULTS**

HOUSTON, TEXAS – August 14, 2015-- Lucas Energy, Inc. (NYSE MKT: LEI)(“Lucas” or the “Company”), an independent oil and gas company with its main operations in Texas, today announced its financial results for its fiscal 2016 first quarter, the three months ended June 30, 2015, and the filing of its Quarterly Report on Form 10-Q.

“Significant flooding in June hampered our production results during the quarter as certain locations had to be shut in,” said Anthony C. Schnur, Chief Executive Officer of the Company. “As a result, our average daily production rate declined by about 30% in the month of June. Today, those wells have returned to full production, and we are currently producing at pre-flood levels in the range of 140 – 150 gross barrels of oil per day. Despite the lost production during the quarter, we reduced our net loss by approximately \$220,000 when compared to the same period last year, an improvement of almost 18%. This is a direct result of our success in managing our cost structure, and a reduction in our lease operating costs and general and administrative expenses of 64% and 36%, respectively. Since the end of fiscal 2013, the Company has reduced annual G&A and operating expenses by approximately 64% and 81%, respectively, or nearly \$9 million on a combined basis.”

“Separately, we extended the due date of our senior loan by 30 days, provided that such loan remains in default. Since we reported our fiscal 2015 annual results last month, crude oil prices have plummeted once again below the \$50 per barrel mark. However, we are seeing a changing tide in the marketplace with regards to transactions and consolidations, and we are encouraged by recent discussions with third parties who have expressed an interest in potential business combinations and financing alternatives, provided that we have not entered into any definitive agreements or understandings in connection therewith to date. The current commodity price environment may require that we maintain our drilling inventory while seeking to create value through mergers and acquisitions.”

Fiscal 2016 First Quarter Results

For the three months ending June 30, 2015, Lucas reported a fiscal first quarter net loss of \$1.0 million, or (\$0.73) per common share, which was a 17.7% improvement over the \$1.3 million net loss, or (\$0.96) per share, for the same three month period last year. This improvement reflected a decrease in operating expenses of approximately \$0.8 million, partially offset by a decline of approximately \$0.5 million in sales revenues. The loss per share in both quarters has been adjusted for our 1-for-25 reverse stock split which was effected on July 15, 2015, which reduced the number of our outstanding common shares from 36,354,973 to 1,454,261.

Total revenues from crude oil and natural gas sales for the quarter ended June 30, 2015 decreased by 58.2% to \$0.4 million compared to \$0.9 million for the same period a year ago, but rose 2.7% sequentially from the fourth quarter. The year-over-year decline was primarily impacted by a \$0.4 million drop in realized crude oil prices and a \$0.1 million decrease related to a decline in quarterly production volumes. Production volumes averaged 77 net barrels of oil equivalent (BOE) per day during the three months ended June 30, 2015. The lower production was partially attributable to certain wells that were shut-in for a period of over two months, following severe flooding conditions that impacted most of south and central Texas. Production was also impacted by high decline rates in workover drilling and lateral programs when compared to the same period last year.

Lease operating expenses of \$0.2 million for the quarter ended June 30, 2015 decreased \$0.3 million, or 64%, from \$0.5 million for the same period a year ago, principally due to less production related to reduced flood-related drilling activity and ongoing efforts to improve operating efficiencies and cost reductions. General and administrative expenses decreased approximately \$0.3 million or 36% for the quarter ended June 30, 2015 as compared to the prior year’s first quarter primarily due to restructured employee responsibilities and improved operating efficiencies.

Depreciation, depletion, amortization and accretion (DD&A) expenses for the quarter ended June 30, 2015 decreased \$0.1 million, or 30%, to \$0.3 million from \$0.4 million for the same period a year ago. The decrease was primarily due to the shut-in production volumes and the

higher front-end production rates from our workover and lateral programs in the same period last year.

Other Events During and Subsequent to the Quarter

As we have previously disclosed, we executed a Settlement Agreement with Victory Energy Corporation (“Victory”) on June 24, 2015, which terminated our prior proposed business combination. As part of this agreement, we exchanged working interests in certain oil and gas properties and issued Victory approximately 1.1 million shares (or 44,070 shares post-reverse stock split) to satisfy the \$600,000 owed to Victory under our Loan Agreement.

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”), 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, but not any contractual obligations relating to the associated wellbores or production. The total purchase price paid to us for the purchase was approximately \$350,000. Earthstone has also agreed to pay us approximately \$54,000 in connection with the terms of a participation agreement covering certain leases and title issues in Karnes County.

On July 27, 2015, we moved our corporate headquarters to 450 Gears Road, Suite 780, Houston, TX 77067 reducing our monthly rent expense by more than 50%.

SELECTED FINANCIAL DATA**Fiscal First Quarter Ending:**

(\$ in thousands)	June 30, 2015	June 30, 2014
Net Operating Revenues	\$394	\$942
Operating Expenses		
Lease Operating Expenses	163	453
G&A	550	861
Other Operating Expenses	313	464
Total Operating Expense	<u>1,026</u>	<u>1,778</u>
Interest Expense & Other	(400)	(418)
Income (loss) before Income Taxes	<u>(1,032)</u>	<u>(1,254)</u>
Provision for income taxes	0	0
Net Loss	<u><u>(\$1,032)</u></u>	<u><u>(\$1,254)</u></u>

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 updated 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. 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-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>.