

June 29, 2011



Lucas Energy Releases 2011 Fiscal Year End Financial and Operating Results

HOUSTON, June 29, 2011 (GLOBE NEWSWIRE) -- Lucas Energy, Inc. (NYSE Amex:LEI) an independent oil and gas company (the "Company"), reported today that it has filed with the Securities and Exchange Commission its Annual Report on Form 10-K for the fiscal year ended March 31, 2011 ("Annual Report") earlier today. A copy of Lucas's management's discussion and analysis ("MD&A") and supplemental information (reserves information) to consolidated financial statements, which are included in the Annual Report, are set forth below and can be obtained along with the rest of the Annual Report on the SEC's website at www.sec.gov.

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

Overview

Lucas Energy, Inc., a Nevada corporation, is an emerging independent oil and gas company based in Houston, Texas. Lucas Energy, Inc. together with its subsidiary (collectively, the "Company," "Lucas," "Lucas Energy," or "we") acquires oil and gas properties and develops, produces and markets crude oil and natural gas from various known prolific and productive geological formations, including the Austin Chalk, Eagle Ford and Buda Formations, primarily in Gonzales, Wilson, Karnes and Atascosa Counties south of the City of San Antonio in South Texas and McKinley County in New Mexico. Our goal is to become a recognized player in the development and production of crude oil and natural gas in established oil fields.

The Company's strategy is twofold:

We focus on building and developing a portfolio of oil and gas assets by acquiring

To efficiently pave the way towards growth, we enter into joint ventures, farm-outs

Our fiscal year ends on the last day of March of the calendar year. We refer to the twelve-month period ended March 31, 2011 as our 2011 fiscal year.

At March 31, 2011, the Company's total gross surface developed and undeveloped acreage in the State of Texas approximated 19,900 acres and total net developed and undeveloped acreage as measured from the land surface to the bottom of the Austin Chalk Formation approximated 14,900 acres and from the base of the Austin Chalk downward approximated 4,600 acres. The Eagle Ford formation can be found in approximately 4,400 net acres of the total net acreage below the Austin Chalk. At March 31, 2011, the Company's total developed and undeveloped acreage in the State of New Mexico approximated 13,705 acres

and 1,036 net. We currently operate 56 producing wells in the State of Texas that produce approximately 155 to 170 barrels of oil per day (BOPD), gross, and 115 to 130 BOPD, net. The ratio between the gross and net production varies from period to period as we have different working interests and net revenue interests in different wells. An affiliate of Hilcorp Energy Corporation operates two Eagle Ford horizontal wells, in each of which we have an 11% net revenue interest. The wells exhibited initial production of approximately 1,000 gross BOPD. We expect the two wells to average approximately 400 gross BOPD, or 44 net BOPD to Lucas, for the rest of the calendar year. Our oil production sales totaled 39,143 barrels of oil equivalent (Boe), net to our interest for our fiscal year ended March 31, 2011. We operate a majority of our oil and gas properties. Our working and royalty interests vary at different fields and for different formations in our oil and gas properties.

At March 31, 2011, Lucas Energy's total estimated net proved reserves were 2.9 million Boe, of which 2.8 million barrels (Bbls) were crude oil and 843.2 million cubic feet (MMcf) were natural gas reserves, and Lucas Energy's total estimated net probable reserves were 1.5 million Boe, of which 1.3 million Bbls were crude oil reserves, and 809.6 MMcf were natural gas reserves (see Supplemental Information to Consolidated Financial Statements). As of March 31, 2011, Lucas employed 12 full-time employees. We also utilized about 10 contractors on an "as-needed" basis to carry out various functions of the Company, including but not limited to field operations, land administration and information technology maintenance. With the successful implementation of our business plan, we may seek additional employees in the near future to handle anticipated potential growth.

Operations

Several important developments have occurred since March 31, 2010, our prior year fiscal year end.

Increased Crude Oil and Natural Gas Sales Volumes. During the year ended March 31, 2011, our crude oil sales volumes increased to 37,687 Bbls or 103 BOPD from 26,858 Bbls, or 74 BOPD, during our prior fiscal year, an increase of 29 BOPD, or 39%. A majority of our crude oil sales volumes came from production from the Austin Chalk formation, and we are the operator of these wells. Included in the current fiscal year's sales volumes were 1,995 Bbls from two Eagle Ford wells operated by Hilcorp as a result of the farm-out agreement further described below.

At March 31, 2011, our crude oil inventory in the field tanks totaled approximately 8,300 Bbls net to Lucas as compared to approximately 4,200 Bbls net at March 31, 2010. The buildup in field tanks was due primarily to increased production, the shortage of oil trucks in the area and some of the tanks not filled to a capacity which would justify a load up by the trucking company. To remedy the situation, Lucas has engaged a local logistics company to expedite the trucking of oil in the field tanks to market. As of May 31, 2011, our crude oil inventory in field tanks totaled approximately 7,400 Bbls net.

In November 2010, Lucas acquired an interest in the ARCO Fee A-908 No.1 well from an independent operator. The well was shut in at the time of the acquisition, and Lucas put the well back on production as a natural gas well producing from the Austin Chalk formation. The aggregate gross production for the months of January through March 2011 was approximately 7,800 Mcf of natural gas and 300 Bbls of condensate. Currently, the well is producing approximately 300 Mcf of natural gas per day gross, or approximately 170 Mcf of

natural gas per day, net to Lucas.

Increased Proved Reserves. Our estimated net proved crude oil and natural gas reserves at March 31, 2011 and 2010 were approximately 2.9 million Boe and approximately 2.0 million Boe, respectively, an increase of 0.9 million Boe or 45%. Crude oil reserves increased approximately 0.8 million Bbls or 41% and natural gas reserves increased 812.1 MMcf to 843.2 MMcf. Using the average monthly crude oil price of \$78.07 per Bbl and natural gas price of \$3.12 per Mcf for the twelve months ended March 31, 2011, our estimated discounted future net cash flow (PV10) before tax expense for our proved reserves was approximately \$56.5 million, an increase of \$9.0 million or 19% from a year ago using the same pricing methodology. Using a March 2011 crude oil price of \$96.10 per barrel and natural gas price of \$4.00 per Mcf, the estimated discounted net cash flow (PV10) before tax expense for our proved reserves was approximately \$109.0 million. Oil and natural gas prices have historically been volatile and such volatility can have a significant impact on our estimates of proved reserves and the related PV10 value.

Our estimated net probable crude oil and natural gas reserves at March 31, 2011 and 2010 were approximately 1.5 million Boe and 0.7 million Boe. Using the average monthly crude oil price of \$78.07 per Bbl and natural gas price of \$3.12 per Mcf for the twelve months ended March 31, 2011, our estimated discounted future net cash flow (PV10) before tax expense for our probable reserves was approximately \$7.3 million. Using a March 2011 crude oil price of \$96.10 per barrel and natural gas price of \$4.00 per Mcf, the estimated discounted net cash flow (PV10) before tax expense for our probable reserves was approximately \$17.2 million. Oil and natural gas prices have historically been volatile and such volatility can have a significant impact on our estimates of probable reserves and the related PV10 value.

For additional information about our reserves, see "Supplemental Information to Consolidated Financial Statements."

Eagle Ford Joint Venture Agreements. During the current year, Lucas entered into two separate purchase and sale agreements to convey a portion of its leasehold interest in the rights below the base of the Austin Chalk formation, which is also the top of the Eagle Ford formation, and deeper (the Deep Rights) for the development of the Eagle Ford. In both agreements, Lucas retained all of its rights above the base of the Austin Chalk formation, all current production, all equipment and well bores, and well bore production rights to certain specific wells drilled below the Austin Chalk formation.

The first agreement was entered into during the first quarter of the fiscal year with Hilcorp Energy I, LP, an affiliate of Hilcorp Energy Company, one of the largest privately-owned oil and gas companies in the United States. Under the terms of the agreement, Hilcorp acquired 85% of the Deep Rights to our leases only in Gonzales County for cash consideration plus carrying Lucas for 15% to the tanks for the first two Eagle Ford wells drilled. Hilcorp completed the two horizontal wells in the fourth quarter of the current year. The second agreement was entered into during the fourth quarter of the current year with a subsidiary of Marathon Oil Corporation, Marathon Oil (East Texas) LP, whereby Marathon acquired 50% of the Deep Rights to our leases only in Wilson County for cash consideration. The total net proceeds from the two transactions were \$10.7 million, all of which was treated as a reduction in the carrying value of the Company's oil and gas properties. The property interests conveyed had an estimated acquisition cost of approximately \$1.5 million.

The Company uses the Full Cost Method of accounting for its oil and gas properties. Under this method, net proceeds from the sale of oil and gas properties, among other items are, in most circumstances, treated as a reduction to the capitalized costs of oil and gas properties on the Consolidated Balance Sheets. Another commonly used and acceptable method of accounting for oil and gas properties is the Successful Efforts Method. Under the Successful Efforts Method, the sale of a part of a proved property would be accounted for as the sale of an asset, and a gain or loss could be recognized. Therefore, the accounting for the transaction described above would differ for a company following the Full Cost method versus a company utilizing the Successful Efforts method of accounting for oil and gas properties.

On June 1, 2011, Marathon Oil Corporation announced in a press release that it planned to buy acreage in the Eagle Ford held by Hilcorp Resources, an affiliate of Hilcorp Energy Company, in a transaction valued at approximately \$3.5 billion. It was reported in the media (which we cannot confirm or verify) that Marathon would essentially be paying approximately \$21,000 to \$25,000 per acre in the Eagle Ford. Lucas is a joint venture partner with Hilcorp in the Eagle Ford trend in Gonzales County and with Marathon in Wilson County pursuant to the aforementioned agreements. Hilcorp is expected to continue as operator for another six months. Management expects development of the Eagle Ford acreage in which Lucas has interests to move forward since the press releases filed by Marathon indicated that Marathon will increase the number of drilling rigs from six to twenty.

Major Expenditures. The table below sets out the major components of our expenditures for the years ended March 31, 2011 and 2010:

2011	2010	
Additions to Oil and Gas Properties (Capitalized)		
	Acquisitions Using Cash	\$ 8,311,800
	Other Capitalized Costs (a)	4,631,400
	Subtotal	12,943,200
	Acquisitions Using Shares	503,200
	Other Non-Cash Acquisitions (b)	184,700
	Total Additions to Oil and Gas Properties	13,631,100
	Lease Operating Expenditures (Expensed)	1,700,600
	Severance and Property Taxes (Expensed)	202,700
		\$ 15,534,400
	General and Administrative Expense	\$ 2,933,900
	Share-Based Compensation (Non-Cash)	\$ 1,130,100

(a) Other capitalized costs include title related expenses and tangible and intangible

(b) Other non-cash acquisitions include assumption of note payable and discharge of

Project-Level Transactions. As we focus our efforts on increasing our production, we also continue to evaluate different possible project-level transactions. As an example, in April 2011, Lucas entered into a joint venture agreement with Seidler Oil & Gas, LP. Lucas will be the operator under the joint venture relationship, and expects to drill approximately eight new Austin Chalk wells, or new laterals in existing wells, during the 2011 calendar year. This joint venture is formed under standard industry terms, and will relate to both acreage currently held by Lucas, and newly acquired acreage. We intend to continue to enter into similar project-level transactions to exploit our oil and gas assets with varying degrees of potential.

Our Strategy

Building and developing under-developed properties. Acquisitions of oil and gas properties are a core part of our growth strategy. We do not acquire what the industry commonly refers to as "junk wells" which are wells that are worthless. We focus on acquiring shut-in wells that, in our assessment, have a high probability of additional recovery of reserves through our workover process or through the drilling of new laterals from old well bores. Specifically, we seek out opportunities to acquire wells located in mature oil fields that we believe are under-developed and have the potential to recover significant oil reserves that are still in place. The term "under-developed" is an industry term meaning that the reservoirs of interest have either not been fully exploited through drilling, or the reserves in current well bores, whether active or plugged and abandoned, have not been fully recovered by primary recovery techniques.

Most of the acquisition prospects on which we conduct initial screenings are sourced directly by our senior management or by specialized third-party consultants with local area knowledge. Some of the wells that we have acquired have reduced reservoir pressure or fluid entry restrictions which cause lower production rates, while other wells have experienced mechanical problems. Prospects that are of further interest to us after we complete our initial review, are evaluated for technical and economic viability. We target well acquisitions which we estimate to have the following:

good opportunity and the appropriate acreage to drill additional laterals,
payback period of less than 12 months, and
projected internal rate of return on capital invested which is accretive to earnings

Our workover procedure is directed toward bringing wells back into production or enhancing production through ordinary practices used in the oil and gas industry. Our workover procedures used on acquired wells include the installation of new or used equipment on the well; cleaning out the well or horizontal leg; treating the well with acid, soapy water, or proprietary chemicals sourced from third parties; re-entry of a plugged and abandoned well; and drilling of a new lateral, or lateral extension, on an existing well. Our well workover program enables us to hold leases for additional future development.

Additionally, we have conducted reservoir engineering on a program to drill new laterals from existing well-bores or offset locations that we have already leased. The purpose of these laterals are to provide more aerial access to the formation in order to increase the flow rate and to recover additional oil and gas reserves not recoverable from the existing vertical, straight holes.

Joint ventures, farm-outs and joint development arrangements. To efficiently pave the way towards growth, we plan to take advantage of our portfolio of geological formations under our leases. From time to time, we look for potential oil and gas business partners to provide expertise or financing to jointly develop our leases. This approach can be undertaken through an array of joint ventures, farm-outs and joint development arrangements to share costs, risks and benefits. We may enter into different arrangements, including but not limited to, farm-out, joint venture, drilling participation, limited partnership or any other suitable arrangement with respect to developing our properties and acquiring additional properties. Currently, we have joint venture agreements in place with several oil companies, including a major independent oil company, focused on the Eagle Ford formation.

Operations and Oil and Gas Properties

We operate in known productive areas; that is, we do not drill wildcat wells. Our holdings are found in a broad area of current industry activity in Gonzales, Wilson, Karnes and Atascosa Counties in Texas and McKinley County in New Mexico. In Texas, we concentrate on three vertically adjacent target formations: Austin Chalk, Eagle Ford, and Buda, listed in the order of increasing depth measuring from the land surface. Activity in this area has been uninterrupted since the late 1970's. 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 play. Lucas has logged the Eagle Ford, as well as the Austin and Buda, in multiple wells with modern technology shale logs. This advanced tool and analytical procedure allows detailed evaluation of the Eagle Ford formation. Lucas has successfully logged and tested several vertical wells in the Eagle Ford, and will include horizontal development drilling of the Eagle Ford in our future operations.

Austin Chalk. The Company's original activity started in Gonzales County by acquiring existing shut-in and stripper wells and improving production in those wells. Most of the wells had produced from the Austin Chalk. Our original approach was to open more of the Austin Chalk to the wellbore by drilling deeper into the formation and re-stimulating these wells. 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, highly-fractured intervals within the formation; and seismic data can be used to help identify these fractured zones. After discovery and development of the Austin Chalk formation in the Pearsall area in the 1950's, the Giddings field was rapidly exploited in the 1970's, which eventually expanded to include a long, narrow trend which extends from the Texas-Mexico border up through northeast Texas into Louisiana. Original drilling was done with vertical holes, but the current horizontal drilling techniques have greatly expanded development. We employ horizontal drilling in our ongoing Austin Chalk development.

Eagle Ford. Drilling activities by other operators over the recent years and the improvement in horizontal drilling, well stimulation, and completion technologies, have brought the Eagle Ford play to prominence as one of the foremost plays in the United States today. A few of the more active companies in this play include Apache Corporation, ConocoPhillips, EOG Resources, Inc., PetroHawk Energy and Pioneer Natural Resources. Initial results have been very promising and the area has good industry infrastructure and capacity.

On Lucas's leases, the Eagle Ford is a shale-like limestone with a high content of organic shale matter that directly underlies the Austin Chalk and is believed to be the primary source of oil and gas produced from the Austin Chalk. Reservoir thickness varies from approximately 80 feet in the shallower portions of the trend to more than 300 feet in the deeper areas. One of the more notable Eagle Ford producers is the #1 Domingo Torres well, originally completed in the Eagle Ford in 1977. This vertical well is positioned among Lucas's Gonzales County leases and has produced more than 140,000 barrels of oil.

Buda. The Buda limestone directly underlies the Eagle Ford. Its thickness varies from approximately 100 feet to more than 150 feet in this area. The Buda produces from natural fractures and matrix porosity and is prospective across this whole area. There are a number of Buda wells with cumulative production of more than 100,000 barrels of oil. Lucas has re-completed wells which previously produced from the Buda, and deepened and successfully completed other wells in the Buda. Future development plans include more of this type of

activity in both vertical and horizontal wells.

Our Strengths

We believe our strengths will help us successfully execute our business strategies:

We benefit from the increasing value, attention and activity in the Eagle Ford. Activity levels in the Eagle Ford continue to increase. It was reported at the May 2011 North American Petroleum Accounting Council meeting that the number of wells completed in the Eagle Ford increased from below 75 in 2009 to approximately 345 in 2010 and that the number of wells completed in the Eagle Ford for the first two months of 2011 was 116. We benefit from the increasing number of wells drilled and the corresponding data available from public and governmental sources. This activity and data have begun to define the geographic extent of the Eagle Ford formation, which we believe will assist us in evaluating future leasehold acquisitions and development operations. In addition, the leading operators in the Eagle Ford have developed drilling and completion technologies that have significantly reduced production risk and decreased per unit drilling and completion costs.

Our size, local knowledge and contacts allow us to pursue a broader range of acquisition opportunities. Our size provides us with the opportunity to acquire smaller acreage blocks that may be less attractive to larger operators in the area. Certain local landowners have expressed their preference to have Lucas operate on their properties rather than other companies. We believe that our acquisition of these smaller blocks will have a meaningful impact on our overall acreage position.

Experienced management team with proven acquisition, operating and financing capabilities. Mr. William A. Sawyer, our Chief Executive Officer, has 35 years of oil and gas experience; his operation experience includes ARCO, Houston Oil & Minerals, Superior Oil and ERCO. Mr. Sawyer is a registered professional engineer and is the founder of Exploitation Engineers, a petroleum consulting firm. He is complemented by Mr. K. Andrew Lai, our Chief Financial Officer, who has 24 years of upstream oil and gas industry finance experience. His career includes various finance managerial positions at EOG Resources, Inc. and UMC Petroleum Corp., which eventually merged into Devon Energy, Inc.

We essentially have no outstanding indebtedness and have the ability to generate funding through the sale of common and preferred stock. The Company has no material outstanding financing indebtedness. The Company currently has the ability (subject to certain requirements of Form S-3 and the amount of securities previously sold in primary offerings by the Company pursuant to Form S-3 in the last twelve calendar months) to register and sell additional shares of its common stock under a shelf registration. In addition, at Lucas's annual meeting of stockholders held on January 10, 2011, the stockholders approved an amendment to Lucas's Articles of Incorporation to authorize the Board of Directors to designate and issue shares of preferred stock. As a result of such amendment, the Board is permitted to issue up to 10,000,000 shares of preferred stock from time to time for any proper corporate purpose, including acquisitions of other businesses or properties and to raise additional capital with such terms and conditions as the Board may determine in its sole authority. The Company has not issued any shares of its preferred stock.

Results of Operations

The following discussion and analysis of the results of operations for each of the two fiscal years in the period ended March 31, 2011 should be read in conjunction with the consolidated financial statements of Lucas Energy and notes thereto beginning with page F-1. As used below, the abbreviations "Bbls" stands for barrels, "Mcf" for thousand cubic feet and "Boe" for barrels of oil equivalent.

We reported a net loss for the year ended March 31, 2011 of \$4.5 million, or \$0.31 per share. For the year ended March 31, 2010, we reported a net loss of \$2.3 million, or \$0.21 per share. Net loss increased by \$2.2 million year over year, primarily due to increased operating expenses, partially offset by increased operating revenues.

Net Operating Revenues

The following table sets forth the revenue and production data for continuing operations for the years ended March 31, 2011 and 2010:

	2011	2010	% Increase
Sale Volumes:			
Crude Oil (Bbls)	37,687	26,858	10,829
Natural Gas (Mcf)	8,737	5,849	2,888
Total (Boe)	39,143	27,833	11,310
Crude Oil (Bbls per day)	103	74	29
Natural Gas (Mcf per day)	24	16	8
Total (Boe per day)	107	77	30
Crude Oil in Tanks			
At End of Period (Bbls)	8,300	4,200	4,100
Average Sale Price:			
Crude Oil (\$/Bbl)	\$ 79.19	\$ 65.60	\$ 13.59
Natural Gas (\$/Mcf)	\$ 4.30	\$ 2.73	\$ 1.57
Net Operating Revenues:			
Crude Oil	\$ 2,984,504	\$ 1,761,782	\$ 1,222,722
Natural Gas	37,581	15,954	21,627
Total Revenues	\$ 3,022,085	\$ 1,777,736	\$ 1,244,349

Total crude oil and natural gas revenues for the year ended March 31, 2011 increased \$1,244,300, or 70%, to \$3,022,100 from \$1,777,700 for the same period a year ago, due primarily to a favorable crude oil volume variance of \$857,500 and a favorable crude oil price variance of \$365,000. The increase in crude oil volumes sold was due to higher production levels during the 2011 fiscal year as compared to the prior year was attributable to production from 10 newly acquired wells along with production from 12 successfully re-completed wells during the 2011 fiscal year.

Lucas recognizes oil and natural gas revenue under the sales method of accounting for its interests in producing wells as crude oil and natural gas is produced and sold from those wells. Costs associated with production are expensed in the period incurred. Crude oil produced but remaining as inventory in field tanks is not recorded in Lucas's financial statements. At March 31, 2011, our crude oil inventory in field tanks totaled approximately 8,300 Bbls net to Lucas as compared to approximately 4,200 Bbls net at March 31, 2010. The buildup in field tanks was due primarily to increased production, the shortage of

oil trucks in the area and some of the tanks not filled to a capacity which would justify a load up by the trucking company. To remedy the situation, Lucas has engaged a local logistics company to expedite the trucking of oil in the tanks to market.

Operating and Other Expenses

	Increase 2011	% 2010	(Decrease)
Lease Operating Expenses	\$ 1,700,576	\$ 1,048,333	\$ 652,243
Severance and Property Taxes	202,709	129,432	73,277
Depreciation, Depletion, and Amortization	1,291,581	787,340	504,241
General and Administrative	2,933,930	1,561,698	1,372,232
Share-Based Compensation	1,130,070	128,472	1,001,598
Interest Expense	262,144	301,787	(39,643)

Lease Operating Expenses. Lease operating expenses can be divided into the following categories: costs to operate and maintain Lucas's crude oil and natural gas wells, the cost of workovers and lease and well administrative expenses. Operating and maintenance expenses include, among other things, pumping services, salt water disposal, equipment repair and maintenance, compression expense, lease upkeep and fuel and power. Workovers are operations to restore or maintain production from existing wells. Each of these categories of costs individually fluctuates from time to time as Lucas attempts to maintain and increase production while maintaining efficient, safe and environmentally responsible operations. The costs of services charged to Lucas by vendors, fluctuate over time.

Lease operating expenses of \$1,700,600 for the year ended March 31, 2011 increased \$652,200, or 62%, from \$1,048,300 for the same period a year ago, primarily due to increased expenses associated with increased production including workover costs of \$303,400, treatment costs of \$121,200 and maintenance costs of \$126,800 along with higher fuel and water hauling costs of \$133,800 resulting from newly acquired and successfully completed wells, partially offset by a decrease in rental expense of \$43,400.

Depreciation, Depletion, Amortization and Accretion ("DD&A"). DD&A of the cost of proved oil and gas properties is calculated using the unit-of-production method. Under Full Cost Accounting, the amortization base is comprised of the total capitalized costs and total future investment costs associated with all proved reserves.

DD&A expenses for the year ended March 31, 2011 increased \$504,200, or 64%, to \$1,291,600 from \$787,300 for the same period a year ago. The increase was primarily due to increased production of 11,300 Boe and a higher unit DD&A rate. The corresponding increases in DD&A due to increased production and higher unit DD&A rate were \$499,300 and \$57,300, respectively. The unit DD&A rate increased to \$31.35 per Boe from \$26.28 per Boe due primarily to an increase in the future investment costs associated with the Company's proved undeveloped reserves for the year ended March 31, 2011 as compared to the same period a year ago.

General and Administrative Expenses. General and administrative expenses increased approximately \$1,372,200 for the year ended March 31, 2011 as compared to the prior year primarily due to an increase in professional fees, company payroll and investor relations expense of approximately \$660,100, \$337,400 and 252,400, respectively.

Share-Based Compensation. Share-based compensation, which is included in General and Administrative expense in the Consolidated Statements of Operations increased approximately \$1,001,600 for the year ended March 31, 2011 as compared to the prior year primarily due to an increase in share-based compensation paid to consultants of approximately \$517,300 and to officers and directors of approximately \$484,300. Share-based compensation is utilized for the purpose of conserving cash resources for use in field development activities and operations.

Interest Expense. Interest expense decreased by approximately \$39,600 due primarily to the May 2010 payment of the outstanding balance under the Amegy Credit Facility and termination of the related credit agreement.

Liquidity and Capital Resources

Cash Flow

The primary sources of cash for Lucas during the two-year period ended March 31, 2011 were funds generated from sales of crude oil and natural gas, proceeds from the sale of oil and gas properties, proceeds from short-term borrowings and proceeds from sale of shares of the Company's common stock. The primary uses of cash were funds used in operations, acquisitions of oil and gas properties and equipment, and repayments of debt.

Net cash used by operating activities was \$4,844,800 for the year ended March 31, 2011 as compared to net cash provided by operating activities of \$1,246,200 for the same period a year ago. The decrease in net cash provided by operating activities of \$6,091,000 primarily reflects an increase in cash operating expenses of \$2,097,800, and unfavorable changes in working capital and other assets and liabilities of \$5,369,800, partially offset by an increase in crude oil and natural gas revenues of \$1,244,300.

Net cash provided by investing activities of \$820,600 for the year ended March 31, 2011 increased by \$778,400 from \$42,200 for the same period a year ago due primarily to an increase in proceeds from the sale of oil and gas properties of \$12,131,500 and favorable changes in working capital associated with investing activities of \$282,200, partially offset by an increase in purchase of oil and gas property and equipment of \$11,462,700.

Net cash provided by financing activities of \$4,672,500 for the year ended March 31, 2011 included proceeds from the issuances of shares of our common stock of \$6,777,500, partially offset by the full repayment of the Amegy Bank Credit Facility of \$2,150,000. Cash provided by financing activities for the year ended March 31, 2010 included short-term borrowings of \$740,000 and proceeds from issuances of shares of our common stock of \$277,500, offset by the repayment of the Amegy Bank Credit Facility of \$500,000 and cash paid for deferred offering costs of \$119,900.

Financing

The Company has no material outstanding financing indebtedness. In connection with an oil and gas property acquisition, we assumed a note payable which had a balance on March 31, 2011 of approximately \$91,000. Lucas may also take action in the future to sell additional securities pursuant to shelf offerings, subject to the rules and regulations of the NYSE Amex and the requirements of Form S-3, which prohibit Lucas, until such time as the aggregate

market value of its voting and non-voting common equity held by non-affiliates (the Non-Affiliate Market Value) is \$75 million or more, if ever, from selling more than one-third of its Non-Affiliate Market Value in primary offerings pursuant to Form S-3 during any 12 calendar months. During the 12 months ended March 31, 2011, Lucas had sold \$10 million of securities in primary offerings pursuant to Form S-3 and had a Non-Affiliated Market Value of approximately \$50 to 60 million, allowing Lucas to sell approximately \$16.7 to \$20 million (i.e., one-third of such Non-Affiliate Market Value) in aggregate in any 12 month period under Form S-3. As a result, Lucas had the ability to sell approximately \$6.7 million to \$10 million of additional securities in primary offerings under Form S-3 as of March 31, 2011. In order to sell additional securities in primary offerings under Form S-3, Lucas will need to file and obtain effectiveness of a Form S-3 primary offering document and also file a prospectus supplement in connection therewith disclosing the material terms of the proposed offering transaction.

Additionally, at Lucas's annual meeting of stockholders held on January 10, 2011, the stockholders approved an amendment to Lucas's Articles of Incorporation to authorize the Board of Directors to designate and issue shares of preferred stock. As a result of such amendment, the Board is permitted to issue up to 10,000,000 shares of preferred stock from time to time for any proper corporate purpose, including acquisitions of other businesses or properties and the raising of additional capital. Lucas has no definitive plans to sell or issue preferred stock securities at this time. Currently, no shares of the Company's preferred stock are issued or outstanding.

Effective December 30, 2010 (the Closing Date), the Company sold an aggregate of 2,510,506 units pursuant to a Securities Purchase Agreement (the Purchase Agreement) to certain institutional investors (the Investors), each consisting of (a) one share of our common stock; (b) one Series B Warrant to purchase one share of our common stock at an exercise price of \$2.86 per share (the Series B Warrants); and (c) one Series C Warrant to purchase one share of our common stock at an exercise price of \$2.62 per share (the Series C Warrants and together with the Series B Warrants, the Warrants, and collectively with the shares of common stock, the Units). The Offering grossed almost \$6 million in cash and netted \$5.5 million after expenses.

The Units were offered through a Prospectus Supplement (Supplement No. 2) filed with the Securities and Exchange Commission on December 30, 2010 and accompanying base prospectus (the Prospectus Supplement) filed in connection with the Company's Form S-3 shelf registration statement previously filed with the Securities and Exchange Commission on December 31, 2009, which registered an aggregate of \$10,000,000 in securities (the Shelf Registration). The Company originally believed on the Closing Date and at the time of the filing of the Prospectus Supplement, that the Shelf Registration had sufficient capacity to cover and register all of the shares of common stock sold in connection with the Units, all of the Series B Warrants, all of the Series C Warrants, and warrants to purchase 150,630 shares of our common stock granted to the placement agent (the Agent Warrants), and all of the shares of common stock issuable upon the exercise of such warrants in the Prospectus Supplement. However, the Company subsequently determined that this was not the case. Specifically, the Company later determined that the Shelf Registration only had sufficient capacity to cover and register the 2,510,506 shares of common stock included in the Units and 941,053 shares out of the 2,510,506 shares of common stock issuable under the Series C Warrants and such warrants on the Prospectus Supplement (the Shelf

Registered Warrants). The Company subsequently filed a Form S-3 resale Registration Statement to register the shares of common stock underlying the Class B Warrants and those Class C Warrants not registered in the Shelf Registration (see also "We may continue to have potential liability pursuant to the terms of the Purchase Agreement, even though our recently filed Form S-3 Registration Statement was declared effective" under Risk Factors herein).

During the year ended March 31, 2011, we raised \$1.2 million, net to Lucas through an "at-the-market" ("ATM") public equity offering in which we sold 778,170 newly issued shares of common stock from our effective S-3 shelf registration statement.

We anticipate that cash flows from operating activities; cash on hand at March 31, 2011; future equity placements under our S-3 shelf registration statement through an ATM public offering(s) or registered direct placement(s); and/or other debt or equity placements will be sufficient to fund our operating and administrative requirements for the 2012 fiscal year. Additionally, we expect to fund our 2012 fiscal year oil and gas capital expenditure requirements through a combination of cash on hand, sales of additional properties; joint venture arrangements, working interest participants' buy-in to existing wells and programs, and other sources of capital, such as private equity and debt placements, public offerings, and traditional reserve-based financing and credit facilities.

We currently have no definitive agreements or arrangements for additional funding, other than rights we may have under the Series C Warrants (described under Note 9 to the Consolidated Financial Statements), subject to certain conditions being met for such exercises, and our other outstanding warrants. Future financings could result in significant dilution to our shareholders or may not be available on acceptable terms in the time frame necessary, or may not be available or acceptable to us at all.

Contractual Obligations

At March 31, 2011, Lucas did not have any drilling, drilling rig or related commitments. The following table summarizes Lucas's contractual obligations at March 31, 2011:

		Years Ended March 31	
Contractual Obligations	Total	2012	2013 - 2014
Current and Long-Term Debt	\$ 90,841	\$ 30,727	\$ 60,114
Non-Cancelable Operating Leases	92,348	82,320	10,028
Interest Payments on Long-Term Debt	15,757	9,247	6,510
Total Contractual Obligations	\$ 198,946	\$ 122,294	\$ 76,652

Off-Balance Sheet Arrangements

Lucas does not participate in financial transactions that generate relationships with unconsolidated entities or financial partnerships. Such entities or partnerships, often referred to as variable interest entities (VIE) or special purpose entities (SPE), are generally established for the purpose of facilitating off-balance sheet arrangements or other limited purposes. Lucas was not involved in any unconsolidated VIE or SPE financial transactions or any other "off-balance sheet arrangement" (as defined in Item 303(a)(4)(ii) of Regulation S-K) during any of the periods covered by this report, and currently has no intention of participating in any such transaction or arrangement in the foreseeable future.

Critical Accounting Policies

Lucas prepares its financial statements and the accompanying notes in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions about future events that affect the reported amounts in the financial statements and the accompanying notes. Lucas identifies certain accounting policies as critical based on, among other things, their impact on the portrayal of Lucas's financial condition, results of operations or liquidity, and the degree of difficulty, subjectivity and complexity in their deployment. Critical accounting policies cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. Management routinely discusses the development, selection and disclosure of each of the critical accounting policies. Following is a discussion of Lucas's most critical accounting policies:

Proved Oil and Gas Reserves

Lucas's independent petroleum consultants estimate proved oil and gas reserves, which directly impact financial accounting estimates, including depreciation, depletion and amortization. Proved reserves represent estimated quantities of crude oil and condensate, natural gas liquids and natural gas that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under economic and operating conditions existing at the time the estimates were made. The process of estimating quantities of proved oil and gas reserves is very complex, requiring significant subjective decisions in the evaluation of all available geological, engineering and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions (upward or downward) to existing reserve estimates may occur from time to time. For related discussion, see ITEM 1A. Risk Factors.

Oil and Gas Properties, Full Cost Method

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

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

method. Sales of oil and natural gas properties are accounted for as adjustments to the net full cost pool with no gain or loss recognized, unless the adjustment would significantly alter the relationship between capitalized costs and proved reserves.

Ceiling Test

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. If capitalized costs exceed this limit, the excess is charged as an impairment expense.

Share-Based Compensation

In accounting for share-based compensation, judgments and estimates are made regarding, among other things, the appropriate valuation methodology to follow in valuing stock compensation awards and the related inputs required by those valuation methodologies. Assumptions regarding expected volatility of Lucas's common stock, the level of risk-free interest rates, expected dividend yields on Lucas's stock, the expected term of the awards and other valuation inputs are subject to change. Any such changes could result in different valuations and thus impact the amount of share-based compensation expense recognized in the Consolidated Statements of Operations.

SUPPLEMENTAL INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS

NET PROVED RESERVE SUMMARY

All of the Company's reserves are located in the United States. The following table sets forth Lucas's net proved reserves, including proved developed and proved undeveloped reserves, at March 31 for each of the three years in the period ended March 31, 2011, and the changes in the net proved reserves for each of the two years in the period ended March 31, 2011, as estimated by the international petroleum consulting firm Forrest A. Garb & Associates, Inc.:

NET PROVED RESERVES

March 31,	2011	2010
Crude Oil (Bbls)		
Net proved reserves at beginning of year	1,970,230	2,238,860
Revisions of previous estimates	(499,873)	(389,520)
Purchases in place	208,040	694,610
Extensions, discoveries and other additions	1,464,040	47,510
Sales in place	(336,550)	(595,630)
Production	(37,687)	(25,600)
Net proved reserves at end of year	2,768,200	1,970,230
Natural Gas (Mcf)		
Net proved reserves at beginning of year	31,170	67,510
Revisions of previous estimates	37,187	(30,490)

Purchases in place	126,200	--
Extensions, discoveries and other additions	657,430	--
Sales in place	--	--
Production	(8,737)	(5,850)
Net proved reserves at end of year	843,250	31,170
Oil Equivalentents (Boe)		
Net proved reserves at beginning of year	1,975,425	2,250,112
Revisions of previous estimates	(493,675)	(394,602)
Purchases in place	229,073	694,610
Extensions, discoveries and other additions	1,573,612	47,510
Sales in place	(336,550)	(595,630)
Production	(39,143)	(26,575)
Net proved reserves at end of year	2,908,742	1,975,425

During the year ended March 31, 2011, Lucas added 1,573,612 Boe of proved reserves primarily in the Eagle Ford and Austin Chalk formations. Approximately 93% of the reserve additions were crude oil. Sales in place of 336,550 Boe were primarily related to farmouts of the Eagle Ford formation. See Note 4.

During the year ended March 2010, Lucas added 47,510 Boe of proved reserves primarily in the Austin Chalk formation. All of the reserve additions were crude oil. Sales in place of 595,630 Boe were primarily related to the 2009 II and 2009 III joint ventures. See Note 4.

The following table sets forth Lucas's net proved developed, net proved undeveloped and net probable undeveloped reserves at March 31, 2011 and 2010:

At March 31,	2011	2010
Net Proved Developed Reserves		
Crude Oil (Bbls)	106,960	73,010
Natural Gas (Mcf)	73,820	11,760
Oil Equivalentents (Boe)	119,263	74,970
Net Proved Undeveloped Non-Producing Reserves		
Crude Oil (Bbls)	--	63,540
Natural Gas (Mcf)	--	19,410
Oil Equivalentents (Boe)	--	66,775
Net Proved Undeveloped Reserves		
Crude Oil (Bbls)	2,661,240	1,833,680
Natural Gas (Mcf)	769,430	--
Oil Equivalentents (Boe)	2,789,478	1,833,680
Net Proved Reserves		
Crude Oil (Bbls)	2,768,200	1,970,230
Natural Gas (Mcf)	843,250	31,170
Oil Equivalentents (Boe)	2,908,742	1,975,425
Net Probable Undeveloped Reserves		
Crude Oil (Bbls)	1,334,800	680,770
Natural Gas (Mcf)	809,630	--
Oil Equivalentents (Boe)	1,469,738	680,770
Net Proved and Probable Reserves		
Crude Oil (Bbls)	4,103,000	2,651,000
Natural Gas (Mcf)	1,652,880	31,170
Oil Equivalentents (Boe)	4,378,480	2,656,195

For the year ended March 31, 2011, total proved undeveloped reserves (PUDs) increased by 955,798 Boe to 2,789,478 Boe. The proved undeveloped reserve additions were primarily in the Eagle Ford and approximately 87% of the additions were crude oil. During the year ended March 31, 2011, Lucas drilled and transferred 144,530 Boe of PUDs and 40,590 Boe of proved developed non-producing reserves at March 31, 2010 to proved developed reserves at a total capital cost of \$1.8 million.

Lucas does not have a material amount of reserves that have remained undeveloped for five years or more.

Our reserves concentrate mainly in the Austin Chalk and Eagle Ford Formations. At March 31, 2011, Lucas's net proved reserves at the Austin Chalk and Eagle Ford Formations were 1.45 million Boe, or 49.7%, and 1.42 million Boe, or 49.0%, out of the total net proved developed and undeveloped reserves of 2.91 million Boe. Lucas's net probable reserves comprised of probable reserves in the Eagle Ford Formation only.

The following table sets forth Lucas's net reserves in Boe by reserve category and by formation at March 31, 2011 and 2010:

	Proved Proved Developed	Developed Non-Producing	Proved Undeveloped	P
Austin Chalk				
At March 31, 2011	51,725	--	1,394,110	
At March 31, 2010	50,980	66,385	844,390	
Eagle Ford				
At March 31, 2011	29,012	--	1,395,368	
At March 31, 2010	--	--	409,710	
Buda				
At March 31, 2011	2,120	--	--	
At March 31, 2010	4,740	--	579,580	
Other				
At March 31, 2011	36,407	--	--	
At March 31, 2010	19,250	390	--	
Total				
At March 31, 2011	119,263	--	2,789,478	
At March 31, 2010	74,970	66,775	1,833,680	

Capitalized Costs Relating to Oil and Gas Producing Activities. The following table sets forth the capitalized costs relating to Lucas's crude oil and natural gas producing activities at March 31, 2011 and 2010:

At March 31,	2011	2010
Proved leasehold costs	\$ 6,043,061	\$ 11,196,467
Costs of wells and development	17,504,183	13,243,507
Capitalized asset retirement costs	305,646	259,748
Total cost of oil and gas properties	23,852,890	24,699,722
Oil and gas properties not subject to amortization	797,950	--
Accumulated depreciation and depletion	(3,709,719)	(2,482,433)
Net Capitalized Costs	\$ 20,941,121	\$ 22,217,289

Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities. The following table sets forth the costs incurred in Lucas's oil and gas property acquisition, exploration and development activities for the years ended March 31, 2011 and 2010:

2011	2010	
Acquisition of properties		
Proved	\$ 8,201,711	\$ 2,459,895
Unproved	797,950	--
Exploration costs	--	--
Development costs	4,631,412	920,883
Total	\$13,631,073	\$ 3,380,778

Results of Operations for Oil and Gas Producing Activities. The following table sets forth the results of operations for oil and gas producing activities for the years ended March 31, 2011 and 2010:

2011	2010	
Crude oil and natural gas revenues	\$ 3,022,085	\$ 1,777,7
Production costs	(1,903,285)	(1,177,
Depreciation and depletion	(1,227,286)	(760,
Results of operations for producing activities, excluding corporate overhead and interest costs	\$ (108,486)	\$ (160,88.

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves. The following information has been developed utilizing procedures prescribed by ASC Topic 932 and based on crude oil and natural gas reserves and production volumes estimated by the independent petroleum consultants of Lucas. The estimates were based on a 12-month average for commodity prices for the years ended March 31, 2011 and 2010. The following information may be useful for certain comparison purposes, but should not be solely relied upon in evaluating Lucas or its performance. Further, information contained in the following table should not be considered as representative of realistic assessments of future cash flows, nor should the Standardized Measure of Discounted Future Net Cash Flows be viewed as representative of the current value of Lucas.

The future cash flows presented below are based on sales prices, cost rates and statutory income tax rates in existence as of the date of the projections. It is expected that material revisions to some estimates of crude oil and natural gas reserves may occur in the future, development and production of the reserves may occur in periods other than those assumed, and actual prices realized and costs incurred may vary significantly from those used.

Management does not rely upon the following information in making investment and operating decisions. Such decisions are based upon a wide range of factors, including estimates of probable and possible as well as proved reserves, and varying price and cost assumptions considered more representative of a range of possible economic conditions that may be anticipated.

The following table sets forth the standardized measure of discounted future net cash flows from projected production of Lucas's oil and gas reserves as of March 31, 2011 and 2010:

At March 31,

Futu
Futur
Fu
Discount to present value
Standardized measure of discounted future net cash flows relating to proved oil

Company Website: www.lucasenergy.com

Forward-Looking Statement

This Press Release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Act") and Section 21E of the Securities Act of 1934, as amended (the "Exchange Act"). In particular, the words "believes," "expects," "intends," "plans," "anticipates," or "may," and similar conditional expressions are intended to identify forward-looking statements and are subject to the safe harbor created by these Acts. Any statements made in this news release about an action, event or development, are forward-looking statements. Such statements are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that its forward-looking statements will prove to be correct. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. Statements regarding future drilling and production are subject to all of the risks and uncertainties normally incident to the exploration and development of oil and gas. These risks include, but are not limited to, completion risk, dry hole risk, price volatility, reserve estimation risk, regulatory risk, potential inability to secure oilfield service risk as well as general economic risks and uncertainties, as disclosed in the Company's SEC filings. 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 or those prepared by third parties that are not paid by the Company. The Company's SEC filings are available at <http://www.sec.gov>.

The Lucas Energy logo is available at <https://www.globenewswire.com/newsroom/prs/?pkgid=4192>

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Image: company logo

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