

Lucas Energy Announces Anticipated Development Activities And Its Fiscal 2015 Second Quarter Financial Results

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HOUSTON, Nov. 14, 2014 - [Lucas Energy Inc.](#) (NYSE MKT: LEI) ("Lucas" or the "Company"), an independent oil and gas company with operations in Texas, today announced anticipated development activities and its fiscal 2015 second quarter results for the three month period ending September 30, 2014.

Mr. Anthony C. Schnur, the Company's Chief Executive Officer stated, "Our second quarter of fiscal 2015 was a transformational period for the Company as we stepped up our aggressive growth posture toward developing our leaseholds in the Eagle Ford shale. In late August, we entered into a joint development agreement with Oak Valley Resources, LLC ("OVR"); a highly-regarded independent Eagle Ford operator. A rig is currently scheduled to arrive on our Karnes County acreage in late December with the intent of consecutively drilling and completing the first two Eagle Ford joint development wells, provided we are successful in raising the necessary capital for these wells. An updated leasehold map of the Karnes acreage, including the Initial Production Tests (IP's) of surrounding wells, has been posted to our website."

Mr. Schnur further stated, "We have made significant progress regarding our strategic direction. Over the course of this fiscal year, the Company has reviewed numerous opportunities including potential corporate business combinations and financing alternatives. Ultimately, we concluded that our best path forward at this time is to develop our Eagle Ford acreage with the goal of increasing our production levels. With our near term development plan set and a capable and experienced Eagle Ford operator in place, the Company is in the process of securing funding for development of its acreage and other corporate purposes. While there is no assurance that adequate funding will be obtained, we hope to close a transaction by the end of 2014. We believe successful drilling and completion will lead to increased funding ability. This process has taken longer than anticipated, but we want to ensure that any transaction is in the best interests of our shareholders and our long-term growth."

Separately, Mr. Schnur stated, "We are very pleased that the NYSE MKT exchange has accepted our revised plan of compliance which detailed the strategic actions that we have taken or are in progress. The exchange has continued our listing under an extension until December 4, 2014. Please refer to a separate release that we posted today regarding our extension."

Fiscal 2015 Second Quarter Results

For the fiscal 2015 second quarter, Lucas reported a net loss of \$1.5 million, or (\$0.04) per diluted share, compared to a \$1.6 million loss, or a loss of (\$0.06) per diluted share, in the same quarter last year and a sequential loss of \$1.3 million, or a loss of (\$0.04) per diluted share, in the fiscal first quarter of 2015. Our recent results were negatively impacted by certain non-recurring items primarily related to legal expenses associated with potential funding and other strategic transactions, none of which have been finalized or completed to date. Net operating revenues in the fiscal 2015 second quarter were \$1.0 million, all of which were derived from crude oil sales, compared to revenues of \$1.2 million in the fiscal 2014 second quarter and \$0.9 million in the sequential fiscal 2015 first quarter.

Overall operating expenses in the fiscal 2015 second quarter declined by 14.5% to \$2.1 million from the same period a year ago reflecting lower workover expense and a decrease in severance and employee stock compensation expenses. However, on a sequential basis, our operating expenses rose by 17.7%, primarily as a result of one-time legal expenses, investment banking fees and other transaction costs pursuant to certain strategic alternatives that have since been abandoned.

G&A expenses declined 1.6% to \$1.1 million in the fiscal 2015 second quarter compared to the same period last year but increased by 32% sequentially, of which approximately \$168,000 or 60% of the increase was related to the transaction costs described above, which were partially offset by a reduction in share-based compensation and severance expense and ongoing cost reductions. Lease operating expense decreased by 37% to \$0.5 million from last year's second quarter lease operating expenses primarily due to lower workover activity and production volumes at certain wells.

Average production volumes were 113 net barrels of oil equivalent per day (BOEPD), a 10% sequential

increase over the prior quarter but down approximately 14% from the same period last year. The year-over-year decrease in production was primarily related to lower volumes from our Griffin #2 and Hagen #1 wells, partially offset by an increase in volumes at our Gatlin well. We have also curtailed our capital expenditures as we pursued strategic alternatives as directed by our Board of Directors.

For the first six months of fiscal 2015, cash used in operating activities was approximately \$1.1 million or 53% less than cash used during the same period last year. However, as of September 30, 2014, we had a working capital deficit of \$8.7 million, primarily because approximately \$5.5 million of the long-term portion of our Note Payable became current as it matures within the next twelve months). Cash used in investing activities was 70% less, reflecting the sale of oil and gas properties in Madison County, and cash provided by financing activities was 80% lower than the same period last year when we received net proceeds of \$6.6 million from the issuance and repayment of debt. At the end of our fiscal 2015 second quarter on September 30, 2014, our cash balance was \$0.3 million compared to \$0.5 million on March 31, 2014.

SELECTED FINANCIAL DATA (Three months ending September 30)

INCOME STATEMENT (\$000S)	9/30/2014	9/30/2013
Net Operating Revenues	\$993	\$1,227
Operating Expenses		
Lease Operating Expenses	453	722
G&A	1,139	1,158
Other Operating Expenses	<u>501</u>	<u>568</u>
Total Operating Expense	2,093	2,448
Operating Income	(1,100)	(1,221)
Interest Expense & Other	(375)	(338)
Income (loss) before Income Taxes	(1,475)	(1,559)
Provision for Income Taxes	(14)	0
Net Loss	(\$1,489)	(\$1,559)

The Company's complete financial statements for the three months ended September 30, 2014, along with footnotes describing such financial statements, and additional information and disclosures regarding the financial line items described above and reasons for the changes in line items compared to the prior year's quarter, can be found in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed with the Securities and Exchange Commission today.

About Lucas Energy, Inc.

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

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

About Oak Valley Resources, LLC

Oak Valley Resources was capitalized in December, 2012 and is an independent oil and gas company engaged in the development and acquisition of oil and gas reserves through an active and diversified program that includes the acquisition, drilling and development of undeveloped leases, purchases of reserves and exploration activities, with the majority of its human and capital resources currently deployed towards its drilling program in the Eagle Ford trend in Gonzales and Fayette Counties, Texas. The company has previously announced a strategic combination with [Earthstone Energy Inc.](#) Further information regarding Oak Valley Resources and the business combination can be found on Oak Valley's website at www.oakvalleyllc.com.

Safe Harbor Statement and Disclaimer

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

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