August 15, 2011

Lucas Energy Releases First Quarter 2012 Fiscal Year Financial and Operating Results

HOUSTON, Aug. 15, 2011 (GLOBE NEWSWIRE) -- Lucas Energy, Inc. (NYSE Amex:LEI) an independent oil and gas company (the "Company" or "Lucas"), reported today that it has filed with the Securities and Exchange Commission its Quarterly Report on Form 10-Q for the three months ended June 30, 2011 (the "Quarterly Report") earlier today. A copy of Lucas's management's discussion and analysis ("MD&A"), which is included in the Quarterly Report, is set forth below and can be obtained along with the rest of the Quarterly Report at the Corporation's website at www.lucasenergy.com and on the SEC's website at www.sec.gov.

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

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this report, and 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, 2011 ("2011 Annual Report) and related discussion of our business and properties contained therein. The terms "Company," "Lucas Energy," "Lucas," "we," "us" and "our" refer to Lucas Energy, Inc. and its subsidiary.

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, 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 what we believe are undervalued, underdeveloped and underperforming properties and for which we believe we can increase production economically and profitably. We do not operate in land not known to be a productive field; that is, we do not drill wildcat wells.
- To efficiently pave the way towards growth, we monetize and divest non-core oil and gas assets and enter into joint ventures, farm-outs and drilling arrangements with

select and reputable oil and gas companies to exploit the productive geological formations in our properties.

Our fiscal year ends on the last day of March of the calendar year. We refer to the twelve-month period ended March 31, 2012 as our 2012 fiscal year and the three months ended June 30, 2011 as our first quarter of fiscal year 2012.

Operations. During the first quarter of our fiscal year 2012, we continued our efforts on improving production from our existing Austin Chalk wells to capitalize on their underlying upside potential. Our efforts resulted in a substantial growth in our gross crude oil production. The Company's operated wells had a gross production increase of approximately 20% from June 2011 to July 2011. For the month of July, gross crude oil production was approximately 5,900 barrels (Bbls). Gross crude oil sale volumes are anticipated to be up approximately 26% in July versus June 2011. These figures do not include the non-operated Hagen Ranch Eagle Ford wells or any production which may have been produced while drilling the Rainey Unit No.1H well as described below. Gross crude oil production for the first four months of fiscal year 2012 (April 1st through July 31st), is currently anticipated to be reported 80% higher than for the same period last year. Again, these figures do not include production from the non-operated Hagen Ranch Eagle Ford wells.

To expedite the organic production growth of the Company, we prepared for our 2012 Austin Chalk horizontal well drilling program early in the first quarter of the 2012 fiscal year and in late June, commenced the program by drilling a new horizontal well, the Rainey Unit No.1H, in Gonzales County. A portion of the well is on the same lease as the two Hagen Eagle Ford No. 1H and No. 2H wells operated by Hilcorp Energy I, LP, an affiliate of Hilcorp Energy Company ("Hilcorp") in which we have a net revenue interest of approximately 11%. The Company plans to drill at least five new Austin Chalk horizontal wells and three new Austin Chalk laterals from old well bores during its 2012 fiscal year. In addition, the Hilcorp operated Eagle Ford program is anticipated to add another two to three wells during the same period. In early August 2011, the Rainey Unit No.1H started flowing oil and gas from the Austin Chalk formation as the well finished the curve before drilling the lateral portion of the well. Oil was flowing to the shaker tanks and gas was flaring to ten feet and more while Lucas completed the curve to go horizontal. Currently, the horizontal leg of the well is being drilled, and is expected to be some 4,000 feet in length. Seidler Oil and Gas is a joint venture partner with Lucas in this well. The Rainey Unit No.1H well is being drilled underbalanced. This means that the well may flow oil and gas while the horizontal leg is being drilled. This is common for the horizontal drilling of the Austin Chalk formation. Subsequent to completion of the Rainey Unit No.1H well, the Company intends to re-drill the lateral on the Milton Hines No.1 well; and to drill another new well on the Hagen Ranch lease. The Rainey Unit No.1H well is anticipated to add 100 barrels of oil per day or more to the gross production for the 2012 second fiscal quarter and the Milton Hines No.1 lateral re-drill is anticipated to add the same amount of gross production to the 2012 third fiscal quarter's totals.

We also benefited from higher oil prices during the 2012 first fiscal quarter. The Company received high crude oil prices of $113.00 per Bbl and $106.00 per Bbl for its May and June 2011 crude oil sales, respectively, from its properties in East Texas. Lucas operates two wells in East Texas and is seeking to expand its holdings there in the Austin Chalk formation. See Results of Operations below for more information.

Eagle Ford Acreage. The Company has been meeting with investment banking groups to discuss various possible future plans concerning its 4,400 net Eagle Ford acres. With a correlative value of $95 million, based on the publicly reported values of the Marathon Oil acquisition of the Hilcorp Eagle Ford acreage in June 2011 (about $4.20 per share fully diluted), the Company is considering different alternatives and strategies for the property, including but not limited to converting the position to cash and focusing on the development of the Austin Chalk reserves. Subject to market conditions and other factors, monetization of our Eagle Ford acreage may or may not result in the realization of the aforementioned correlative value.

Financial Strengths. The Company has no material outstanding financing indebtedness. In an effort to secure the funding for the capital expenditure program for the current fiscal year and to avoid the unpredictable nature of the financial market, the Company incentivized the institutional investors who purchased securities in the Company's December 2010 unit offering to exercise the Series C Warrants they purchased as part of the offering by entering into an amendment to the original Series C Warrant Agreement on July 18, 2011 (the "Amendment Agreement"). The expiration date for the Series C Warrants was August 3, 2011. Without changing the expiration date, the Amendment Agreement required the investors to exercise immediately 25% of the Series C Warrants they held and the Company to lower the exercise price of the Series C Warrants to $2.48 per share from the original exercise price of $2.62 per share. Pursuant to the Series C Warrant Agreement, as amended, the investors were required to exercise all of their remaining Series C Warrants if the closing bid price of the Company's stock was higher than the amended exercise price on August 3, 2011. Since the closing bid price on that date for the Company's stock was $2.51, all remaining Series C Warrants were exercised and a total of 2,510,506 shares of the Company's common stock were issued. Net proceeds to the Company from the exercises of the Series C Warrants were approximately $5.85 million after deducting commission to the placement agent. The Company plans to use the net proceeds for general corporate purposes, including funding future capital expenditures.

Major Expenditures. The table below sets out the major components of our expenditures (including amounts capitalized) for the quarters ended June 30, 2011 and 2010:

	Three Months Ended June 30,	
	2011	**2010**
Additions to Oil and Gas Properties (Capitalized)		
Acquisitions Using Cash	$ 268,370	$ 3,468,428
Tangible and Intangible Drilling Costs and Title Related Expenses	614,019	1,093,561
Subtotal	882,389	4,561,989
Acquisitions Using Shares	441,000	12,040
Other Non-Cash Acquisitions (a)	--	3,461
Total Additions to Oil and Gas Properties	1,323,389	4,577,490
Lease Operating Expenditures (Expensed)	601,483	310,107
Severance and Property Taxes (Expensed)	59,775	38,301
	$ 1,984,647	$ 4,925,898
General and Administrative Expense (Cash)	$ 940,105	$ 582,496
Share-Based Compensation (Non-Cash)	$ 104,610	$ 11,920

(a) Other non-cash acquisitions include assumption of note payable and discharge of note receivable.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three-month periods ended June 30, 2011 and 2010 should be read in conjunction with the consolidated financial statements of Lucas Energy and notes thereto included in this Quarterly Report on Form 10-Q. As used below, the abbreviations "Bbls" stands for barrels, "Mcf" for thousand cubic feet and "Boe" for barrels of oil equivalent on the basis of six Mcf per barrel.

We reported a net loss for the three months ended June 30, 2011 of $1.1 million, or $0.06 per share. For the same period a year ago, we reported a net loss of $0.9 million, or $0.06 per share. Net loss increased by $0.2 million primarily due to increased operating expenses, partially offset by increased operating revenues.

The following table sets forth the operating results and production data for continuing operations for the three months ended June 30, 2011 and 2010.

	Three Months Ended June 30, 2011	2010	Increase	% Increase
Sale Volumes:				
Crude Oil (Bbls)	12,167	7,885	4,282	54%
Natural Gas (Mcf)	4,100	--	4,100	100%
Total (Boe)	12,850	7,885	4,965	63%
Crude Oil (Bbls per day)	134	87	47	54%
Natural Gas (Mcf per day)	45	--	45	100%
Total (Boe per day)	142	87	55	63%
Average Sale Price:				
Crude Oil ($/Bbl)	$ 98.99	$ 73.25	$ 25.74	35%
Natural Gas ($/Mcf)	$ 6.84	$ --	$ 6.84	100%
Net Operating Revenues:				
Crude Oil	$ 1,204,420	$ 577,540	$ 626,880	109%
Natural Gas	28,027	--	28,027	100%
Total Revenues	$ 1,232,447	$ 577,540	$ 654,907	113%

Oil and Gas Revenues

Total crude oil and natural gas revenues for the three months ended June 30, 2011 increased $0.7 million, or 113%, to $1.2 million from $0.6 million for the same period a year ago, due primarily to a favorable crude oil volume variance of $0.4 million and a favorable crude oil price variance of $0.2 million. The increase in crude oil volumes sold was due primarily to production from the two outside-operated Eagle Ford wells which contributed on the average 45 Bbls a day during the quarter.

Operating and Other Expenses

	Three Months Ended June 30, 2011	2010	Increase (Decrease)	% Incr(Decr)
Lease Operating Expenses	$ 601,483	$ 310,107	$ 291,376	94%
Severance and Property Taxes	59,775	38,301	21,474	56%
Depreciation, Depletion, and Amortization	407,933	212,109	195,824	92%
General and Administrative (Cash)	940,105	582,496	357,609	61%
Share-Based Compensation (Non-Cash)	104,610	11,920	92,690	778%
Interest Expense	3,487	261,212	(257,725)	-99%

Lease operating expenses increased $291,000 for the current quarter as compared to the prior year period principally due to higher work-over and treatment costs along with higher water hauling, maintenance, rental and labor costs resulting from increased production from newly acquired and successfully completed wells.

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

DD&A increased $196,000 primarily due to an increase in production for the current quarter ended June 30, 2011 totaling 4,965 barrels of oil equivalent in excess of the prior year period. The rate per BOE increased from $25.32 to $30.45.

General and Administrative Expenses

General and administrative expenses, including share-based compensation, increased $450,000 for the current quarter as compared to the prior year's quarter. The increase is primarily due to higher employee-related costs ($140,000), additional personnel ($78,000), increased investor relations expenditures ($59,000), higher legal fees ($34,000) and higher non-cash share-based compensation expenses related to share and option grants ($93,000).

Interest Expense

During the three months ended June 30, 2011, we incurred interest expense of $3,500 on a note assumed during a property acquisition. Interest expense of $261,000 for the three months ended June 30, 2010 was due primarily to our expensing the remaining unamortized balance of deferred financing costs originally incurred in connection with our credit facility with Amegy Bank, which we terminated and repaid in full during the three months ended June 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of cash for Lucas during the three months ended June 30, 2011 were funds generated from operations and proceeds from the sale of partial oil and gas interests. The primary uses of cash were funds used in operations and oil and gas property acquisitions. During the first quarter of our 2012 fiscal year, our cash balance decreased from $2.5 million to $0.8 million.

In an effort to secure the funding for the capital expenditure program for the current fiscal year and to avoid the unpredictable nature of the financial market, the Company incentivized the institutional investors who purchased securities in the Company's December 2010 unit offering to exercise the Series C Warrants they purchased as part of the offering by entering into an amendment to the original Series C Warrant Agreement on July 18, 2011 (the "Amendment Agreement"). The expiration date for the Series C Warrants was August 3, 2011. Without changing the original expiration date, the Amendment Agreement required the investors to exercise immediately 25% of the Series C Warrants they held and the Company to lower the exercise price to purchase a share of the Company's common stock to $2.48 per share from the original exercise price of $2.62 per share. Pursuant to the Series C Warrant Agreement, as amended, the investors were required to exercise all of their remaining Series C Warrants if the closing bid price of the Company's stock was higher than the amended exercise price on August 3, 2011. Since the closing bid price on that date for the Company's stock was $2.51, all remaining Series C Warrants were exercised. Net proceeds to the Company from the exercises of all of the 2,510,506 Series C Warrants were approximately $5.9 million after deducting commissions paid to the placement agent. The Company plans to use the net proceeds for general corporate purposes, including funding future capital expenditures.

Cash flows from operating activities. For the three months ended June 30, 2011, net cash provided by operating activities was $0.2 million compared to net cash used in operating activities of $0.8 million for the prior year period. The $1.0 million increase was primarily due to favorable changes in working capital and other assets ($1.0 million).

Cash flows from investing activities For the three months ended June 30, 2011, net cash used in investing activities of $1.9 million decreased by $5.7 million compared to net cash provided by investing activities of $3.8 million for the same period of 2010 due primarily to unfavorable changes in working capital associated with investing activities ($1.4 million) and a decrease in proceeds from sale of oil and gas properties ($8.0 million), partially offset by a decrease in oil and gas property additions ($3.7 million). Proceeds from sale of oil and gas properties of $8.1 million for the prior year period was due primarily to our sale of an undivided 85% interest in our "deep rights" located in Gonzales County, Texas less the cash paid for the purchase of oil and gas properties and capital expended on existing oil and gas properties.

Cash flows from financing activities. For the three months ended June 30, 2011, net cash used in financing activities was essentially zero but for the $9,838 of partial repayments of a note assumed as part of a property acquisition. For the three months ended June 30, 2010, net cash flow used in financing activities was $0.8 million and consisted of funds expended to pay off the outstanding principal on our credit facility with Amegy Bank of $2.2 million, less net proceeds from the sale of common stock in our "at-the-market" public equity offering of $1.4 million.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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 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. 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 include, among others,

- our growth strategies;
- anticipated trends in our business;
- our ability to make or integrate acquisitions; 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 proposed acquisitions;
- the impact of government regulation;
- estimates regarding future net revenues from oil and natural gas reserves and the present value thereof; planned capital expenditures (including the amount and nature

thereof);
- increases in oil and gas production; 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 our Annual Report on Form 10-K and other sections of this report and our Form 10-K, 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;
- 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."

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, projection, 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 including its Form 10-K and Form 10-Q's. 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 otherwise 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.

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