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10-Q
10-Q 1 lucas10q063013.htm LUCAS ENERGY, INC. FORM 10-Q FOR JUNE 30, 2013

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

FORM 10-Q

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

For the quarterly period ended June 30, 2013

[ ] 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	**20-2660243**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3555 Timmons Lane, Suite 1550, Houston, Texas 77027
(Address of principal executive offices) (Zip Code)

(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 x Noo

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 x No o

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 o Accelerated filer o Non-accelerated filer o Smaller reporting company x

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

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	**Number of Shares**
Common Stock, par value $0.001 per share	26,919,417 (as of August 13, 2013)

LUCAS ENERGY, INC.

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PART 1. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

LUCAS ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013 (Unaudited)	March 31, 2013
ASSETS		
Current Assets		
Cash	$ 347,519	$ 450,691
Accounts Receivable	729,437	832,801
Inventories	115,951	64,630
Other Current Assets	254,931	337,860
Total Current Assets	1,447,838	1,685,982
Property and Equipment		
Oil and Gas Properties (Full Cost Method)	45,223,832	44,709,800
Other Property and Equipment	526,162	552,154
Total Property and Equipment	45,749,994	45,261,954
Accumulated Depletion, Depreciation and Amortization	(9,750,176)	(9,204,649)
Total Property and Equipment, Net	35,999,818	36,057,305
Other Assets	42,191	-
Total Assets	$ 37,489,847	$ 37,743,287
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 3,242,270	$ 3,696,848
Common Stock Payable	11,252	17,502
Accrued Expenses	364,262	501,809
Advances From Working Interest Owners	-	1,384,085
Asset Retirement Obligation, current	-	73,621
Notes Payable	3,281,796	875,000
Total Current Liabilities	6,899,580	6,548,865
Asset Retirement Obligation	895,406	851,873
Commitments and Contingencies (see Note 10)		
Stockholders' Equity		
Preferred Stock Series A, 2,000 Shares Authorized of $0.001 Par, 2,000 Shares Issued and Outstanding	3,095,600	3,095,600
Common Stock, 100,000,000 Shares Authorized of $0.001 Par, 26,771,132 Shares Issued and 26,734,232 Outstanding Shares at June 30, 2013 and 26,751,407 Issued and 26,714,507 Outstanding Shares at March 31, 2013, respectively	26,771	26,751
Additional Paid in Capital	49,267,545	48,970,509
Accumulated Deficit	(22,645,896)	(21,701,152)
Common Stock Held in Treasury, 36,900 Shares, at Cost	(49,159)	(49,159)
Total Stockholders' Equity	29,694,861	30,342,549
Total Liabilities and Stockholders' Equity	$ 37,489,847	$ 37,743,287

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

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

	Three Months Ended June 30,	
	2013	**2012**
Operating Revenues		
Crude Oil	$ 1,482,438	$ 1,712,951
Natural Gas	-	4,854
Total Revenues	**$ 1,482,438**	**$ 1,717,805**
Operating Expenses		
Lease Operating Expenses	465,738	929,755
Severance and Property Taxes	80,666	93,179
Depreciation, Depletion, Amortization, and Accretion	600,677	821,791
General and Administrative	1,097,632	1,448,219
Total Expenses	2,244,713	3,292,944
Operating Loss	**$ (762,275)**	**$ (1,575,139)**
Other Expense (Income)		
Interest Expense	198,262	341,169
Other Expense (Income), Net	(15,793)	(9,136)
Total Other Expenses	182,469	332,033
Net Loss	**$ (944,744)**	**$ (1,907,172)**
Net Loss Per Share		
Basic and Diluted	$ (0.04)	$ (0.09)
Weighted Average Shares Outstanding		
Basic and Diluted	26,765,675	22,141,785

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

LUCAS ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	Three Months Ended June 30,	
	2013	**2012**
Cash Flows from Operating Activities		
Net Loss	$ (944,744)	$ (1,907,172)
Adjustments to reconcile net losses to net cash used in operating activities:		
Depreciation, Depletion, Amortization and Accretion	600,677	821,791
Share-Based Compensation	126,305	97,748
Amortization of Discount on Notes	71,297	-
Amortization of Deferred Financing Costs	27,809	-
Settlement of Debt	(44,287)	-
Changes in Components of Working Capital and Other Assets		
Accounts Receivable	103,364	664,670
Inventories	(51,321)	-
Prepaid Expenses and Other Current Assets	82,929	6,233
Accounts Payable, Accrued Expenses and Interest Payable	(163,311)	(3,270,597)
Advances from Working Interest Owners	(1,384,085)	399,341
Net Cash Used in Operating Activities	**(1,575,367)**	**(3,187,986)**
Investing Cash Flows		
Additions of Oil and Gas Properties	(983,797)	(2,379,303)
Additions of Other Property and Equipment	(6,508)	(15,139)
Proceeds from Sale of Other Property and Equipment	32,500	-
Payments Received on Notes Receivable	-	9,753
Net Cash Used in Investing Activities	**(957,805)**	**(2,384,689)**
Financing Cash Flows		
Net Proceeds from Exercises of Warrants	-	5,618,627
Proceeds from Issuance of Notes Payable	3,250,000	-
Deferred Financing Costs	(70,000)	-
Repayment of Borrowings	(750,000)	(50,543)
Net Cash Provided by Financing Activities	**2,430,000**	**5,568,084**
Decrease in Cash and Cash Equivalents	(103,172)	(4,591)
Cash and Cash Equivalents at Beginning of the Period	450,691	683,979
Cash and Cash Equivalents at End of the Period	**$ 347,519**	**$ 679,388**

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

LUCAS ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED 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 consolidated financial statements of Lucas Energy, Inc., together with its subsidiary (collectively, "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, 2013. 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 consolidated financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year 2013 as reported in 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, 2014 and 2013 as its 2014 and 2013 fiscal years, respectively.

Certain reclassifications of prior year balances have been made to conform such amounts to current year classifications. These reclassifications have no impact on net income.

NOTE 2 – LIQUIDITY

At June 30, 2013, the Company’s Total Current Liabilities of $6.9 million exceeded its Total Current Assets of $1.4 million, resulting in a working capital deficit of $5.5 million. At March 31, 2013, the Company’s total current liabilities of $6.5 million exceeded its total current assets of $1.7 million, resulting in a working capital deficit of $4.8 million.

On August 13, 2013, the Company secured a long-term Loan for $7.5 million (as described in Note 13). In order to address the Company's current working capital deficit, a portion of the funds raised in connection with the Loan were used to repay the $3.25 million in outstanding current Notes issued in April and May 2013 (as described in Note 6) as well as outstanding payables.

The Company believes its undeveloped acreage and ability to access the capital markets in both equity and debt provides a sufficient means to conduct its current operations, meet its contractual obligations and undertake a forward outlook on future development of its current fields.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has provided a discussion of significant accounting policies, estimates and judgments in its 2013 Annual Report. There have been no changes to the Company’s significant accounting policies since March 31, 2013.

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 $35.87 per barrel of oil equivalent ("BOE") for the three months ended June 30, 2013, and was $40.93 per BOE for the three months ended June 30, 2012.

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. As of June 30, 2013, 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, 2013	March 31, 2013
Proved leasehold costs	$ 10,262,729	$ 10,002,828
Costs of wells and development	34,215,906	33,961,775
Capitalized asset retirement costs	745,197	745,197
Total oil and gas properties	45,223,832	44,709,800
Accumulated depreciation and depletion	(9,608,399)	(9,077,997)
Net capitalized costs	$ 35,615,433	$ 35,631,803

The following table sets forth the changes in the total cost of oil and gas properties during the three months ended June 30, 2013:

Balance at beginning of period - March 31, 2013	$ 44,709,800
Acquisition of oil and gas interests using	
Cash	69,623
Tangible and intangible drilling costs	
and title related expenses	444,409
Balance at end of period - June 30, 2013	$ 45,223,832

Other Property and Equipment

On March 21, 2013, Lucas entered into an agreement to sell its Gonzales County, Texas office building for $325,000. A non-reimbursable down payment of $32,500 was paid on June 26, 2013, resulting in the carrying amount of the building to be reduced by the down payment amount. As of June 30, 2013, the building was recognized in Other Property and Equipment for $292,500. The final payment on the building is due September 22, 2013.

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, 2013. Lucas does not have short-term asset retirement obligations as of June 30, 2013.

Carrying amount at beginning of period - March 31, 2013	$	925,494
Liabilities settled		(52,072)
Accretion		21,984
Carrying amount at end of period - June 30, 2013	$	895,406

NOTE 6 – NOTE PAYABLE

Effective April 4, 2013, the Company entered into a Loan Agreement with various lenders (the "April 2013 Loan Agreement") pursuant to which such lenders loaned the Company an aggregate of $2,750,000 to be used for general working capital. The lenders included entities beneficially owned by our directors, Ken Daraie (which entity loaned us $2,000,000) and W. Andrew Krusen, Jr. (which entities loaned us $250,000), as well as an unrelated third party which loaned the Company $500,000.

Effective May 31, 2013, the Company entered into a Loan Agreement with various lenders (the "May 2013 Loan Agreement" and together with the April 2013 Loan Agreement, the "Loan Agreements"), pursuant to which such lenders loaned the Company an aggregate of $500,000 to be used for general working capital and to pay amounts the Company owed to Nordic. The lenders were third parties, unaffiliated with the Company, provided that one lender who previously loaned the Company funds in connection with the April 2013 Loan Agreement provided the Company an additional $300,000 loan in connection with the May 2013 Loan Agreement. The Loan Agreement included substantially similar terms as the April 2013 Loan Agreement and was approved by the prior lenders in the April 2013 Loan Agreement, who also waived their right to be repaid from the proceeds from the loans.

The loans provided pursuant to the Loan Agreements were documented by Promissory Notes (the "Notes") which accrue interest at the rate of 14% per annum, with such interest payable monthly in arrears (beginning June 1, 2013 in connection with the April 2013 Loan Agreement and July 1, 2013 in connection with the May 2013 Loan Agreement) and are due and payable on October 4, 2013 in connection with the April 2013 Loan Agreement and April 4, 2014 in connection with the May 2013 Loan Agreement. The Notes can be prepaid at any time without penalty. In the event any amounts are not paid when due under the Notes and/or in the event any event of default occurs and is continuing under the Notes, the Notes accrue interest at the rate of 17% per annum. The Note holders were each paid their pro rata portion of a commitment fee ($55,000 in connection with the April 2013 Loan Agreement and $15,000 in connection with the May 2013 Loan Agreement) and were each granted their pro rata portion of warrants to purchase 325,000 shares of the Company's common stock which were evidenced by Common Stock Purchase Warrants (the "Warrants"). The Warrants have an exercise price of $1.50 per share and a term of five years from the grant date.

The Company accounts for the Warrant valuation in accordance with ASC 470-20, Debt with Conversion and Other Options. The Company records the fair value of Warrants issued in connection with those instruments. The fair value of the 275,000 April 2013 Warrants was recorded as a $137,118 debt discount and is being amortized through non-cash interest expense using the effective interest method over the term of the debt. Amortization of this debt discount was $68,559 during the three months ended June 30, 2013. The fair value of the 50,000 May 2013 Warrants was recorded as a $27,383 debt discount and is being amortized through non-cash interest expense using the effective interest method over the term of the debt. Amortization of this debt discount was $2,738 during the three months ended June 30, 2013.

As of June 30, 2013, Lucas has paid $93,042 in cash interest on the April 2013 Notes and $5,833 in cash interest on the May 2013 Notes. Lucas also has recognized amortization expenses totaling $27,809 in relation to deferred financing costs for both Notes, reducing the deferred financing costs asset base to $42,191.

On March 29, 2013, and effective March 31, 2013, Lucas entered into a Settlement and Release Agreement with Nordic Oil USA I, LLLP ("Nordic"), pursuant to which the parties agreed to settle and terminate a prior Purchase and Sale Agreement. Lucas agreed to pay Nordic an aggregate of $1,125,000, of which $1,000,000 has been paid to date. The remaining $125,000 is due on or before September 30, 2013.

NOTE 7 – STOCKHOLDERS' EQUITY

Preferred Stock

As of June 30, 2013, Lucas had 2,000 shares of Series A Convertible Preferred Stock issued and outstanding. The shares of preferred stock were issued for property acquisitions and were recorded at the fair value of the shares on the date of issuance. Each share of the Series A Convertible Preferred Stock is convertible into 1,000 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.

The Company filed a lawsuit against the holder of the Company's 2,000 outstanding shares of Series A Convertible Preferred Stock in the District Court of Harris County, Texas, on May 9, 2013, seeking a declaratory judgment that the 2,000 shares of Series A Convertible Preferred Stock should be cancelled, injunctive relief prohibiting the holder from selling or transferring the Series A Convertible Preferred Stock, and attorney's fees. The outcome of the litigation matter cannot be determined at this time with any reasonable certainty.

Common Stock

The following summarizes Lucas's common stock activity during the three-month period ended June 30, 2013:

		Common Shares			
		Issued			
	Amount	Per Share	Shares	Treasury	Outstanding
Balance at March 31, 2013			26,751,407	(36,900)	26,714,507
Share-Based Compensation	$ 25,256	$ 1.28	19,725	-	19,725
Balance at June 30, 2013			26,771,132	(36,900)	26,734,232

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, 2013, no warrants were exercised or cancelled. As discussed above, the Company granted 325,000 warrants with an exercise price of $1.50 per share and a term of five years in conjunction with the issuance of the April 2013 and May 2013 Notes. Per ASC Topics 480-10-25 and 815-40, the warrants are indexed to the Company's stock and treated as an equity instrument since the exercise price and shares are known and fixed at the date of issuance, and no other clause in the agreement requires the warrants to be treated as a liability.

The following is a summary of the Company's outstanding warrants at June 30, 2013:

Warrants Outstanding	Exercise Price ($)	Expiration Date	Intrinsic Value at June 30, 2013
200,000 (1)	2.00	September 12, 2013	$ -
150,630 (2)	2.98	July 4, 2014	-
2,510,506 (3)	2.86	July 4, 2016	-
1,032,500 (4)	2.30	October 18, 2017	-
275,000 (5)	1.50	April 4, 2018	-
50,000 (6)	1.50	May 31, 2018	-
4,218,636			$ -

(1) Warrants granted in connection with the sale of units in the Company's unit offering in September 2012. The warrants were exercisable on the grant date (September 12, 2012) and remain exercisable until September 12, 2013.

(2) Placement agent warrants granted in connection with the sale of units in the Company's unit offering in December 2010. The warrants became exercisable on July 4, 2011 and will remain exercisable thereafter until July 4, 2014.

(3) 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.

(4) 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.

(5) Warrants issued in connection with the issuance of the April 2013 Notes. The warrants were exercisable on the grant date (April 4, 2013) and remain exercisable until April 4, 2018.

(6) Warrants issued in connection with the issuance of the May 2013 Notes. The warrants were exercisable on the grant date (May 31, 2013) and remain exercisable until May 31, 2018.

NOTE 8 – INCOME TAXES

The Company has estimated that its effective tax rate for U.S. purposes will be zero for the 2014 fiscal year and consequently, recorded no provision or benefit for income taxes for the three months ended June 30, 2013.

NOTE 9 – SHARE-BASED COMPENSATION

In accordance with the provisions of ASC Topic 718, 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.

Common Stock

Lucas awarded 19,725 shares of its common stock with an aggregate grant date fair value of $25,256 during the three-month period ended June 30, 2013, which were valued based on the trading value of Lucas's common stock on the date of grant. The shares were awarded according to the employment agreements with certain officers and other managerial personnel.

Stock Options

Of the Company's outstanding options, 100,800 expired, were exercised, or forfeited during the three months ended June 30, 2013.

The following table sets forth stock option activity for the three-month periods ended June 30, 2013 and 2012:

	Three Months Ended June 30, 2013		Three Months Ended June 30, 2012	
	Number of Stock Options	Weighted Average Grant Price	Number of Stock Options	Weighted Average Grant Price
Outstanding at March 31	819,668	$ 1.55	456,000	$ 2.88
Granted	125,000	1.33	-	-
Expired/Cancelled	(100,800)	1.63	-	-
Outstanding at June 30	843,868	$ 1.50	456,000	$ 2.88

Lucas granted stock options to purchase shares of common stock during the quarter ended June 30, 2013 to an officer as employee based compensation. Effective April 1, 2013, the officer was granted stock options to purchase 125,000 shares of common stock with a fair value of $66,635 to be amortized and recognized as compensation expenses over the service period. Of the 125,000 options granted to the officer, 75,000 will vest on the one year anniversary of the grant date and the remaining 50,000 will vest on the two year anniversary of the grant date and have a five year exercise period. The exercise price for the options equaled the closing price of the Company stock on March 28, 2013. All issuances were valued at fair value on the date of grant based on the market value of Lucas's common stock using the Black Scholes option pricing model.

During the quarter ended June 30, 2013, 100,800 options were cancelled due to employee terminations.

Compensation expense related to stock options during the three-month period ended June 30, 2013 and June 30, 2012 was $107,298 and $50,900, respectively.

Options outstanding and exercisable at June 30, 2013 and June 30, 2012 had an intrinsic value of $30,434 and $0, 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
1.15	1.50	216,668	116,668
1.33	1.80	125,000	-
2.07	2.30	72,000	72,000
1.63	4.30	105,200	-
1.74	4.30	150,000	50,000
1.61	4.50	50,000	-
1.58	4.60	125,000	75,000
	Total	843,868	313,668

As of June 30, 2013, total unrecognized stock-based compensation expense related to all non-vested stock options was $376,021, which is being recognized over a weighted average period of approximately 2.2 years.

In prior periods, the shareholders of the Company approved the Company's 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 were 715,833 shares available for issuance under the Plans as of June 30, 2013.

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, other than the below. We may become involved in material legal proceedings in the future.

On April 8, 2013, the Company entered into a Settlement Agreement with Seidler Oil & Gas, L.P. (“Seidler”) on a lawsuit claiming a refund on previous investments with Lucas Energy. The Company settled the outstanding balance and paid Seidler $1.3 million plus legal fees. Seidler released the Company, its current and past officers, directors and agents from associated claims and Seidler agreed to dismiss the previously filed lawsuit with prejudice. In addition, certain private investors also agreed to release the Company, Seidler, and their respective past and present affiliates from any and all claims.

On October 5, 2012, Knight Capital Americas LLC (as successor in interest to Knight Capital America, L.P. (“Knight”)), filed suit against the Company in the Supreme Court of the State of New York, County of New York (Index No. 157012/2012). The Company previously engaged Knight as a broker/dealer in connection with a proposed fund raise. The suit alleges causes of actions for breach of contract, unjust enrichment, breach of implied covenants, tortious interference and seeks declaratory relief in connection with the Company allegedly failing to pay Knight fees in connection with its right of first refusal to provide broker/dealer services in connection with a subsequently completed fund raise undertaken by the Company. The Company is in the process of attempting to negotiate a settlement with Knight, provided that there can be no assurance that a settlement will be reached or if reached will be on favorable terms to the Company.

On October 13, 2011, Lucas entered into a purchase and sale agreement with Nordic Oil USA I, LLLP (“Nordic”), whereby effective July 1, 2011, Lucas purchased all of Nordic’s right, title and interest in certain oil, gas and mineral leases located in Gonzales, Karnes and Wilson Counties, Texas. The transaction officially closed on November 18, 2011. Lucas agreed to pay Nordic $22 million, payable in the form of a senior secured promissory note (with recourse only to the properties acquired), which accrued interest at the rate of 6% per annum (the “Note”), the payment of which was secured by a Deed of Trust, Security Agreement, Financing Statement and Assignment of Production on the property acquired (the “Deed of Trust”). Lucas failed to pay the note when it was due on November 17, 2012, and the parties were unable to come to terms on a settlement of the debt. Subsequently in December 2012, Nordic filed a lawsuit against Lucas pursuant to which Nordic made claims for the payment of damages in connection with liens attached to the property, the proceeds from alleged wrongful assignments of the property acquired in the transaction, pre-and-post judgment interest, a foreclosure and sale of the property, plus attorney’s fees in the amount of 10% of the principal and interest then owing on the note (as allegedly allowed pursuant to the terms of the Note), and sought damages for breach of contract and attorney’s fees. On March 29, 2013, and effective March 31, 2013 (the “Effective Date”), Lucas entered into a Settlement and Release Agreement with Nordic (the “Settlement Agreement”), pursuant to which the parties agreed to settle and terminate the purchase and sale agreement, Lucas agreed to:

- Pay Nordic an aggregate of $1,125,000 as follows:

  - o $250,000 upon the parties entry into the Settlement Agreement (which has been paid to date);
  - o $250,000 on or before April 1, 2013 (which has been paid to date);
  - o $500,000 on or before June 1, 2013 (which has been paid to date); and
  - o $125,000 on or before September 30, 2013,

  provided that if Lucas fails to pay any amounts when due, Nordic is able to file an agreed judgment with the court stipulating that Lucas agrees that the amount owed pursuant to the schedule above is immediately due and payable together with 5% interest;

- To assign certain properties to Nordic (free of certain liens and encumbrances), together with any rights in the Interests owned by any current or former officers or directors of Lucas; and

- To complete certain field work on the properties at Lucas's sole expense, which has been performed and has an immaterial effect.

Additionally, the parties agreed to mutually release each other and each other's affiliates and assigns from all claims, causes of actions, damages and liabilities relating to any events which occurred prior to the effective date, whether as a result of the purchase of the properties, the note or otherwise, and to further indemnify each other from any claims associated therewith. Finally, Nordic agreed to dismiss the lawsuit with prejudice five business days after Lucas has made the final payment required as discussed above.

NOTE 11 – POSTRETIREMENT BENEFITS

Lucas maintains a matched defined contribution savings plan for its employees. During the three-month periods ended June 30, 2013 and 2012, Lucas's total costs recognized for the savings plan were $5,178 and $8,600, 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, 2013 and 2012:

	Three Months Ended June 30,	
	2013	2012
Interest	$ 99,157	$ 341,169
Income taxes	-	-

Non-cash investing and financing activities for the three-month periods ended June 30, 2013 and 2012 included the following:

	Three Months Ended June 30,	
	2013	2012
Increase in asset retirement obligations	$ -	$ 81,000
Net assumption of note payable in acquisition of oil and gas properties	-	450,000
Discount on Notes	164,501	-

NOTE 13 – SUBSEQUENT EVENTS

Effective on August 13, 2013, Lucas entered into a Letter Loan Agreement with Louise H. Rogers (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 is due and payable on August 13, 2015, provided that interest only payments are due on the Loan during the first six months of the term (which have been escrowed by Lucas) and beginning on March 13, 2014, Lucas is required to make monthly amortization principal payments of equivalent to the sum of fifty-percent of the Loan during months seven through twenty-four of the term. 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. The 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 279,851 shares of Lucas' common stock at an exercise price of $1.35 per share. A portion of the funds raised in connection with the Loan were used to repay the $3.25 million in outstanding Notes issued in April and May 2013 (as described in Note 6).

On July 17, 2013, Meson Capital Partners LP, an affiliate of Ryan J. Morris, our Chairman, purchased 185,185 restricted shares of common stock directly from the Company in a private transaction for consideration of $250,000 or $1.35 per share ($0.01 above the closing sales price of the Company's common stock on July 17, 2013).

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' Annual Report on Form 10-K for the fiscal year ended March 31, 2013 (the "2013 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:

- 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;
- the outcome of and/or negative perceptions associated with legal proceedings;
- 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 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;
- 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, Eagle Ford and Buda formations, primarily in Gonzales, Wilson and Karnes counties south of the city of San Antonio; and the Eaglebine, Buda, and Glen Rose formations in Leon and Madison counties north of the city of Houston, Texas. 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. Our goal is to acquire, develop, and produce crude oil and natural gas from areas located in, or near, established oil fields that can provide long-term growth and sustainability for the Company.

The Company's strategy is to increase shareholder value by developing its significant acreage positions in the Eagle Ford, Austin Chalk, Eaglebine, Buda and Glen Rose oil bearing formations through a committed development program, effective management and efficiency of its current operations, being opportunistic in industry cycles and trends, and building a strong balance sheet. Below are key points of our strategy:

- ***Development of current asset base.*** The Austin Chalk has contributed to most of our production in the past year, including over 90% of our producing wells. We are planning to develop and execute a drilling program beginning in the second half of 2013 (our 2014 fiscal year), which include the Austin Chalk, Buda/Glen Rose, and the Eagle Ford areas. The magnitude of the opportunity and associated drilling costs will require external sources of capital. We expect to utilize some combination of debt and equity in conjunction with operating cash flow to fund this development. Dependent upon varying factors such as joint ownership, size of lease and other asset specific conditions, the Company may also utilize joint interest participation partners or other forms of partnering.
- ***Ongoing fieldwide evaluation and optimization.*** Our strategy is to be cost efficient and manage our operations with sound judgment and excellence. We pride ourselves with considering technological advancements to enhance our operations. This process should enhance production results and also lead to lower operating costs on a per barrel basis.
- ***Maintain a strong balance sheet.*** Through its extensive asset base, the Company is focused to leverage its current balance sheet and maximize value with an appropriate and flexible capital structure program.
- ***Execution of our business plan.*** We will conduct the affairs of the Company with the objective of maintaining positive cash flow, managing all essentials of our cost structure, drilling and operating programs, and our corporate general and administrative costs. We have made great strides with this approach by recently eliminating overburdened operating costs and legal impediments to move forward in becoming a contributing player in our core areas.

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, 2014 and March 31, 2013 as our 2014 Fiscal Year and 2013 Fiscal Year, respectively.

At June 30, 2013, the Company had leasehold interests (working interests) in approximately 19,100 gross acres, or 15,155 net acres. The Company's total net developed and undeveloped acreage as measured from the surface to the base of the Austin Chalk formation was approximately 12,042 net acres. In deeper formations, the Company has approximately 3,855 net acres in the Eagle Ford oil window and 3,036 net acres in the Eaglebine, Buda and Glen Rose oil bearing formations.

At the end of June 2013, Lucas was producing approximately 180 net barrels of oil equivalent per day (BOEPD) from 59 active well bores, of which 18 wells accounted for more than 80% 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 the only two Eagle Ford horizontal wells in our Gonzales leases, of which we have a 15% working interest on each well. Our production sales totaled 14,788 barrels of oil equivalent, net to our interest, for the quarter ended June 30, 2013.

At March 31, 2013, Lucas Energy's total estimated net proved reserves were 5.6 million barrels of oil equivalent (BOE), of which 5.1 million barrels (BBLs) were crude oil reserves, and 2.6 billion cubic feet (BCF) were natural gas reserves (see Supplemental Information to Consolidated Financial Statements). As of June 30, 2013, Lucas employed 13 full-time employees. We also utilized over six 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, Atascosa, Leon and Madison counties in Texas. We concentrate on three vertically adjoining formations in Gonzales, Wilson and Karnes counties: the Austin Chalk, Eagle Ford and Buda 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 Energy’s acreage position is in the oil window of the Eagle Ford trend and has amassed over 12,000 gross acres in the Gonzales and Wilson County, Texas area.

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 gas produced from the Austin Chalk. Reservoir thickness in the area of the Company’s leases varies from approximately 60 feet to 80 feet.

Buda

The Buda limestone underlies the Eagle Ford formation separated by a 10 foot to 20 foot inorganic shale barrier. 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.

Eaglebine

The Eaglebine is so named because the Eagle Ford formation overlies the Woodbine formation. This is a continuation of the Eagle Ford trend that is productive from south Texas to the northeast of Houston, Texas. The Woodbine formation is best known as the prolific reservoir in the famous East Texas Oil Field. There has been increased interest and activity in the Eaglebine formation in the Leon, Houston, and Madison county areas. There is established production from horizontal and vertical wells to the east and south of Lucas’s holdings and numerous permits for horizontal wells have been filed for additional exploratory and development drilling.

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. We benefit from the increasing number of wells drilled and the corresponding data available from public and governmental sources surrounding our acreage. This activity and data has defined the geographic extent of the Austin Chalk, Eagle Ford, and Buda formations, which we believe will assist us in evaluating future leasehold acquisitions and development operations. In addition, leading operators have developed drilling and completion technologies that have significantly reduced production risk and decreased per unit drilling and completion costs.

Our size, industry 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. 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. We benefit from having an experienced management team with proven acquisition, operating and financing capabilities. Mr. Anthony Schnur, our Chief Executive Officer, 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. He is complemented by Mr. William J. Dale, our Chief Financial Officer, who has 17 years of oil and gas industry financial experience across corporate finance, treasury, strategic planning, and financial reporting, planning and analysis functions both at large global corporations as well as small, entrepreneurial oil and gas companies. He has dual Bachelor degrees in Accounting and Finance, an MBA from the University of Houston and is also a Texas Certified Public Accountant. Functionally he crosses disciplinary lines from finance-planning-execution to operations assessment and acquisition evaluation and due diligence. Further, the Company has attracted new talent in its operations, reservoir analysis, land and accounting functions and it believes it has brought together a professional and dedicated team to deliver value to Lucas shareholders.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three-month periods ended June 30, 2013 and 2012 should be read in conjunction with the condensed 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, "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, 2013 vs. Three Months Ended June 30, 2012

We reported a net loss for the three months ended June 30, 2013 of $944,744, or $0.04 per share. For the same period a year ago, we reported a net loss of $1.9 million, or $0.09 per share. Our net loss decreased by $1.0 million primarily due to a decrease in general and administrative (G&A) and lease operating expenses (LOE) expenses of $0.8 million and a decrease in depreciation, depletion, amortization and accretion of $0.2 million.

The following table sets forth the operating results and production data for the three-month periods ended June 30, 2013 and 2012.

	Three Months Ended June 30,			
	2013	2012	Increase (Decrease)	% Increase (Decrease)
Sale Volumes:				
Crude Oil (Bbls)	14,788	19,077	(4,289)	(23%)
Natural Gas & NGL (Mcf)	-	1,463	(1,463)	(100%)
Total (Boe)	14,788	19,321	(4,533)	(24%)
Crude Oil (Bbls per day)	163	210	(47)	(22%)
Natural Gas (Mcf per day)	-	16	(16)	(100%)
Total (Boe per day)	163	213	(50)	(24%)
Average Sale Price:				
Crude Oil ($/Bbl)	$ 100.25	$ 89.79	$ 10.46	12%
Natural Gas ($/Mcf)	$ -	$ 3.32	$ (3.32)	(100%)
Net Operating Revenues:				
Crude Oil	$ 1,482,438	$ 1,712,951	$ (230,513)	(14%)
Natural Gas & NGL	-	4,854	(4,854)	(100%)
Total Revenues	$ 1,482,438	$ 1,717,805	$ (235,367)	(14%)

Oil and Gas Revenues

Total crude oil and natural gas revenues for the three months ended June 30, 2013 decreased $0.2 million, or 14%, to $1.5 million from $1.7 million for the same period a year ago due primarily to an unfavorable crude oil volume variance of $0.4 million offset by a favorable crude oil price variance of $0.2 million. The production decline is primarily related to the Company having a reduced property base due to the assignment of certain Company properties to Nordic per the Settlement Agreement just prior to year end (see Note 10 - Commitments and Contingencies in the attached financial statements).

Operating and Other Expenses

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

	Three Months Ended June,			
	2013	2012	Increase (Decrease)	%Increase (Decrease)
Direct lease operating expense	$ 286,538	$ 490,484	$ (203,946)	(42%)
Workovers expense	144,017	384,992	(240,975)	(63%)
Other	35,183	54,279	(19,096)	(35%)
Total Lease Operating Expenses	$ 465,738	$ 929,755	$ (464,017)	(50%)
Severance and Property Taxes	80,666	93,179	(12,513)	(13%)
Depreciation, Depletion, Amortization and Accretion	600,677	821,791	(221,114)	(27%)
General and Administrative (G&A)	$ 971,327	$ 1,350,471	$ (379,144)	(28%)
Share-Based Compensation	126,305	97,748	28,557	29%
Total G&A Expense	$ 1,097,632	$ 1,448,219	$ (350,587)	(24%)
Interest Expense	198,262	341,169	(142,907)	(42%)
Other Expense (Income), Net	(15,793)	(9,136)	(6,657)	73%

Lease Operating Expenses

Lease operating expenses decreased $0.5 million for the current quarter as compared to the prior year period principally due to an over 50% decline in direct lease operating and workovers expenses from the Company's expanding effort to improve operating efficiencies.

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

DD&A decreased $0.2 million primarily due to a decrease in production of 4,533 Boe compared to the previous period. The unit DD&A rate per Boe also decreased from $40.93 to $35.87 for the three months ended June 30, 2013 compared to June 30, 2012.

General and Administrative Expenses

G&A decreased by $0.3 million primarily due to the Company's overall focus in improving the efficiency of the daily operating activities within the Company as well as less consulting, contracting and outsourcing expenses.

Interest Expense

Interest expense for the three months ended June 30, 2013 consisted of interest payments of approximately $0.2 million made in relation to the Notes issued in April 2013 and May 2013. When compared to the same period a year ago, which primarily related to incurred interest expense of approximately $0.3 million on the Nordic note, there is an approximate decrease of $0.1 million.

Other Expense (Income), Net

Other Expense (Income) for the three months ended June 30, 2013, primarily consisted of $30,000 in financing fees offset by $44,000 in discounts from accounts payable settlements and $1,500 in office space rental income from our Gonzales County office.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of cash for Lucas during three months ended June 30, 2013 were funds generated from sales of crude oil and natural gas and borrowings. The primary uses of cash were funds used in operations and repayment of other borrowings.

Working Capital

At June 30, 2013, the Company's total current liabilities of $6.9 million exceeded its total current assets of $1.4 million for a working capital deficit of $5.5 million. At March 31, 2013, the Company's total current liabilities of $6.5 million exceeded its total current assets of $1.7 million, resulting in a working capital deficit of $4.8 million.

On August 13, 2013, the Company secured a long-term Loan for $7.5 million (as described in Note 13). In order to address the Company's current working capital deficit, a portion of the funds raised in connection with the Loan were used to repay the $3.25 million in outstanding current Notes issued in April and May 2013 (as described in Note 6) as well as outstanding payables.

The Company believes its undeveloped acreage and ability to access the capital markets in both equity and debt provides a sufficient means to conduct its current operations, meet its contractual obligations and undertake a forward outlook on future development of its current fields.

Cash Flows

	Three Months Ended June 30,	
	2013	**2012**
Cash flows used in operating activities	(1,575,367)	(3,187,986)
Cash flows used in investing activities	(957,805)	(2,384,689)
Cash flows provided by financing activities	2,430,000	5,568,084
Net decrease in cash and cash equivalents	**(103,172)**	**(4,591)**

Net cash used in operating activities was approximately $1.6 million for the three months ended June 30, 2013 as compared to $3.2 million for the same period a year ago. The decrease in net cash used in operating activities of $1.6 million was due primarily to a $1.0 million reduction of net loss and the paying down of all the outstanding advances to working interest owners via the settlement of the Seidler lawsuit (see Note 10 – Commitments and Contingencies in the attached financial statements).

Net cash used in investing activities was approximately $1.0 million for the three months ended June 30, 2013 as compared to net cash used in investing activities of $2.4 million for the same period a year ago. The decrease in net cash used in investing activities was primarily due to a $1.4 million reduction of additions to oil and gas properties.

The decrease in net cash provided by financing activities of $3.2 million for the three months ended June 30, 2013 was primarily due to $5.6 million of additional proceeds from the exercises of warrants in the prior period compared to the issuance of $3.25 million in notes payable (described below) offset by $0.8 million in repayment on the note payable to Nordic (see Note 10 – Commitments and Contingencies in the attached financial statements).

Financing

Effective April 4, 2013, the Company entered into a Loan Agreement with various lenders (the "April 2013 Loan Agreement") pursuant to which such lenders loaned the Company an aggregate of $2,750,000 to be used for general working capital. The lenders included entities beneficially owned by our directors, Ken Daraie (which entity loaned us $2,000,000) and W. Andrew Krusen, Jr. (which entities loaned us $250,000), as well as an unrelated third party which loaned the Company $500,000.

Effective May 31, 2013, the Company entered into a Loan Agreement with various lenders (the "May 2013 Loan Agreement" and together with the April 2013 Loan Agreement, the "Loan Agreements"), pursuant to which such lenders loaned the Company an aggregate of $500,000 to be used for general working capital and to pay amounts the Company owed to Nordic Oil USA I, LLLP ("Nordic"). The lenders were third parties, unaffiliated with the Company, provided that one lender who previously loaned the Company funds in connection with the April 2013 Loan Agreement provided the Company an additional $300,000 loan in connection with the May 2013 Loan Agreement. The May 2013 Loan Agreement included substantially similar terms as the April 2013 Loan Agreement and was approved by the prior lenders, who also waived their right to be repaid from the proceeds from the loans.

The loans provided pursuant to the Loan Agreements were documented by Promissory Notes (the "Notes") which accrue interest at the rate of 14% per annum, with such interest payable monthly in arrears (beginning June 1, 2013 in connection with the April 2013 Loan Agreement and July 1, 2013 in connection with the May 2013 Loan Agreement) and are due and payable on October 4, 2013 in connection with the April 2013 Loan Agreement and April 4, 2014 in connection with the May 2013 Loan Agreement. The Notes can be prepaid at any time without penalty. In the event any amounts are not paid when due under the Notes and/or in the event any event of default occurs and is continuing under the Notes, the Notes accrue interest at the rate of 17% per annum. The Note holders were each paid their pro rata portion of a commitment fee ($55,000 in connection with the April 2013 Loan Agreement and $15,000 in connection with the May 2013 Loan Agreement) and were each granted their pro rata portion of warrants to purchase 325,000 shares of the Company's common stock which were evidenced by Common Stock Purchase Warrants (the "Warrants").

On July 17, 2013, Meson Capital Partners LP (which is indirectly beneficially owned by our Chairman, Ryan J. Morris), purchased 185,185 restricted shares of our common stock in a private transaction for consideration of $250,000 or $1.35 per share ($0.01 above the closing sales price of our common stock on July 17, 2013).

Lucas plans to continue to focus a substantial portion of its capital expenditures in various known prolific and productive geological formations, including the Austin Chalk, Eagle Ford and Buda formations, primarily in Gonzales, Wilson, and Karnes counties south of the city of San Antonio, Texas and in the Eaglebine, Buda, and Glen Rose formations in Madison and Leon counties north of the city of Houston, Texas. Lucas expects capital expenditures to be greater than cash flow from operating activities for the 2014 fiscal year. To cover the anticipated shortfall, our business plan includes establishing a reserve-based line of credit, initiate bank or private borrowings, and/or issue equity or debt offerings.

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 (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 Chief Financial Officer, to allow timely decisions regarding required disclosures. The Company's management, including the Chief 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 concluded that the Company's disclosure controls and procedures were effective as of June 30, 2013.

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, 2013 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. Described below is information in regards to three proceedings which did not arise from Lucas's normal business activities and which Lucas believes are material to the Company:

The Company filed a lawsuit against the holder of the Company's 2,000 outstanding shares of Series A Convertible Preferred Stock in the District Court of Harris County, Texas, on May 9, 2013, seeking a declaratory judgment that the 2,000 shares of Series A Convertible Preferred Stock should be cancelled, injunctive relief prohibiting the holder from selling or transferring the Series A Convertible Preferred Stock, and attorney's fees. The defendant has filed an answer denying our claims and alleging certain affirmative defenses. The parties are currently in the discovery phase of the litigation, and the outcome of the litigation matter cannot be determined at this time with any reasonable certainty.

On April 8, 2013, the Company entered into a Settlement Agreement with Seidler Oil & Gas, L.P. ("Seidler") on a lawsuit claiming a refund on previous investments with Lucas Energy. The Company settled the outstanding balance and paid Seidler $1.3 million plus legal fees. Seidler released the Company, its current and past officers, directors and agents from associated claims and Seidler agreed to dismiss the previously filed lawsuit with prejudice. In addition, certain private investors also agreed to release the Company, Seidler, and their respective past and present affiliates from any and all claims.

On October 5, 2012, Knight Capital Americas LLC (as successor in interest to Knight Capital America, L.P. ("Knight")), filed suit against the Company in the Supreme Court of the State of New York, County of New York (Index No. 157012/2012). The Company previously engaged Knight as a broker/dealer in connection with a proposed fund raise. The suit alleged causes of actions for breach of contract, unjust enrichment, breach of implied covenants, tortious interference and seeks declaratory relief in connection with the Company allegedly failing to pay Knight fees in connection with its right of first refusal to provide broker/dealer services in connection with a subsequently completed fund raise undertaken by the Company. The Company is in the process of attempting to negotiate a settlement with Knight, provided that there can be no assurance that a settlement will be reached or if reached will be on favorable terms to the Company.

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, 2013 (the "2013 Annual Report"), as filed with the SEC on June 28, 2013. The information in such risk factors, in addition to the other information set forth in this quarterly report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

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

On July 17, 2013, Meson Capital Partners LP ("Meson LP"), purchased 185,185 restricted shares of our common stock in a private transaction for consideration of $250,000 or $1.35 per share ($0.01 above the closing sales price of our common stock on July 17, 2013). Securities owned directly by Meson LP, are owned indirectly by Meson Capital Partners LLC ("Meson LLC") by virtue of it being the general partner of Meson LP and by Ryan J. Morris, our Chairman, by virtue of his position as managing member of Meson LLC.

We claim an exemption from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933, as amended since the forging issuance did not involve a public offering, the recipient took the securities for investment and not resale, the Company took appropriate measures to restrict transfer, and the recipient (a) was an "accredited" investor; and (b) was beneficially owned by a director of the Company.

In connection with the Loan (described in Item 5. Other Information, below), the Company agreed to grant the administrator of the Loan a warrant to purchase up to 279,851 shares of the Company's common stock at an exercise price of $1.35 per share.

We claim an exemption from registration pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933, as amended since the forging grant did not involve a public offering, the recipient took the securities for investment and not resale, the Company took appropriate measures to restrict transfer, and the recipient was an "accredited" investor.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

Effective on August 13, 2013, Lucas entered into a Letter Loan Agreement with Louise H. Rogers (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 is due and payable on August 13, 2015, provided that interest only payments are due on the Loan during the first six months of the term (which have been escrowed by Lucas) and beginning on March 13, 2014, Lucas is required to make monthly amortization principal payments of equivalent to the sum of fifty-percent of the Loan during months seven through twenty-four of the term. 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 (as described in greater detail in such Letter Loan). A post-closing condition to the funding is that the Company complete an equity funding equal to $1 million on or before the six month anniversary of the closing. The Letter Loan also provided the right for Ms. Rogers to designate an individual to attend and participate in the Company's Board of Director's meetings in a non-official capacity. The Letter Loan includes customary events of default and positive and negative covenants for facilities of similar nature and size as the Letter Loan.

The 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 (the "Deed of Trust"). The Company paid a commitment fee of $150,000 and an advisory fee of $225,000 in connection with its entry into the Letter Loan. Lucas also agreed to pay a quarterly administrative fee in connection with the Loan and grant the administrator a warrant (evidenced by a Common Stock Purchase Warrant) to purchase up to 279,851 shares of Lucas' common stock at an exercise price of $1.35 per share.

The warrants are exercisable until the earlier of (a) August 13, 2018; and (b) three years after the payment in full of the Loan. The warrant provides that at no time shall shares of common stock be issued to the holder upon exercise of the warrant which would result in such holder owning or controlling more than 4.99% of the Company's outstanding common stock, subject of the holder's right to waive such limitation with 61 days prior written notice. The warrant contains cashless exercise rights, provided that in the event the shares of common stock issuable upon exercise of the warrant are registered under the Securities Act of 1933, as amended, the warrant can only be exercised for cash. The warrant also provides that it is not exercisable by the holder until the earlier of (a) the repayment in full of the Loan; or (b) the occurrence of an event of default under the Letter Loan. The Company also granted the holder piggy-back registration rights in connection with the shares of common stock issuable upon exercise of the warrants, which remain in effect until such shares of common stock can be sold without restriction pursuant to Rule 144 of the Securities Act of 1933, as amended.

The above description of the Letter Loan, Promissory Note, Security Agreement, Deed of Trust and Common Stock Purchase Warrant, are not complete and are qualified in their entirety by the full text of the Letter Loan, Promissory Note, Security Agreement, Deed of Trust and Common Stock Purchase Warrant, copies of which are incorporated by reference hereto as Exhibits 10.1, 10.2, 10.3, 10.4 and 4.1.

A portion of the funds raised in connection with the Loan were used to repay in full the $3.25 million in outstanding Notes issued in April and May 2013 (as described above under "Liquidity and Capital Resources" – "Financing").

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/ William J. Dale
William J. Dale
Chief Financial Officer
(Principal Financial Officer)

Date: August 14, 2013

EXHIBIT INDEX

Exhibit No.	Description
*4.1	Common Stock Purchase Warrant (Robertson Global Credit, LLC)(1)
*10.1	Letter Loan Agreement (Louise H. Rogers)(August 13, 2013)(1)
*10.2	Promissory Note ($7.5 million)(Louise H. Rogers)(August 13, 2013)
*10.3	Security Agreement (Louise H. Rogers)(August 13, 2013)
*10.4	Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing (Louise H. Rogers)(August 13, 2013)
*31.1	Section 302 Certification of Periodic Report of Principal Executive Officer.
*31.2	Section 302 Certification of Periodic Report of Principal Financial Officer.
**32.1	Section 906 Certification of Periodic Report of Principal Executive Officer.
**32.2	Section 906 Certification of Periodic Report of Principal Financial Officer.
***101.INS	XBRL Instance Document.
***101.SCH	XBRL Schema Document.
***101.CAL	XBRL Calculation Linkbase Document.
***101.DEF	XBRL Definition Linkbase Document.
***101.LAB	XBRL Label Linkbase Document.
***101.PRE	XBRL Presentation Linkbase Document

(1) the Common Stock Purchase Warrant which forms Exhibit A to the Letter Loan Agreement has been filed separately as Exhibit 4.1.

* Filed herewith.

** Furnished herewith.

*** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets –June 30, 2013 and March 31, 2013, (ii) the Condensed Consolidated Statements of Operations - Three Months Ended June 30, 2013 and 2012, (iii) the Condensed Consolidated Statements of Cash Flows - Three Months Ended June 30, 2013 and 2012; and (iv) Notes to Condensed Consolidated 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.

Exhibit 4.1

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR EXERCISED UNLESS (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. HOLDERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED.

Warrant to Purchase
279,851 shares

Warrant Number M-1

Common Stock Purchase Warrant
of
Lucas Energy, Inc.

THIS CERTIFIES that **Robertson Global Credit, LLC**, or any subsequent holder hereof (**"Robertson"**) has the right to purchase from **Lucas Energy, Inc.**, a Nevada company (**"LEI"**), Two Hundred and Seventy-Nine Thousand Eight Hundred and Fifty-One (279,851) fully paid and nonassessable shares, of LEI's common stock, $0.001 par value per share (**"Common Stock"**), subject to adjustment as provided herein, at a price equal to the Exercise Price as defined in Section 3 below, at any time during the Term of this Warrant (as defined below).

Robertson agrees with LEI that this Common Stock Purchase Warrant of LEI (this **"Warrant"** or this **"Agreement"**) is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. Date of Issuance and Term; Ownership Limitation.

This Warrant shall be deemed to be granted on August 13, 2013 (**"Date of Issuance"**), provided that the grant of this Warrant and the issuance of any Warrant Shares (as defined below) shall be subject in all cases to the listing of the Warrant Shares on the NYSE MKT and the execution by Robertson of the Accredited Investor Certification attached hereto. The term of this Warrant begins on the Date of Issuance and ends at 5:00 p.m., Central Standard Time, on the earlier of the date (a) that is five (5) years after the Date of Issuance, or (b) three (3) years after the date of payment in full by LEI of all obligations due on the Loan Agreement (the **"Term"**). This Warrant was issued in conjunction with the entry by Louise H. Rogers and LEI into a Letter Loan Agreement on August 13, 2013 (the **"Loan Agreement"**). Capitalized terms not defined herein shall have the meanings ascribed to such terms as provided in the Loan Agreement and exhibits thereto.

Notwithstanding anything to the contrary herein, the applicable portion of this Warrant shall not be exercisable during any time that, and only to the extent that, the number of shares of Common Stock to be issued to Robertson upon such Exercise (as defined in Section 2(a)), when added to the number of shares of Common Stock, if any, that Robertson otherwise beneficially owns (outside of this Warrant, and not including any other warrants or securities of Robertson's having a provision substantially similar to this paragraph) at the time of such Exercise, would exceed 4.99% (the **"Maximum Percentage"**) of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon Exercise of this Warrant held by Robertson, as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the **" Beneficial Ownership Limitation"**). The Beneficial Ownership Limitation shall be conclusively satisfied if the applicable Notice of Exercise includes a signed representation by Robertson that the issuance of the shares in such Notice of Exercise will not violate the Beneficial Ownership Limitation, and LEI shall not be entitled to require additional documentation of such satisfaction.

The Beneficial Ownership Limitation provisions of this Section 1 may be waived by Robertson, at the election of Robertson, upon not less than sixty-one (61) days' prior written notice to LEI, to change the Beneficial Ownership Limitation to any other percentage of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon Exercise of the Warrants held by Robertson. The provisions of this paragraph shall be construed or implemented in a manner in strict conformity with the terms of this Section 1 which may include, but not be limited to correcting this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

2. Exercise.

(a) Manner of Exercise. During the Term and upon occurrence of an Exercise Event, this Warrant may be Exercised as to all or any lesser number of full shares of Common Stock covered hereby (the **"Warrant Shares"** or the **"Shares"**) upon surrender of this Warrant, with the Notice of Exercise Form attached hereto as Exhibit A (the **"Notice of Exercise"**) duly completed and executed, together with the full Exercise Price (as defined below, which may be satisfied by either a Cash Exercise or a Cashless Exercise, as each is defined below, provided a Cashless Exercise may not be used until after six (6) months from the date hereof and a Cashless exercise may not be used if the Warrant Shares have been registered with the Securities and Exchange Commission) for each share of Common Stock as to which this Warrant is Exercised, provided that the holder shall be prohibited from exercising any portion of this Warrant until the earlier of (a) the repayment in full of the Loan; or (b) the occurrence of an Event of Default under the Loan Agreement (each (a) and (b), an "**Exercise Event**"). The Notice of Exercise shall be delivered to the office of LEI, Attn: Secretary; Lucas Energy, Inc., 3555 Timmons Lane, Suite 1550, Houston, Texas 77027 or at such other location as LEI may then be located or such other office or agency as LEI may designate in writing, by overnight mail, by facsimile (such surrender and payment of the Exercise Price hereinafter called the **"Exercise"** of this Warrant). In the case of a Cashless Exercise, the Exercise Price is deemed to have been delivered upon Robertson's delivery of a Notice of Exercise to LEI.

(b) Date of Exercise. The **"Date of Exercise"** of the Warrant shall be defined as the date that a copy of the Notice of Exercise Form attached hereto as Exhibit A, completed and executed, is sent by facsimile to LEI or its transfer agent (**"Transfer Agent "**) (including but not limited to a scanned "**PDF**" file which is delivered as an attachment to an e-mail to LEI), provided that the original Warrant (if delivery of the original Warrant is required pursuant to Section 2(h) hereof) and Notice of Exercise Form are received by LEI and the Exercise Price is satisfied, each as soon as practicable thereafter. Alternatively, the Date of Exercise shall be defined as the date the original Notice of Exercise Form is received by LEI, if Robertson has not sent advance notice by facsimile. Upon delivery of the Notice of Exercise Form to LEI by facsimile or otherwise, Robertson shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to Robertson's DTC account or the date of delivery of the certificates evidencing such Warrant Shares as the case may be. LEI shall deliver any objection to any Notice of Exercise within five (5) Business Days of receipt of such notice. In the event of any dispute or discrepancy, the records of Robertson shall be controlling and determinative in the absence of manifest error. "**Business Day**" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the City of Houston, Texas are authorized or required by law or executive order to remain closed.

(c) Delivery of Common Stock Upon Exercise. Within ten (10) Trading Days from the delivery to LEI of the Notice of Exercise, surrender of this Warrant (if required) and payment of the aggregate Exercise Price (which, in the case of a Cashless Exercise, shall be deemed to have been paid upon the submission by Robertson of a Notice of Exercise)(the **"Warrant Shares Delivery Deadline"**), LEI shall issue and deliver (or cause its transfer agent to issue and deliver) in accordance with the terms hereof to or upon the order of Robertson that number of shares of Common Stock (**"Exercise Shares"**) for the portion of this Warrant converted as shall be determined in accordance herewith. Upon the Exercise of this Warrant or any part thereof, LEI shall, at its own cost and expense, take all necessary action, which shall not include obtaining and delivering an opinion of counsel to assure that LEI's transfer agent shall issue stock certificates in the name of Robertson (or its nominee) or such other persons as designated by Robertson and in such denominations to be specified at Exercise representing the number of shares of Common Stock issuable upon such Exercise, which action shall be the sole responsibility of Robertson. LEI warrants that no instructions other than these instructions have been or will be given to the transfer agent of LEI's Common Stock and that, unless waived by Robertson, in the event the Exercise Shares are eligible to be issued without legend pursuant to Rule 144 under the Securities Act of 1933, as amended (the "**1933 Act**" or the " **Securities Act**") in the reasonable determination of LEI's counsel, upon receipt from Robertson of an opinion of counsel as to the fact that such Exercise Shares are eligible to be issued without legend, the Exercise Shares will be free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Exercise Shares if the Unrestricted Conditions (as defined below) are met, and Robertson has supplied LEI with an opinion of counsel as to such fact, acceptable to LEI, which acceptance shall not be unreasonably withheld.

(d) Legends.

(i) Restrictive Legend. Robertson understands that (a) the Warrant and, (b) until such time as Exercise Shares have been registered under the 1933 Act, if ever, or, may be sold pursuant to Rule 144 under the 1933 Act without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Exercise Shares, shall bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such securities):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR AN OPINION OF COUNSEL, IN FORM, SUBSTANCE AND SCOPE REASONABLY SATISFACTORY TO COUNSEL TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT."

(ii) Removal of Restrictive Legends. Certificates evidencing the Exercise Shares shall not contain any legend restricting the transfer thereof (including the legend set forth above in subsection 2(d)(i)): (i) while a registration statement covering the resale of such security is effective under the Securities Act (provided that Robertson has agreed to sell the Exercise Shares in connection with and pursuant to the registration statement), or (ii) following any valid and applicable sale of such Exercise Shares pursuant to Rule 144, which determination shall be made in the sole determination of LEI's counsel, provided that LEI may request an opinion from Robertson as to the applicability of such rule, or (iii) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Securities and Exchange Commission (the "**Commission**")), which determination shall be made in the sole determination of LEI's counsel (collectively, the **"Unrestricted Conditions"**). If the Unrestricted Conditions are met at the time of issuance or resale of Exercise Shares, then such Exercise Shares shall be issued free of all legends.

(iii) Sale of Unlegended Shares. Robertson agrees that the removal of the restrictive legend from certificates representing Securities as set forth in Section 2(d)(i) above is predicated upon LEI's reliance that Robertson will sell any Exercise Shares pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein.

(e) Cancellation of Warrant. This Warrant shall be cancelled upon the full Exercise of this Warrant, and, as soon as practical after the Date of Exercise, Robertson shall be entitled to receive Common Stock for the number of shares purchased upon such Exercise of this Warrant, and if this Warrant is not Exercised in full and Robertson has delivered an original copy of the Warrant, Robertson shall be entitled to receive a new Warrant (containing terms identical to this Warrant) representing any unexercised portion of this Warrant in addition to such Common Stock.

(f) Holder of Record. Each person in whose name any Warrant for shares of Common Stock is issued shall, for all purposes, be deemed to be the holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of the Common Stock purchased upon the Exercise of this Warrant. Nothing in this Warrant shall be construed as conferring upon Robertson any rights as a stockholder of LEI.

(g) Delivery of Electronic Shares. In lieu of delivering physical certificates representing the unlegended shares of Common Stock issuable upon Exercise (the **"Unlegended Shares"**), provided LEI's transfer agent is participating in the Depository Trust Company (**"DTC"**) Fast Automated Securities Transfer (**"FAST"**) program, upon written request of Robertson, so long as the certificates therefor do not bear a legend, and are not required to bear a legend, and Robertson is not obligated to return such certificate for the placement of a legend thereon, LEI shall cause its transfer agent to electronically transmit the Unlegended Shares to Robertson by crediting the account of Robertson's broker with DTC identified in the written request through its Deposit Withdrawal Agent Commission (**"DWAC"**) system. Otherwise, delivery of the Common Stock shall be by physical delivery to the address specified by Robertson in the Notice of Exercise. The time periods for delivery and liquidated damages described herein shall apply to the electronic transmittals described herein, or to physical delivery, whichever is applicable.

(h) Surrender of Warrant Upon Exercise; Book-Entry. Notwithstanding anything to the contrary set forth herein, upon Exercise of this Warrant in accordance with the terms hereof, Robertson shall not be required to physically surrender the original Warrant Certificate to LEI unless all of this Warrant is Exercised, in which case Robertson shall deliver the original Warrant being Exercised to LEI promptly following the Date of Exercise at issue. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. Robertson and LEI shall maintain records showing the amount of this Warrant that is Exercised and the dates of such Exercises or shall use such other method, reasonably satisfactory to Robertson and LEI, so as not to require physical surrender of this original Warrant upon each such Exercise. In the event of any dispute or discrepancy, such records of Robertson shall be controlling and determinative in the absence of manifest error. Robertson and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.

3. Payment of Warrant Exercise Price.

The Exercise Price (**"Exercise Price"**) shall be $1.35 per share, subject to adjustment pursuant to the terms hereof, including but not limited to Section 5 below.

Payment of the Exercise Price may be made by either of the following, or a combination thereof, at the election of Robertson:

(i) Cash Exercise*:* Robertson may exercise this Warrant in cash, via bank or cashier's check or via wire transfer (a **"Cash Exercise"**); or

(ii) Cashless Exercise*:* Robertson, at its option, in the event the Warrant Shares have not been registered with the Securities and Exchange Commission, and in the event the Market Price (defined below) of LEI's Common Stock is greater than the Exercise Price, may exercise this Warrant in one or more cashless exercise transactions any time after (a) the occurrence of an Exercise Event and (b) the expiration of six (6) months from the Date of Issuance then in effect covering the resale of the Warrant Shares issuable upon such exercise, subject to the following sentence. In the event a registration statement is in effect which relates to some or all of the Warrant Shares, Robertson shall be required to affect a Cash Exercise of this Warrant until such time as Robertson has extinguished the full number of registered Warrant Shares, at which time Robertson shall be eligible for a Cashless Exercise for the remaining unregistered Warrant Shares, if any. In order to effect a Cashless Exercise, Robertson shall surrender this Warrant at the principal office of LEI together with notice of cashless election, in which event LEI shall issue Robertson a number of shares of Common Stock computed using the following formula (a **"Cashless Exercise"**), assuming that the Exercise Price is less than the Market Price (as defined below):

$$X = Y (A-B)/A$$

where: X = the number of shares of Common Stock to be issued to Robertson.

Y = the number of shares of Common Stock for which this Warrant is beingExercised.

A = the Market Price of one (1) share of Common Stock (for purposes of this Section 3(ii), where **"Market Price,"** as of any date, means the average of the Closing Prices of LEI's Common Stock during the five (5) consecutive Trading Day period immediately preceding the date of Exercise, or other applicable date).

B = the Exercise Price.

As used herein, the term "**Closing Price**" for any security as of any date means the last sales price of the security as reported by, or based upon data reported by, Bloomberg L.P. or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by holders of a majority in interest of the Warrants and LEI (**"Bloomberg"**). If the Closing Price cannot be calculated for such security on such date in the manner provided above or if LEI's Common Stock is not publicly-traded, the Closing Price shall be the fair market value as mutually determined by LEI and Robertson. **"Trading Day"** shall mean any day on which the Common Stock is traded for any period on a principal securities exchange or other securities market on which the Common Stock is then being traded.

For purposes of Rule 144 and sub-section (d)(3)(ii) thereof, it is intended, understood and acknowledged that the Common Stock issuable upon Exercise of this Warrant in a Cashless Exercise transaction shall be deemed to have been acquired at the time this Warrant was issued. Moreover, it is intended, understood and acknowledged that the holding period for the Common Stock issuable upon Exercise of this Warrant in a Cashless Exercise transaction shall be deemed to have commenced on the date this Warrant was issued.

4. Transfer and Registration. Subject to the provisions of Section 8 of this Warrant, this Warrant may be transferred on the books of LEI, in whole or in part, in person or by attorney, upon surrender of this Warrant properly completed and endorsed. This Warrant shall be cancelled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and Robertson shall be entitled to receive a new Warrant as to the portion hereof retained.

5. Adjustments; Additional Adjustments; Purchase Rights.

(a) Recapitalization or Reclassification. If LEI shall at any time prior to the end of the Term, effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the number of shares of Common Stock which Robertson shall be entitled to purchase upon Exercise of this Warrant shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of shares of Common Stock by reason of such recapitalization, reclassification or similar transaction, and the Exercise Price shall be, in the case of an increase in the number of shares, proportionally decreased and, in the case of a decrease in the number of shares, proportionally increased. LEI shall give Robertson the same notice it provides to holders of Common Stock of any transaction described in this Section 5(a).

(b) Exercise Price Adjusted. As used in this Warrant, the term **"Exercise Price"** shall mean the purchase price per share specified in Section 3 of this Warrant, until the occurrence of an event stated in this Section 5 or otherwise set forth in this Warrant, and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection. No such adjustment under this Section 5 shall be made unless such adjustment would change the Exercise Price at the time by $.01 or more; provided, however, that all adjustments not so made shall be deferred and made when the aggregate thereof would change the Exercise Price at the time by $.01 or more. No adjustment made pursuant to any provision of this Section 5 shall have the net effect of increasing the Exercise Price in relation to the split adjusted and distribution adjusted price of the Common Stock.

(c) Adjustments: Additional Shares, Securities or Assets. In the event that at any time, as a result of an adjustment made pursuant to this Section 5 or otherwise, Robertson shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than Common Stock) then, wherever appropriate, all references herein to shares of Common Stock shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 5.

(d) Subdivision or Combination of Common Stock. If LEI at any time prior to the end of the Term subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a greater number of shares, then, after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of shares represented by this Warrant shall proportionally increase. If LEI at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a smaller number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of shares represented by this Warrant shall proportionally decrease.

(e) Voluntary Adjustment By Company. LEI may at any time during the term of this Warrant reduce the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of LEI (a **"Voluntary Adjustment"**).

(f) Adjustment to Number of Shares. In the event of any adjustment to the Exercise Price prior to the expiration of the Term of this Warrant, pursuant to the terms of this Warrant, including but not limited to any Voluntary Adjustment, the number of Warrant Shares issuable upon Exercise of this Warrant shall be increased such that the aggregate Exercise Price payable in a full Cash Exercise hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price payable in a full Cash Exercise prior to such adjustment, and the number of Warrant Shares issuable in a Cashless Exercise shall be increased accordingly.

(g) Notice of Adjustments; Notice Failure Adjustment. Whenever the Exercise Price is required to be adjusted pursuant to the terms of this Warrant, LEI shall within Five (5) Business Days mail to Robertson a notice (an **"Exercise Price Adjustment Notice"**) setting forth the new Exercise Price and specifying the new number of shares into which the Warrant is convertible after such adjustment and setting forth a statement of the facts requiring such adjustment. LEI shall, upon the written request at any time of Robertson, furnish to Robertson a like Warrant setting forth (i) such adjustment or readjustment, (ii) the Exercise Price at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other securities or property which at the time would be received upon Exercise of the Warrant, following delivery of the original Warrant to LEI for exchange. For purposes of clarification, whether or not LEI provides an Exercise Price Adjustment Notice pursuant to this Section 5(g), upon the occurrence of any event that leads to an adjustment of the Exercise Price, Robertson is entitled to receive an Exercise Price and a number of Exercise Shares based upon the new Exercise Price, as adjusted, for exercises occurring on or after the date of such adjustment, regardless of whether Robertson accurately refers to the adjusted Exercise Price in the Notice of Exercise.

6. Fractional Interests. No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, Robertson may purchase only a whole number of shares of Common Stock. If, on Exercise of this Warrant, Robertson would be entitled to a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon Exercise shall be the next closest number of whole shares.

7. Reservation of Shares. From and after the date hereof, LEI shall at all times reserve for issuance such number of authorized and unissued shares of Common Stock (or other securities substituted therefor as herein above provided) equal to 100% (the **"Minimum Warrant Share Reservation Amount"**) of such number as shall be sufficient for the Exercise of this Warrant and payment of the Exercise Price in full. If at any time the number of shares of Common Stock authorized and reserved for issuance is below 100% of the number of shares sufficient for the Exercise of this Warrant (a **"Share Authorization Failure"**)(based on the Exercise Price in effect from time to time), LEI will promptly take all corporate action necessary to authorize and reserve a sufficient number of shares, including, without limitation, calling a special meeting of stockholders to authorize additional shares to meet LEI's obligations under this Section 7, in the case of an insufficient number of authorized shares, and using its best efforts to obtain stockholder approval of an increase in such authorized number of shares such that the number of shares authorized and reserved for the Exercise of this Warrant shall exceed the Minimum Warrant Share Reservation Amount. LEI covenants and agrees that upon the Exercise of this Warrant, all shares of Common Stock issuable upon such Exercise shall be duly and validly issued, fully paid, nonassessable and not subject to liens, claims, preemptive rights, rights of first refusal or similar rights of any person or entity.

8. Restrictions on Transfer.

(a) Registration or Exemption Required. This Warrant has been issued in a transaction exempt from the registration requirements of the Act by virtue of Regulation D of the 1933 Act. The Warrant and the Common Stock issuable upon the Exercise of this Warrant may not be transferred, sold or assigned except pursuant to an effective registration statement or an exemption to the registration requirements of the Act and applicable state laws.

(b) Assignment. If Robertson can provide LEI with reasonably satisfactory evidence that the conditions above regarding registration or exemption have been satisfied, Robertson may sell, transfer, assign, pledge or otherwise dispose of this Warrant, in whole or in part. Robertson shall deliver a written notice to Company, substantially in the form of the Assignment reasonably requested by LEI, indicating the person or persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. LEI shall effect the assignment within ten (10) days of receipt of such notice, and shall deliver to the assignee(s) designated by Robertson a Warrant or Warrants of like tenor and terms for the appropriate number of shares.

9. Non-circumvention. LEI hereby covenants and agrees that LEI will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of Robertson. Without limiting the generality of the foregoing, LEI (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, and (ii) shall take all such actions as may be necessary or appropriate in order that LEI may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant.

11. Remedies, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Warrant, if any, shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of Robertson to pursue actual damages for any failure by LEI to comply with the terms of this Warrant. LEI acknowledges that a breach by it of its obligations hereunder could cause irreparable harm to Robertson and that the remedy at law for any such breach may be inadequate. LEI therefore agrees that, in the event of any such breach or threatened breach, Robertson of this Warrant could seek, in addition to all other available remedies, an injunction restraining any breach.

12. Dispute Resolution. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the number of Warrant Shares issuable upon any exercise of this Warrant, LEI shall promptly issue to Robertson the number of Warrant Shares that are not disputed and resolve such dispute in accordance with this subsection. In the case of a dispute as to the arithmetic calculation of the Exercise Price, LEI shall submit the disputed determinations or arithmetic calculations via facsimile within five (5) Business Days of receipt, or deemed receipt, of the Notice of Exercise or Redemption Notice or other event giving rise to such dispute, as the case may be, to Robertson. If Robertson and LEI are unable to agree upon such determination or calculation within five (5) Business Days of such disputed determination or arithmetic calculation being submitted to Robertson, then LEI shall, within five (5) Business Days submit via facsimile, the disputed arithmetic calculation of the Exercise Price to LEI's independent, outside accountant or any other matter referred to above that is not expressly designated to the independent investment bank or the independent outside accountant pursuant to an expert attorney from a nationally recognized outside law firm (having at least 50 attorneys and having with no prior relationship with LEI) selected by LEI and approved by Robertson. LEI, at LEI's expense, shall cause the investment bank or the accountant, law firm, or other expert, as the case may be, to perform the determinations or calculations and notify LEI and Robertson of the results no later than five (5) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error (collectively, the "**Dispute Resolution Procedures**").

13. Benefits of this Warrant. Nothing in this Warrant shall be construed to confer upon any person other than LEI and Robertson any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of LEI and Robertson.

14. Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Texas, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of Houston, Texas. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of Houston, Texas for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Loan Documents (as defined in the Loan Agreement), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. The parties hereby waive all rights to a trial by jury. If either party shall commence an action or proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

15. Loss of Warrant. Upon receipt by LEI of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to LEI, and upon surrender and cancellation of this Warrant, if mutilated, LEI shall execute and deliver a new Warrant of like tenor and date within ten (10) Business Days.

16. Notice or Demands. Notices or demands pursuant to this Warrant to be given or made by Robertson to or on LEI shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, until another address is designated in writing by LEI, to the address set forth in Section 2(a) above. Notices or demands pursuant to this Warrant to be given or made by LEI to or on Robertson shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, to the address of Robertson set forth in LEI's records, until another address is designated in writing by Robertson.

17. Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of LEI and Robertson.

18. Capacity. Each signatory below confirms and acknowledges that they have received valid authorization and that each respective party has authorized such signatory to sign this Warrant on such party's behalf.

19. Effect of Facsimile and Photocopied Signatures. This Warrant may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Warrant or any counterpart hereof to produce or account for any of the other counterparts. A copy of this Warrant signed by one party and faxed to another party shall be deemed to have been executed and delivered by the signing party as though an original. A photocopy of this Warrant shall be effective as an original for all purposes.

[Remainder of page left intentionally blank. Signature page follows.]

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the 13th day of August 2013.

Lucas Energy, Inc.

By: */s/ Anthony C. Schnur*

Its: Chief Executive Officer

Printed Name: Anthony C. Schnur

Date: August 13, 2013

EXHIBIT A

NOTICE OF EXERCISE FORM FOR WARRANT

TO: **LUCAS ENERGY, INC.**

The undersigned hereby irrevocably Exercises the right to purchase _____ of the shares of Common Stock (the **"Common Stock"**) of **LUCAS ENERGY, INC.**, a Nevada company (**"LEI"**), evidenced by the attached Common Stock Purchase Warrant (#M-1, the **"Warrant"**), and herewith makes payment of the applicable Exercise Price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

1. The undersigned agrees not to offer, sell, transfer or otherwise dispose of any of the Common Stock obtained on Exercise of the Warrant, except in accordance with the applicable provisions of the Warrant.

2. The undersigned requests that stock certificates for such shares be issued free of any restrictive legend, if appropriate, and a warrant representing any unexercised portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below:

Dated:_____

_____
Signature

_____
Print Name

_____
IF Entity, Entity Name

_____
Signatory's Position With Entity

_____
Address

_____

NOTICE

The signature to the foregoing Notice of Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

_____

Exhibit 10.1

LETTER LOAN AGREEMENT

August 13, 2013

Mrs. Louise H. Rogers
c/o Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052

Dear Mrs. Rogers:

The undersigned, **Lucas Energy, Inc.**, a corporation duly organized and existing under the laws of the State of Nevada ("**LEI**"), with its principal place of business at 3555 Timmons Lane, Suite 1550, Houston, Texas, 77027, as Borrower, has requested that **Louise H. Rogers** ("**Rogers**"), as Lender, lend to LEI the sum of $7,500,000.00. Capitalized terms in this Letter Loan Agreement (as may be amended from time to time, this "**Agreement**") that are not defined in the text are defined in Schedule A, entitled "Definitions," and Schedule A is incorporated by reference into this Agreement. Subject to the terms of this Agreement, LEI and Rogers agree as follows:

1. Loan. On the terms and subject to the conditions set forth in this Agreement, Rogers agrees to lend to LEI on or about August 13, 2013, Seven Million Five Hundred Thousand 00/100 Dollars ($7,500,000.00) (the "**Loan**"). The Loan shall be evidenced by the Note duly executed by LEI in the original principal amount of Seven Million Five Hundred Thousand 00/100 Dollars ($7,500,000.00) and made payable to the order of Rogers. Principal and interest on the Note shall be due and payable in the manner and at the times set forth in the Note, mandatory prepayments on the Note shall be due and payable as set forth in this Agreement and the entire unpaid balance of principal and interest on the Note and all other Obligations shall be due and payable on the Maturity Date (unless sooner accelerated in accordance with the terms of the Loan Documents). Amounts repaid or prepaid on the Loan may not be re-borrowed under any circumstance.

2. Payment of Loan.

a. LEI shall repay the Loan on the dates and in the amounts as set forth in the Note, which includes, among others, these terms:

i. The Note shall accrue interest at the rate of one percent (1.0%) per month based on a 360-day year which shall be assessed for the actual number of days elapsed.

ii. The entire principal balance remaining and all accrued interest on the Note is due and payable on or before Maturity Date.

b. LEI may, at its option, voluntarily prepay all or any portion of the outstanding principal of the Loan as, and to the extent, set forth in the Note, at any time after November 13, 2013. LEI may not prepay the Note prior to November 13, 2013.

c. If an Asset Coverage Deficiency occurs at any time during the term of the Note, LEI shall, within five days of receipt of notice from Rogers that an Asset Coverage Deficiency exists, make a mandatory prepayment on the Loan in the amount necessary to be in compliance with the Asset Coverage Ratio.

d. LEI shall, on the first Business Day following any Disposition of Assets of LEI permitted by Section 8.1(i) (other than Dispositions permitted by Sections 8(i)(1), (2), and (4)), make a payment equal to 100% of the Net Cash Proceeds received from the Disposition to be applied to the outstanding Loan, applied first to any outstanding Obligations, then to accrued interest, then to principal; provided, however, that if no Asset Coverage Deficiency exists as a result of the Disposition and no Default or Event of Default has occurred and is continuing, LEI may retain the funds and the payment shall not be required. For the avoidance of doubt, the provisions of this clause (d) shall not constitute, or be deemed to constitute, consent by Rogers to any Disposition or to any release of any Liens on any Collateral Property.

3. Collateral Value Determinations.

a. From and after the date of this Agreement, the initial Total Proved PV10% is $30,000,000.00, until redetermined pursuant to the terms of Section 3(b) or Section 3(c).

b. Upon notice to LEI and at LEI's expense, the Total Proved PV10% shall be redetermined by Rogers for each Determination Period on each Scheduled Collateral Value Determination Date, and each the redetermination shall be effective as of the date set forth in the notice. It is expressly understood that Rogers shall have no obligation to determine the Total Proved PV10% at any particular amount.

c. In addition to the redeterminations of Total Proved PV10% required pursuant to Section 3(b) above, LEI shall have the right to request a special redetermination of the Total Proved PV10% at any time and from time to time, but not more than one time during any Determination Period. A special redetermination under this section shall be made by Rogers based upon the most recent Reserve Report delivered to Rogers by LEI and on any other reports and data that Rogers may reasonably request. If the special redetermination results in an Asset Coverage Deficiency, LEI shall comply with Section 2(c).

4. Administration Fees. LEI agrees to pay to Rogers or her designee, Robertson Global Credit, LLC, for the period beginning on the date of this Agreement and continuing through the Maturity Date a quarterly administration fee in the amount of $15,000.00. This fee shall be payable by LEI in advance on the first day of each calendar quarter and a prorated fee shall be due on the Maturity Date. These administration fees are non-refundable.

5. Conditions Precedent. The obligation of Rogers to make the Loan is subject to the following conditions precedent:

a. Rogers shall have received, reviewed, and approved the following documents and other items, appropriately executed when necessary and, where applicable, acknowledged by one or more Authorized Officers of LEI, all in form and substance reasonably satisfactory to Rogers:

i. multiple counterparts of this Agreement as requested by Rogers;

ii. the Note;

iii. a certificate of the secretary or any assistant secretary of LEI dated the date of this Agreement, certifying (1) incumbency and specimen signatures of all officers or other representatives of LEI who are authorized to execute Loan Documents on behalf of LEI; (2) attached true, correct, and complete copies of each of the resolutions adopted by the Board of Directors of LEI approving the Loan Documents and authorizing the transactions contemplated in this Agreement and in the Loan Documents, duly adopted at a meeting or by unanimous consent and certifying that the resolutions constitute all the resolutions adopted with respect to these transactions, that they have not been amended, modified, or rescinded in any respect, and that they are in full force and effect as of the date of this Agreement; (3) attached true, correct and complete copies of the organizational documents of LEI and all amendments to them as in effect as of the date of this Agreement; and (4) attached certificates from the appropriate government officials as to the existence and good standing of LEI, each dated not more than 30 days prior to the date of this Agreement, from LEI's state of organization, and certificates as to LEI's qualification as a foreign entity and good standing from each other jurisdiction in which a Mortgage is being delivered by LEI pursuant to this Section 5(a);

iv. the following documents establishing Liens in favor or for the benefit of Rogers in and to the Collateral:

(1) Mortgage Deed of Trust, Assignment, Security Agreement, Financing Statement and Fixture Filing from LEI covering all Oil and Gas Properties of LEI and all improvements, personal property, and fixtures related to them;

(2) Security Agreement from LEI covering all personal property of LEI;

(3) Financing Statements naming LEI as debtor constituent to the documents described in clauses (1) and (2) above (including, without limitation, Financing Statements constituent to the Security Agreement to be filed with the Secretary of State of the States of Nevada and Texas); and

(4) undated letters, in form and substance reasonably satisfactory to Rogers, from LEI to each purchaser of production and disburser of the proceeds of production from or attributable to the Mortgaged Properties, with the addressees left blank, authorizing and directing the addressees to make future payments attributable to production from the Mortgaged Properties directly to Rogers;

v. results of search of the UCC Records of the Secretary of State of Nevada, and the search report shall be from a source or sources acceptable to Rogers and reflecting no Liens, other than Liens permitted by Section 8(e), against any of the Collateral Property as to which perfection of a Lien is accomplished by the filing of a financing statement;

vi. confirmation, reasonably acceptable to Rogers, of the title of LEI to the Mortgaged Property, free and clear of Liens other than Liens permitted by Section 8(e);

vii. receipt by Rogers of a Phase I environmental report on or before ninety days after the Closing Date that the Oil and Gas Properties of LEI are in compliance, in all material respects, with applicable Environmental Laws;

viii. copies of executed counterparts of all operating, lease, sublease, royalty, sales, exchange, processing, farmout, bidding, pooling, unitization, communitization, and other agreements relating to the Mortgaged Property, as reasonably requested by Rogers;

ix. engineering information regarding the Mortgaged Property, as reasonably requested by Rogers;

x. the opinion of The Loev Law Firm, PC, counsel to LEI, and/or other third-party legal counsel reasonably acceptable to Rogers, in form and substance reasonably acceptable to Rogers;

xi. certificates evidencing the insurance coverage required pursuant to Section 7(d);

xii. payment to Robertson Global Credit, LLC, of $150,000.00 as a commitment fee and payment to Meridian Circle Advisors of $225,000.00 as an advisory fee;

xiii. payment from LEI for estimated fees charged by filing officers and other public officials incurred or to be incurred in connection with the filing and recordation of any Security Documents, for which invoices have been presented at least one Business Day prior to the Closing Date;

xiv. (1) all agreements and documents that Rogers requires to establish the Debt Service Reserve Escrow Account, and (2) payment by LEI into the Debt Service Reserve Escrow Account in the amount of $450,000.00;

xv. warrant issued to Robertson Global Credit, LLC, for common stock of LEI, in the form provided in Exhibit A, together with a registration rights agreement with respect to the warrant in form and substance satisfactory to Robertson Global Credit, LLC, it being understood and agreed that the warrant shall be in an amount of LEI shares valued at least at the value of 5% of the principal amount of the Loan ($7,500,000.00) or $375,000.00, with the number of shares calculated based on taking the average of the closing price of LEI's common stock for the sixty trading days immediately preceding the Closing Date and dividing $375,000.00 by that average price, and the warrant per share exercise price shall be the average of the closing price of LEI's common stock for the sixty trading days immediately preceding the Closing Date plus one cent.

xvi. issue a Board consent authorizing Rogers to designate an individual to attend LEI Board of Directors meetings and to allow this individual to participate in discussions in LEI's Board meetings, and affirming that LEI will ensure timely notice of all Board meetings is given to Rogers' designee as if the designee were a Board member; and

xvii. all other agreements, documents, instruments, opinions, certificates, waivers, consents, and evidence that Rogers may reasonably request that are related to the Loan or the Collateral;

b. all representations and warranties made by LEI to Rogers in the Loan Documents are true and correct; and

c. no condition or event exists which constitutes a Default or an Event of Default.

6. Representations and Warranties. In order to induce Rogers to make the Loan, LEI represents and warrants to Rogers that:

a. Organization, etc. LEI is a corporation validly organized and existing and in good standing under the laws of the State of Nevada. LEI is qualified to do business and is in good standing as a foreign entity in each jurisdiction where the nature of its business requires this qualification. LEI has full power and authority and holds all requisite franchises, patents, copyrights, trademarks, trade names (or rights to any and all of these), licenses, permits, and other approvals (i) to enter into and perform its Obligations under this Agreement and each other Loan Document and (ii) except where failure to do so could not reasonably be expected to have a Material Adverse Effect, to own and hold under lease its property and to conduct its business (including its Oil and Gas Business) substantially as currently conducted by it. As of the date of this Agreement, LEI has only one Subsidiary, LEI Alcalde Properties LLC, a Texas limited liability company, which is wholly-owned.

b. Financial Information. All financial statements delivered by LEI to Rogers prior to the date of this Agreement are true and correct, fairly present the financial condition of LEI, and have been prepared in accordance with GAAP, consistently applied, as of the date of this Agreement, no obligations, liabilities, or indebtedness (including contingent and indirect liabilities) exist that are material to LEI that are not reflected in the financial statements; and no material adverse changes have occurred in the financial condition or business of LEI since the date of the most recent financial statements that LEI has delivered to Rogers. However, certain debt totaling $3.25 million incurred after March 31, 2013, was not included in those financial statements as it was incurred after the date of the last Form 10-Q filed by LEI. LEI has provided Rogers with a list of this indebtedness prior to the date of this Agreement that includes the dates, amounts, names of lenders, and basic terms of each of these debt obligations that is true and correct.

c. Due Authorization, Non-Contravention, etc. The execution, delivery, and performance by LEI of this Agreement, and each other Loan Document executed or to be executed by it, are within LEI's powers, have been duly authorized by all necessary corporate or other action, and do not (1) violate LEI's organizational documents; (2) violate any other contractual restriction, law, or governmental regulation or court decree or order binding on or affecting any LEI or its Assets where the violation could reasonably be expected to have a Material Adverse Effect; or (3) result in, or require the creation or imposition of, any Lien on any of LEI's properties except for Liens granted under the Loan Documents.

d. Governmental Approval, Regulation, etc. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for (1) the due execution, delivery, or performance by LEI of this Agreement or any other Loan Document, or (2) the grant by LEI of the Liens granted under the Security Documents and the validity, perfection, priority, and enforceability of the Liens other than the recording or filing of Security Documents or related notice filings with appropriate Governmental Authorities. LEI is not an "investment company" within the meaning of and subject to regulation under the Investment Company Act of 1940.

e. Validity, etc. This Agreement and each other Loan Document executed by LEI will, on the due execution and delivery of each of these documents, constitute the legal, valid, and binding obligations of LEI, enforceable against LEI in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, or similar laws relating to or affecting the enforcement of creditors' rights generally as well as general principles of equity (regardless of whether the enforcement is considered in a proceeding in equity or at law). Without limiting these items, each Security Document executed by LEI creates a valid Lien on the Collateral Property of LEI as provided in each Security Document, and upon filing or recording of each Security Document will constitute a valid perfected first-priority (subject to any Liens permitted under Section 8(e)) Lien on the Collateral Property.

f. Litigation, etc. No litigation, investigation, or governmental proceeding is pending or, to the knowledge of any of LEI's officers, threatened against or affecting LEI, that may result in any material adverse change in LEI's business, properties, or operations or that purports to affect the legality, validity, or enforceability of this Agreement, the Note, or any other Loan Document, except as disclosed in LEI's SEC filings and except in connection with LEI's pending lawsuit with South Texas Pad Site Development, LLC, *et al.* (Cause No. 2013-09179 in the 127th Judicial District Court of Harris County, Texas).

g. No Material Adverse Change. LEI knows of no specific fact or facts that LEI has not disclosed to Rogers in writing that are likely to result in any material adverse change in LEI's business, properties, or operations. No material adverse change has occurred with respect to the Mortgaged Property since the date of the Initial Reserve Report, other than conditions affecting the oil and gas industry in general.

h. Ownership of Properties.

i. LEI owns good and defensible title to all of its Oil and Gas Properties and good title to all its Assets constituting personal property, in each case, free and clear of all Liens except Liens permitted by Section 8(e). After giving full effect to the permitted Liens, LEI owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the Initial Reserve Report, and the ownership of these Hydrocarbon Interests shall not in any material respect obligate LEI to bear the costs and expenses relating to the maintenance, development, and operations of each of the Hydrocarbon Interests in an amount in excess of the working interest of each of the Oil and Gas Property set forth in the Initial Reserve Report that is not offset by a corresponding proportionate increase in LEI's net revenue interest in the Hydrocarbon Interests.

ii. All material leases, permits, and agreements necessary for the conduct of the business of LEI (including those held by or on behalf of an operator of LEI's properties) are valid and subsisting, in full force and effect, and no default exists, nor does any event or circumstance exist that, with the giving of notice or the passage of time or both, would give rise to a default under any LEI lease, permit, or agreement that could reasonably be expected to have a Material Adverse Effect.

iii. All of the Assets of LEI that are reasonably necessary for the operation of its business are in good working condition and are maintained in accordance with prudent business standards.

iv. LEI owns, or is licensed to use, all trademarks, trade names, copyrights, patents, and other intellectual property material to its business, and the use of them by LEI does not infringe upon the rights of any other Person, except for any infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. LEI owns or has valid licenses or other rights to use all databases, geological data, geophysical data, engineering data, seismic data, maps, interpretations, and other technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use and transfer of these items, and any limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with exceptions that could not reasonably be expected to have a Material Adverse Effect.

i. Offices. The principal office, chief executive office, and principal place of business of LEI are located at 3555 Timmons Lane, Suite 1550, Houston, Texas, 77027.

j. Taxes. All taxes required to be paid by LEI to date have in fact been paid, except for taxes being contested in good faith by appropriate proceedings for which adequate reserves have been established.

k. Accuracy of Information. No written certificate, written statement, financial statements, or other documents provided with this Agreement or previously delivered by LEI to Rogers in connection with this Agreement or in connection with any transaction contemplated by this Agreement, contains any untrue statement of a material fact or fails to state any material fact necessary to keep the statements contained in them or in this Agreement from being misleading.

l. Agreements. Except as disclosed in SEC filings, LEI is not in default in any respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any material agreement or instrument material to LEI's business (including any material financing agreement or leasing agreement) to which it is a party, except as could not reasonably be expected to have a Material Adverse Effect. LEI is not a party to any material agreement or arrangement, or subject to any order, judgment, writ, or decree, that either restricts or purports to restrict its ability to grant Liens to Rogers on or in respect of its Assets to secure the Obligations and the Loan Documents.

m. Compliance with Laws, etc. Excluding consideration of Environmental Laws, which are separately addressed in the Mortgage, LEI has complied with all applicable statutes, rules, regulations, orders, and restrictions of any government or any instrumentality or agency of government having jurisdiction over the conduct of its business or the ownership of its Hydrocarbon Interests, except where the failure to comply could not reasonably be expected to have a Material Adverse Effect.

n. Insurance. LEI maintains or has caused to be maintained: (a) casualty and liability insurance to the extent and against those risks that are customarily covered by companies of similar size and in the Oil and Gas Business, (b) workmen's compensation insurance in the amount required by applicable law, (c) general liability insurance in the amount customary with companies of similar size and in the same or similar business against claims for personal injury or death on properties owned, occupied, or controlled by it, and (d) all other insurance that may be required by law.

o. Marketing of Production. Except for contracts either disclosed in writing to Rogers or included in the Initial Reserve Report (with respect to all of which contracts LEI represents that it is receiving a price for all production sold under them that is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Oil and Gas Property's delivery capacity), no material agreements exist that (a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six months from the date of this Agreement except agreements that are cancelable on sixty days' notice or less without penalty or detriment for the sale from LEI's Hydrocarbons (including calls on or other rights to purchase production, regardless of whether they are currently being exercised).

p. Gas Imbalances. On a net basis, no gas imbalances, take or pay, or other prepayments exist that would require LEI to deliver Hydrocarbons produced from the Oil and Gas Properties evaluated in the Initial Reserve Report at some future time without then or subsequently receiving full payment for them exceeding three percent (3%) of the aggregate amount of Hydrocarbons (on an mcf equivalent basis) produced from the Oil and Gas Properties of LEI during the fiscal quarter then ended.

q. Hedge Transactions. As of the date of this Agreement LEI has no Hedge Transactions.

7. Affirmative Covenants. Until payment in full of the Note and all other Obligations, LEI agrees and covenants that (unless Rogers otherwise consents in writing) it will:

a. Reporting Requirements. Furnish to Rogers, or cause to be furnished to Rogers (via e-mail whenever possible), the following:

i. as soon as possible, and in any event within five calendar days after becoming aware of the occurrence or existence of each Default or Event of Default under this Agreement or of any of the Loan Documents, or of any material adverse change in the financial condition of LEI, a written statement of the chief financial officer of LEI (or in his or her absence, a responsible senior officer of LEI who is an Authorized Officer), setting forth details of the Default, Event of Default, or change, and the action that LEI has taken, or has caused to be taken, or proposes to take, or to cause to be taken, regarding the event;

ii. as soon as available, and in any event within five days after LEI files its annual report for each fiscal year, beginning with the fiscal year ending on March 31, 2014, the unqualified (except for qualifications relating to changes in accounting principles or practices reflecting changes in GAAP) audited report for that fiscal year for LEI, including audited financial statements (consolidated, as applicable) of LEI as of the end of that fiscal year (which shall include a statement of cash flows), all prepared in all material respects in conformity with GAAP consistently applied and all as audited by Hein & Associates, LLP (or any other reputable independent certified public accountants selected by LEI);

iii. as soon as available, and in any event within twenty-five days after and as of the end of each calendar month, including the last reporting period of each of LEI's fiscal years, draft financial statements of LEI, consolidated, as applicable, for and as of that reporting period, including a balance sheet, statement of earnings, and statement of cash flows for and as of the reporting period then ending and for and as of that portion of the fiscal year then ending, in each case, prepared and certified by the chief financial officer of LEI (or in his or her absence, a responsible senior officer of LEI that is an Authorized Officer) as to consistency with prior financial reports and accounting periods, accuracy, and fairness of presentation; however, for each month that is the end of a fiscal quarter, LEI shall instead provide to Rogers via e-mail within five days after it is filed with the SEC a copy of or a link to its Form 10-Q for that fiscal quarter;

iv. concurrently with the delivery to Rogers of the financial statements described in clauses (ii) and (iii) above, a certificate from the chief financial officer of LEI (or in his or her absence, a responsible senior officer of LEI who is an Authorized Officer), in form and content satisfactory to Rogers, certifying, as of the date of the certificate, that no Default or Event of Default has occurred under any Loan Document that is then continuing or, if a Default or Event of Default has occurred and does continue, specifying the nature and period of existence and all actions taken or proposed to be taken by LEI with respect to the Default or Event of Default;

(1) on or before January 1st of each calendar year, commencing January 1, 2014, at LEI's expense, a Reserve Report prepared by an Approved Engineer dated as of a date on or about (but in any event not later than) October 1st of the immediately preceding year; and (2) and on or before July 1st of each calendar year, commencing July 1, 2014, at LEI's expense, a Reserve Report prepared by an Approved Engineer dated as of a date on or about (but in any event not later than) April 1st of that calendar year.

v. concurrently with the delivery to Rogers of the Reserve Reports described in clause (v) above, a certificate from an Authorized Officer certifying that, to the best of that officer's knowledge, (A) the factual information upon which the Reserve Report is based is true and correct in all material respects, (B) the certificate identifies the Oil and Gas Properties covered by the Reserve Report that have not been previously included in any prior Reserve Report, and (C) the Mortgaged Property constitutes not less than 80% of the Proved Reserves (whether developed or undeveloped) set forth in the Reserve Report;

vi. as soon as available, and in any event no later than fifty days after the end of each calendar quarter, an internally prepared operations update of current producing wells, new workovers performed, new redrill/reworked wells, or new wells drilled for the previous quarter. This update would include the current status of each well, cost overruns, open AFEs, or any other information necessary that management would need to run LEI's operations. This information shall be presented in a form and in substance reasonably satisfactory to Rogers;

vii. as soon as available, and in any event no later than fifty days after the end of each calendar quarter, LEI's projected budget and schedule for capital expenditures by LEI for the next upcoming calendar quarter (*e.g.*, with the quarter ending March 31, 2014, LEI shall provide to Rogers a projected budget and schedule for capital expenditures for the quarter beginning July 1, 2014, no later than May 20, 2014);

viii. promptly upon receipt of them, copies of all management letters and other substantive reports submitted to LEI by independent certified public accountants in connection with any annual audit of LEI;

ix. promptly after they are available, copies of each annual report, proxy, or financial statement or other report or communication sent to any holder of debt securities of LEI and copies of all annual, regular, periodic, and special reports and registration statements that LEI may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to Rogers pursuant to this Agreement;

x. promptly after they are paid in full but in no event later than thirty days after the Closing Date, copies of documents establishing that all of the $3.25 million in outstanding loans incurred by LEI after March 31, 2013, and prior to the Closing Date of this Loan have been paid in full;

xi. immediately upon receipt of confirmation that a wire transfer payment has been made to Rogers, LEI shall send via e-mail to Rogers' attorney, Sharon E. Conway (or any subsequent attorney named by Rogers), a copy of the confirmation; and

xii. promptly, and in form and detail satisfactory to Rogers, all other information that Rogers may reasonably request from time to time.

b. Compliance with Laws, Maintenance of Existence, etc. (i) Comply in all material respects with all applicable laws, rules, regulations, and orders, including all Environmental Laws, except to the extent that a failure to comply could not reasonably be expected to have a Material Adverse Effect; (ii) do all things necessary and proper to (A) maintain and preserve its (x) corporate or other existence and (y) franchises and privileges in the jurisdiction of its formation and (B) qualify and remain qualified as a foreign entity authorized to do business in each jurisdiction where it has Assets or properties or conducts business, except where a failure to qualify or remain qualified could not reasonably be expected to have a Material Adverse Effect; and (iii) pay, before they become delinquent, all taxes, assessments, and governmental charges imposed upon it or upon its Assets except to the extent being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books.

c. Maintenance of Properties. LEI shall:

i. maintain, preserve, protect, and keep its respective properties in good repair, working order and condition (ordinary wear and tear excepted), and make necessary repairs, renewals, and replacements so that the business carried on by LEI may be properly conducted at all times, unless LEI determines in good faith that the continued maintenance of certain property is no longer economically desirable, necessary, or useful to the business of LEI or the sale, assignment, or transfer of the property is otherwise permitted by Section 8(i);

ii. operate its Oil and Gas Properties and other material Assets, or cause its Oil and Gas Properties and other material Assets to be operated, in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all applicable law, including applicable proration requirements and Environmental Laws, and all applicable law, rules, and regulations of every other Governmental Authority from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals from them, only if related to the Proved Reserves;

iii. promptly pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses, and indebtedness accruing under the leases or other agreements affecting or pertaining to its Proved Reserves and will do all other things necessary to keep its rights to its Proved Reserves unimpaired and prevent any forfeiture of them or default under them;

iv. promptly perform or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts, and agreements affecting its interests in its Proved Reserves and other material Assets; and

v. to the extent LEI is not the operator of any Oil and Gas Property, LEI shall use reasonable efforts to cause the operator to comply with this Section 7(c).

d. Insurance. Maintain, in each case, to the reasonable satisfaction of Rogers:

i. insurance on its property with an insurance company rated A or higher by A. M. Best Company with coverage against loss and damage in at least the amounts currently maintained by LEI and insuring against those risks that are typically insured against by Persons of comparable size to LEI and Persons engaged in the same or similar business as LEI; and

ii. all worker's compensation, employer's liability insurance, or similar insurance that may be required under the laws of any state or jurisdiction in which it may be engaged in business.

Without limiting the items listed above in this Section 7(d), all insurance policies required pursuant to this Section 7(d) shall: (i) name Rogers as loss payee (in the case of property insurance) or name Rogers as additional insured (in the case of liability insurance), as applicable; and (ii) provide that the insurer will provide at least thirty days' (or ten days', in the case of non-payment of premiums) prior written notice to Rogers before cancelling or materially modifying the policies.

e. Books and Records. Keep books and records that accurately reflect all of its business affairs and transactions and permit Rogers or her representatives, upon seven calendar days' prior notice, at reasonable times and intervals, to visit all of its offices, to discuss its financial matters with its officers and independent public accountant (and LEI authorizes its independent public accountant, with prior notice to LEI and an opportunity to attend, to discuss LEI's financial matters with Rogers or her representatives) and to examine (and, at the expense of LEI, photocopy or electronic copy extracts from) any of its books or other records. LEI shall pay any reasonable fees of its independent public accountant incurred in connection with Rogers' exercise of her rights pursuant to this Section 7(e).

f. Agreement to Deliver Security Documents.

i. Deliver promptly to further secure the Obligations whenever requested by Rogers in good faith, Mortgages, Security Agreements, financing statements, continuation statements, extension agreements, and other similar agreements or instruments (in addition to those required to be delivered under Section 5) in form and substance reasonably satisfactory to Rogers in good faith for the purpose of granting, confirming, and perfecting first and prior (other than with respect to Liens permitted pursuant to Section 8(e)) liens or security interests in any property that is at that time Collateral Property or that was intended to be Collateral Property pursuant to any Loan Document previously executed and not then released by Rogers; provided, however, that LEI shall at all times maintain in effect in favor of Rogers (A) all Mortgages deemed necessary by Rogers to grant, confirm, and perfect first and prior (other than with respect to Liens permitted pursuant to Section 8(e)) liens or security interests in 80% of the Proved Reserves set forth in the most recent Reserve Report (whether developed or undeveloped); and further provided, however, that in the event that the Hydrocarbon Interests on which Rogers has a first priority perfected Lien (other than with respect to Liens permitted pursuant to Section 8(e)) shall constitute less than 80% of the Proved Reserves (whether developed or undeveloped), LEI shall promptly notify Rogers and execute or cause to be executed additional Mortgages necessary to increase the percentage to 80%, in each case, together with tax affidavits or other documents or instruments as may be necessary or, in the reasonable opinion of Rogers, desirable for the due recordation or filing of the additional Mortgages and (B) all Security Documents deemed necessary by Rogers to grant, confirm, and perfect first and prior liens and security interests in all of LEI's personal property, including cash, accounts, receivables, inventory, contract rights, and general intangibles.

ii. Deliver promptly title opinions or other title reports or information in form and substance reasonably acceptable to Rogers with respect to the Oil and Gas Properties constituting at least 80% in the aggregate of the present value (determined by a discount factor of 10%) of all Proved Reserves set forth in the most recent Reserve Report delivered to Rogers.

iii. Subordinate in favor of Rogers any contractual or statutory Liens held by LEI as co-working interest owner under joint operating agreements or similar contractual arrangements with respect to LEI's share of the expense of exploration, development, and operation of oil, gas and mineral leasehold or fee interests jointly owned with others and operated by LEI.

g. Compliance with Other Contractual Obligations. Perform and observe in all material respects all of the covenants and agreements contained in each contract or agreement to which LEI is a party that are provided to be performed and observed on the part of LEI, taking into account any grace period, and shall diligently and in good faith enforce, using appropriate procedures and proceedings, all of its material rights and remedies under (including taking all diligent actions required to collect amounts owed to LEI by any other parties) each contract or agreement, except, in each case, where failure to comply could not reasonably be expected to have a Material Adverse Effect.

h. Further Assurances. At LEI's expense, promptly execute and deliver to Rogers all other documents, agreements, and instruments reasonably requested by Rogers to comply with, cure any defects, or accomplish the conditions precedent, covenants, and agreements of LEI in the Loan Documents; or to further evidence and more fully describe the Collateral Property intended as security for the Obligations; or to correct any error or omission in this Agreement or the Security Documents; or to state more fully the obligations secured; or to perfect, protect, or preserve any Liens created pursuant to this Agreement or any of the Security Documents; or to perfect, protect, or preserve the priority of the Liens; or to make any recordings, file any notices, or obtain any consents; all as may be reasonably necessary or appropriate, in the sole discretion of Rogers.

i. Title to Properties. Own good and defensible title to all of its Oil and Gas Properties and good title to all its Assets constituting personal property, in each case, free and clear of all Liens except Liens permitted by Section 8(e). After giving full effect to the permitted Liens, LEI shall own the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and the ownership of the Hydrocarbon Interests shall not in any material respect obligate LEI to bear the costs and expenses relating to the maintenance, development, and operations of each of the Hydrocarbon Interests in an amount in excess of the working interest of each Oil and Gas Property set forth in the most recently delivered Reserve Report that is not offset by a corresponding proportionate increase in LEI's net revenue interest in the Hydrocarbon Interests.

j. Use of Proceeds. Use the proceeds of the Loan solely to refinance existing Debt and for general corporate purposes.

k. [INTENTIONALLY OMITTED.].

l. Compliance with ERISA. In the event that LEI maintains or establishes a Pension Plan subject to ERISA, (a) comply in all material respects with all requirements imposed by ERISA as presently in effect or subsequently promulgated, including, but not limited to, minimum funding requirements; (b) promptly notify Bank upon the occurrence of a "reportable event" or "prohibited transaction" within the meaning of ERISA, or that the PBGC or LEI has instituted or will institute proceedings to terminate any Pension Plan, together with a copy of any proposed notice of the event that may be required to be filed with the PBGC; and (c) furnish to Rogers (or cause the plan administrator to furnish Rogers) a copy of the annual return (including all schedules and attachments) for each Pension Plan covered by ERISA, and filed with the Internal Revenue Service by LEI not later than ten days after the report has been filed.

m. **Indemnification. Indemnify, defend, and save Rogers and her representatives, advisors, employees, agents, heirs, successors, and assigns (collectively, the "Indemnified Parties") harmless from any and all claims, losses, costs, damages, liabilities, obligations, and expenses, including, without limitation, actual attorneys' fees (whether inside or outside counsel is used), incurred by Rogers as a result of any Default or Event of Default, in defending or protecting the Liens or the priority of the Liens that secure or purport to secure all or any portion of the Loan, whether existing under any Loan Document or otherwise, or in enforcing the obligations of LEI or any other Person under or pursuant to any Loan Document, or in the prosecution or defense of any action or proceeding concerning any matter growing out of or connected with the Collateral Property or any Loan Document, INCLUDING ANY CLAIMS, LOSSES, COSTS, DAMAGES, LIABILITIES, OBLIGATIONS, AND EXPENSES RESULTING FROM ROGER'S OWN NEGLIGENCE, except and to the extent, but only to the extent, caused by Rogers' gross negligence or willful misconduct.**

n. Post-Closing Obligations. Execute and deliver the documents and complete the tasks set forth on Schedule B, in each case within the time limits specified in Schedule B (unless the time limits are extended in writing by Rogers).

o. Survival of Covenants. All of the covenants in this Section 7 are considered effective as of the date given and survive the termination of this Agreement.

8. Negative Covenants. Until payment in full of the Note and all other Obligations, LEI covenants that it shall not (unless Rogers otherwise consents in writing):

a. Asset Coverage Test. Permit, as of any Test Date, the ratio of (i) Total Proved PV10% as in effect on the Test Date to (ii) the Obligations as of the Test Date to be less than 4.00 to 1.00; provided that in no event shall the Total Proved PV10% be less than $30,000,000 at any time.

b. Business Activities. Engage in any business activity except the Oil and Gas Business.

c. Debt. Incur or assume any Debt, except for (i) Debt pursuant to the Loan and other Obligations, (ii) Debt directly related to Hedge Transactions that LEI is permitted to enter into (or not prohibited from entering into) pursuant to Section 8(d), and (iii) current unsecured trade, utility, or non-extraordinary accounts payable arising in the ordinary course of business.

d. Hedge Transactions. Enter into any Hedge Transaction, except that LEI shall be permitted to enter into Hedge Transactions with a credible counterparty related to bona fide (and not speculative) hedging activities of LEI.

e. Liens. Permit, create, incur, assume, or suffer to exist any Lien upon any of its property, revenues, or Assets, whether now owned or subsequently acquired, except:

i. Liens securing payment of the Obligations;

ii. Liens for taxes, assessments, or other governmental charges or levies that are not delinquent or that are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

iii. Liens of carriers, warehousemen, mechanics, materialmen, landlords, and other like Liens incurred in the ordinary course of business for sums in an amount of less than $250,000.00 and that are not overdue for a period of more than ninety days or that are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

iv. Liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance, pensions, or other forms of governmental insurance or benefits;

v. Liens relating to banker's liens, rights of set-off, or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, provided that no deposit account is a dedicated cash collateral account or is subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board of Governors of the Federal Reserve System and no deposit account is intended by LEI to provide collateral to the depository institution;

vi. easements, rights-of-way, servitudes, permits, reservations, exceptions, covenants, and other restrictions regarding the use of real property and other similar encumbrances incurred in the ordinary course of business that do not secure the payment of Debt and that, in the aggregate, are not substantial in amount and that do not in the aggregate materially detract from the value of the Hydrocarbon Interest subject to these restrictions or materially interfere with the ordinary conduct of LEI's business;

vii. Liens of operators and/or co-working interest owners under joint operating agreements or similar contractual arrangements with respect to LEI's proportionate share of the expense of exploration, development, and operation of oil, gas, and mineral leasehold or fee interests jointly owned with others, to the extent that they relate to sums not yet overdue, or if they relate to sums that are overdue, then to the extent that they are being contested in good faith by appropriate proceedings and execution of the associated Lien has been stayed, either pursuant to agreement of the Lien claimant or by a valid order of a court having jurisdiction;

viii. (A) to the extent not addressed in clauses (vi) and (xii), Liens or claims upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits; or (B) adverse judgments on appeal, provided, that, in each case, (1) the validity or amount of the judgment is being contested in good faith by appropriate and lawful proceedings, (2) the levy or execution on the judgment has been stayed and continues to be stayed, and (3) the judgments do not, in the aggregate, materially detract from the value of the property of LEI, or materially impair the use of the property in the operation of LEI's business;

ix. rights reserved to or vested in a Governmental Authority having jurisdiction to control or regulate any Oil and Gas Property in any manner whatsoever and all laws of the Governmental Authority, so long as LEI is in compliance with all applicable laws, except for any non-compliance that would not result in a Material Adverse Effect;

x. All lessor's royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests, and other burdens on or deductions from the proceeds of production created or in existence as of the date of this Agreement with respect to each Oil and Gas Property (in each case) that do not operate to reduce the net revenue interest for the Oil and Gas Property (if any) or increase the working interest for the Oil and Gas Property (if any) without a corresponding increase in the corresponding net revenue interest and that do not operate to reduce the net revenue interest for the Oil and Gas Property below the net revenue interest, if any, warranted by LEI for that Oil and Gas Property in any Mortgage;

xi. consents to assignment and similar contractual provisions affecting an Oil and Gas Property to the extent and only to the extent that the consents do not affect the grant or assignment and delivery of any Security Document, any existing Lien held by Rogers, or the execution of any remedies under any of the Loan Documents by Rogers; and

xii. (1) zoning, building, entitlement, and other land use regulations by Governmental Authorities with which the normal operation of the business complies, and (2) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of LEI.

f. Investments. Make, incur, or assume any Investment in any other Person (including, without limitation, formation of and Investment in any Subsidiary) except:

i. extensions of trade credit in the ordinary course of business;

ii. Investments in Cash Equivalent Investments;

iii. the endorsement of negotiable instruments for collection in the ordinary course of business;

iv. Investments in Hedge Transactions to the extent not otherwise prohibited by this Agreement;

v. Investments with third parties that (1) are customary in the Oil and Gas Business, (2) are made in the ordinary course of the Person's and LEI's business, and (3) are made in the form of or pursuant to operating agreements, process agreements, farm-in agreements, farm-out agreements, development agreements, unitization agreements, pooling agreements, joint bidding agreements, service contracts, and other similar agreements; and

vi. guarantees by LEI of operating leases or of other obligations that, in each case, do not constitute Debt and are entered into in the ordinary course of business.

g. Sale and Leaseback. Directly or indirectly enter into any agreement or arrangement providing for the sale or transfer by LEI of any property (now owned or subsequently acquired) to a Person and the subsequent lease or rental of that property or other similar property from that Person to LEI.

h. Consolidation, Merger, etc. Become a party to a merger or consolidation, or purchase or otherwise acquire all or substantially all of the business or assets of any Person, or all or substantially all of the shares or other evidence of beneficial ownership of any Person that results in a Change In Management of LEI, or wind up, dissolve, or liquidate.

i. Disposition of Assets. Dispose of any Capital Stock owned or held by it or any other Assets, except:

i. Dispositions of Hydrocarbons and other inventory in the ordinary course of business;

ii. Dispositions of obsolete, damaged, worn out, or replaced property and dispositions in the ordinary course of business of property no longer used or useful in the conduct of the business of LEI;

iii. Disposition to third parties of Oil and Gas Properties, provided that: (A) no Event of Default exists at the time of the Disposition or results from the Disposition; (B) the Total Proved PV10% shall be reduced, effective immediately upon the Disposition, by Rogers in her sole discretion by an amount equal to the aggregate value of the Oil and Gas Properties (as determined by Rogers to be the approximate value, if any, assigned to the Oil and Gas Properties under the most recent Total Proved PV10% determination); (C) the consideration received from the Disposition is equal to or greater than the fair market value of the Oil and Gas Properties (as reasonably determined by LEI's management or Board of Directors and, if requested by Rogers, LEI shall deliver a certificate of an Authorized Officer of LEI certifying to that effect); and (D) to the extent a Collateral Value Deficiency results from any reduction pursuant to Section 8(i)(iii)(B), up to one-hundred percent (100%) of the gross proceeds of the Disposition is immediately paid to Rogers by wire transfer of immediately available funds and applied first to any unpaid Obligations, then to accrued interest, and then to principal; and

iv. farmouts of undeveloped acreage and assignments in connection with any farmouts.

In the event of the Disposition of any Assets as permitted by this Section 8(i) or otherwise permitted under the Loan Documents, Rogers shall execute and deliver to LEI, at LEI's sole cost and expense, any and all releases of Liens, termination statements, assignments, or other documents reasonably requested by LEI in connection with the Disposition.

j. Transactions with Affiliates. Except as otherwise permitted by this Agreement or any other Loan Document, not enter into, or cause, suffer, or permit to exist any arrangement or contract with any Affiliate of LEI unless the arrangement or contract is fair and equitable to LEI and is on terms no less favorable to LEI than an arrangement or contract of the kind that would be entered into by a prudent Person in the position of LEI with a Person that is not an Affiliate of LEI.

k. Restrictive Agreements, etc. Enter into any agreement (excluding this Agreement and any other Loan Document) prohibiting (a) the creation or assumption of any Lien upon its Assets, whether now owned or subsequently acquired, under any of the Security Documents; or (b) the ability of LEI to enter into an amendment or modification of this Agreement or any other Loan Document.

l. Gas Imbalances. Allow gas imbalances, take-or-pay, or other prepayments with respect to the Oil and Gas Properties of LEI that would require LEI to deliver Hydrocarbons at some future time without then or subsequently receiving full payment for them to exceed three percent (3%) of the aggregate amount of Hydrocarbons (on an mcf equivalent basis) produced from the Oil and Gas Properties of LEI during the fiscal quarter of LEI then ended.

m. Accounting. Change its fiscal year or make any change (a) in accounting treatment or material reporting practices, except as permitted by GAAP and disclosed to Rogers or (b) in tax reporting treatment, except as permitted by law and disclosed to Rogers.

n. Modification of Organizational Documents and Contract Operator Agreement. Consent to any amendment, supplement, or other modification of the terms or provisions contained in (i) the organizational documents of LEI if the result would have a Material Adverse Effect on the rights or remedies of Rogers, or (ii) any Contract Operator Agreement if the amendment, supplement, or other modification could reasonably be expected to be materially detrimental to the interests of Rogers.

o. Sale or Discount of Receivables. Except for receivables obtained by LEI that are outside the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection of them and not in connection with any financing transaction, LEI will not discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

p. Marketing. LEI represents that it is receiving a price for all production sold under its contracts disclosed in writing to Rogers or included in the most recently delivered Reserve Report that is computed substantially in accordance with the terms of the relevant contract and deliveries are not being curtailed substantially below the subject Oil and Gas Property's delivery capacity. Except for contracts either disclosed in writing to Rogers or included in the most recently delivered Reserve Report, LEI will not enter into any material agreement that (a) pertains to the sale of production at a fixed price and (b) has a maturity or expiry date of longer than six months except agreements that are cancelable on 60 days' notice or less without penalty or detriment for the sale from LEI's Hydrocarbons (including calls on or other rights to purchase production, regardless of whether these rights are currently being exercised).

q. Pension Plans. Except in compliance with this Agreement, enter into, maintain, or make contribution to, directly or indirectly, any Pension Plan that is subject to ERISA.

r. Survival of Covenants. All of the covenants in this Section 8 are considered effective as of the date given and survive the termination of this Agreement.

9. Default. LEI will be in default of this Agreement, the Note, the Security Agreement, and the other Loan Documents if LEI fails in its performance of any duty imposed on it in the Loan Documents, or if any of the following happens ("Default" or "Event of Default"):

a. LEI fails to timely make any principal or interest payment on the Note (at which time default interest and late payments set forth in the Note automatically apply retroactively for that payment through the date the payment is made in full), and Rogers gives notice of this failure to LEI but does not receive the payment in full on or before the fifteenth day after the date Rogers gives LEI notice of its failure to pay. If LEI pays all past due amounts prior to the fifteenth day after notice from Rogers of the late payment, the Loan shall not be declared in Default and the Note shall revert back to the regular non-default interest rate.

b. LEI fails to timely make any payment of any Obligation due pursuant to this Agreement, the Note, the Security Agreement, or any of the other Loan Documents, and Rogers gives notice of this failure to LEI but does not receive the payment in full on or before the tenth day after the date Rogers gives Lucas the notice.

c. Any representation or warranty made in this Agreement or in any of the Loan Documents or any other writing or certificate furnished by or on behalf of LEI to Rogers is or shall be false or incorrect when made or deemed made and results in a Material Adverse Effect to Rogers.

d. (i) LEI fails to comply with its covenants or agreements contained in Section 7(a)(i) and (xi), 7(b)(ii)(A)(x), 7(d), or 7(n) or Section 8 (other than Section 8(i) and 8(k)) of this Agreement; (ii) LEI fails to comply with its covenants or agreements contained in Section 8(i) or 8(k) of this Agreement, and the default continues for a period of thirty Business Days after the earlier of (A) the date any officer of LEI has knowledge of the default or (B) Rogers sends notice of the default to LEI; or (iii) LEI fails to comply with its covenants or agreements contained in this Agreement or in any of the other Loan Documents that is not covered by clause (i) or (ii) or any other provision of this Section 9 and the default continues for a period of thirty days after the earlier of (A) the date any officer of LEI has knowledge of the default or (B) Rogers sends notice of the default to LEI.

e. LEI (i) applies for or consents to the appointment of a receiver, custodian, trustee, intervenor, or liquidator of it or of all or a substantial part of its assets; (ii) voluntarily becomes the subject of a bankruptcy, reorganization or insolvency proceeding or be insolvent or admit in writing that it is unable to pay debts as they become due; (iii) makes a general assignment for the benefit of creditors; (iv) files a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws; (v) files an answer admitting the material allegations of, or consents to, or defaults in answering, a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding; (vi) becomes the subject of an order for relief under any bankruptcy, reorganization, or insolvency proceeding; or (vii) fails to pay any money judgment against it before the expiration of thirty days after the judgment becomes final and no longer subject to appeal.

f. An order, judgment, or decree is entered by any court of competent jurisdiction or other competent authority approving a petition appointing a receiver, custodian, trustee, intervenor, or liquidator of LEI or of all or substantially all of its assets, and the order, judgment, or decree continues unstayed and in effect for a period of sixty days; or a complaint or petition is filed against LEI seeking or instituting a bankruptcy, insolvency, reorganization, rehabilitation, or receivership proceeding of LEI, and the petition or complaint has not been dismissed within thirty days after it was filed.

g. LEI defaults in the payment of any Debt of LEI (other than to Rogers) or in the observance or performance of any term, covenant, or condition in any document evidencing, securing, or relating to the Debt, and the default continues for more than any applicable period of grace and the default results in LEI owing, through default and/or acceleration, an amount in excess of $250,000.00.

h. Any Loan Document is terminated, revoked, or otherwise rendered void or unenforceable, in any case without Rogers' prior written consent.

i. Any Change in Management occurs.

j. A Material Adverse Effect occurs.

k. An event of default under any other Loan Document occurs and continues.

l. At any time on or after August 13, 2013, and continuing until the Note is paid in full, the Board of Directors of LEI fails to allow Rogers' designated Board observer to attend, observe, or participate in discussions in any meeting of the Board of Directors of LEI, or LEI fails to give Rogers' designated Board observer the same notice of the Board meeting as that given to the Board members.

10. Representations and Warranties of Rogers. Rogers acknowledges that, due to the terms and conditions of this Agreement and the disclosure requirements set forth in it, she will have access to and will be provided by LEI with, certain material non-public information about LEI. In connection with this acknowledgement by Rogers and in partial consideration for LEI providing this information to Rogers, Rogers agrees that:

a. LEI is a publicly-traded company;

b. neither Rogers nor any of her Affiliates or representatives will take any action to:

i. directly or indirectly buy, sell, advise a market maker to post a bid or ask price, sell short, or cover any short sale (each a "Trading Transaction"); or

ii. induce, instruct, or advise any person to affect a Trading Transaction, in any of LEI's common stock, based on any material non-public information relating to Rogers; and

c. Rogers will not, at any time, disclose, in whole or in part, Confidential Information to any Person, except to her Affiliates and her and their respective authorized representatives, agents, independent contractors, consultants, attorneys, accountants, and financial advisors, or as may be necessary or appropriate to carry out the terms of this Agreement, without first obtaining express written permission from LEI, except if required to do so pursuant to court order or subpoena. The requirements of this Section 10 shall survive the termination of this Agreement and the repayment of the Loan.

11. Remedies Upon Event of Default. If an Event of Default occurs and continues after any permitted curative time has passed, but without impairing or otherwise limiting Rogers' right to demand payment of all or any portion of the Loan that is payable on demand, then Rogers, at her option, may (a) declare the outstanding principal and all accrued interest under the Note, as well as any other Obligations of LEI to Rogers, to be immediately due and payable, at which time they shall immediately become due and payable in full without notice, presentment, demand, protest, notice of intention to accelerate, or any other notice of any kind, all of which LEI expressly waives, anything contained in this Agreement or in the other Loan Documents to the contrary notwithstanding; (b) reduce any claim to judgment; and/or (c) without notice of default or demand, pursue and enforce any of Rogers' rights and remedies under the Loan Documents or otherwise provided under or pursuant to any applicable law or agreement; provided that if any Event of Default described in clauses (e) or (f) of Section 9, occurs then the outstanding principal and all accrued interest under the Note, as well as any other Obligations of LEI to Rogers, shall automatically be and become immediately due and payable, without notice or demand.

12. Miscellaneous.

a. Waiver. No failure to exercise, and no delay in exercising, on the part of Rogers, any right under this Agreement shall operate as a waiver that right, nor shall any single or partial exercise of a right preclude any other or further exercise of that right or the exercise of any other right. The rights of Rogers under this Agreement and under the other Loan Documents shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar, or other instances without notice or demand.

b. Notices. Any and all notices or communications related in any way to this Agreement or any other Loan Document may be given by certified mail with return receipt requested, by receipted courier, by overnight delivery service, or by hand delivery and sent to the persons at the addresses set forth for each party below, or they may be given by facsimile transmission or by e-mail transmission if the intended recipient has affirmatively stated that notice may be delivered by facsimile or e-mail and the intended recipient has provided a valid facsimile number and/or e-mail address. Any notice delivered by facsimile or e-mail sent or for which a return receipt is received at any time before 5:00 p.m. on a Business Day shall be deemed to be delivered on that date. Any facsimile or e-mail notice not received by 5:00 p.m. on a Business Day shall be deemed to be received on the first following business day.

Notices to LEI:

Lucas Energy, Inc.
3555 Timmons Lane, Suite 1550
Houston, Texas 77027
Attention: Anthony C. Schnur, Chief Executive Officer
Telephone: (713) 528-1881
Facsimile: (713) 337-1510
E-mail: TSchnur@LucasEnergy.com
Notice may be delivered by facsimile or e-mail with proof of receipt.

Notices to Rogers:

Louise H. Rogers
c/o Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052
Facsimile number: (281) 754-4685
E-mail address: SConway@SConwayLaw.com
Notice may be delivered by facsimile or e-mail with proof of receipt.

The parties agree to provide e-mail return receipt acknowledgements to each other upon receipt of any e-mail from the other party requesting a return receipt, or, if unable to send a return receipt, agree to promptly send an e-mail in response simply confirming receipt of the e-mail.

Any of the above contact information or designated representatives for the purpose of notice may be changed by that party or an authorized representative of that party providing written notice in the manner set forth above to the other party, and the new contact information or representative will then become effective. For all purposes under this Agreement, any notice given by Ms. Conway (or any other legal counsel designated by Rogers) on behalf of Rogers shall constitute notice by Rogers.

c. Governing Law. This Agreement and the other Loan Documents are being executed and delivered, and are intended to be performed, in the State of Texas, and the substantive laws of Texas shall govern the validity, construction, enforcement and interpretation of this Agreement and all other Loan Documents. Venue is agreed to be proper in Montgomery County, Texas, and any challenge to venue in Montgomery County, Texas, is expressly waived by LEI.

d. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, the provision shall be automatically modified to the minimum extent necessary to make the provision fully legal, valid, and enforceable. However, if the provision cannot be modified, then it shall be fully severable and this Agreement shall be construed and enforced as if the illegal, invalid, or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its modification or severance from this Agreement.

e. Entirety and Amendments. This Agreement and the other Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter contained in this Agreement and the other Loan Documents. This Agreement and the other Loan Documents may be amended only by an instrument in writing executed by the party, or an authorized officer of the party, against whom the amendment is sought to be enforced.

f. Headings; Cross-References; Defined Terms. Paragraph and section headings are for convenience of reference only and shall in no way affect the interpretation of this Agreement. Capitalized terms used in this Agreement and not otherwise defined in the body of this Agreement shall have the meanings set forth in Schedule A.

g. Construction and Conflicts. The provisions of this Agreement shall be in addition to those of the Note, the Loan Documents, and any other guaranty, pledge, security agreement, note, or other evidence of liability held by Rogers, all of which shall be construed as complementary to each other. Nothing contained in this Agreement shall prevent Rogers from enforcing the Note, the Loan Documents, and any and all other notes, guaranty, pledge, or security agreements in accordance with their respective terms. To the extent of any conflict or contradiction between the terms of this Agreement and the terms of the Note, the Loan Documents, or any other document executed in connection with the Loan, the Note shall control. Otherwise, this Agreement shall control.

h. Financial Terms. As used in this Agreement, all financial and accounting terms not otherwise defined in this Agreement shall be defined and calculated in accordance with generally accepted accounting principles consistently applied.

i. Expenses of Rogers. LEI will, within fifteen days from demand, reimburse Rogers for all expenses incurred by her in entering into this transaction except as otherwise provided in this Agreement, including, without limitation, any reserve engineering related fees and expenses, and all actual fees and expenses incurred by legal counsel for Rogers in connection with the preparation, administration, monitoring, amendment, modification, or enforcement of this Agreement, the Note, and the Loan Documents, and the collection or the attempted collection of the Note. Attorney's fees (exclusive of expenses) incurred after the Closing Date that are unrelated to closing or to completing closing tasks and that are incurred for monitoring the Loan and compliance with the Loan Documents, for preparing minor amendments during the duration of the Loan, and for arranging for releases of liens and termination of the Loan Documents after payment in full by LEI shall not exceed the aggregate total of $50,000.00 during the two-year term of the Loan. If the Loan is extended, then this maximum shall increase by $25,000.00 for each additional year for which the Loan is extended, and *pro rata* by $25,000.00 for any extension period that is less than a year. If any major modifications to the Loan Documents are requested by the parties and undertaken by counsel for Rogers, including but not limited to restating any of the original Loan Documents, increasing the principal amount loaned, or generating any completely new documents, then this cap shall not apply. In addition, this cap does not in any way apply to attorney's fees incurred in an Event of Default or incurred by Rogers in enforcing her rights under any of the Loan Documents after an Event of Default occurs.

j. Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations, and warranties of LEI made in any Loan Document, or in any certificate, report, financial statement or other document furnished by or on behalf of LEI in connection with any Loan Document, shall be deemed to have been relied upon by Rogers, notwithstanding any investigation previously or subsequently made by Rogers or on Rogers' behalf, and those covenants and agreements of LEI set forth in Section 7(m) (together with any other indemnities of LEI contained elsewhere in any Loan Document) shall survive the termination of this Agreement and the repayment in full of the Obligations.

k. Successors and Assigns; Participation. This Agreement shall be binding upon and shall inure to the benefit of LEI and Rogers and their respective successors and assigns. Neither LEI nor Rogers may assign any of their rights or obligations under this Agreement or any of the other Loan Documents without the express written consent of the other party.

l. Designations by Rogers. For any designations by Rogers of third parties provided under this Agreement or any of the other Loan Documents, the designation shall be made by Rogers in writing and delivered to LEI as provided under "Notices" above. Any designations made by a person holding power of attorney for Rogers shall constitute a designation by Rogers.

No Oral Agreements. ***This written Letter Loan Agreement, along with the other Loan Documents, represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. No unwritten oral agreements exist between the parties.***

[Signatures follow on next page.]

If Rogers agrees to the terms set forth above, Rogers should execute this Agreement in the space indicated below.

Borrower:

Lucas Energy, Inc.

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

Date of Signature: 8/9 , 2013

ACCEPTED:

Lender:

/s/ Louise H. Rogers
Louise H. Rogers, as her Separate Property

Date of Signature: 8-12 , 2013

SCHEDULE A

Definitions

"**LEI**" means Lucas Energy, Inc., the Borrower in this Loan transaction.

"**Rogers**" means Louise H. Rogers, the Lender in this Loan transaction.

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"**Affiliate**" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract, or otherwise.

"**Approved Engineer**" means any independent engineer recognized in the U.S. oil and gas loan syndication market and satisfactory to Rogers. The parties agree that Forrest A. Garb & Associates, Inc., and Octagon Advisors are deemed to be Approved Engineers.

"**Asset**" means, as to any Person, all property of any kind, real or personal, tangible or intangible, legal or equitable, whether now owned or subsequently acquired, including, without limitation, the Hydrocarbon Interests, money, stock, accounts receivable, contract rights, franchises, value as a going concern, causes of action, undivided fractional ownership interests, intellectual property rights, and anything of any value that can be made available for, or may be appropriated to, the payment of debts.

"**Asset Coverage Deficiency**" means either (a) the Asset Coverage Ratio as of any Test Date is less than 4.00 to 1.00, or (b) the Total Proved PV10% in effect on the Test Date is less than $30,000,000.

"**Asset Coverage Ratio**" means, as of any Test Date, the ratio of (a) Total Proved PV10% as in effect on the Test Date to (b) the Obligations as of the Test Date.

"**Authorized Officer**" means those officers of LEI whose signatures and incumbency have been certified by LEI to Rogers.

"**Business Day**" means any day that is neither a Saturday nor Sunday nor a legal holiday on which banks are authorized or required to be closed in Tyler, Texas, or Houston, Texas.

"**Capital Stock**" means any and all shares, interests (including partnership interests and membership interests), participations, or other equivalents (however designated) of capital stock of a corporation, partnership, limited liability company, or other legal entity; securities convertible into or exchangeable for shares, interests, or participations in any and all equivalent ownership interests in a Person; and any and all warrants or options to purchase any of these ownership interests.

"**Cash Equivalent Investment**" means, at any time:

(a) any evidence of Debt that matures not more than one year after the date the Debt is issued or guaranteed by the United States Government;

(b) commercial paper that matures not more than six months from the date of issue, that is issued by (i) a corporation (other than an Affiliate of LEI) organized under the laws of any state of the United States or of the District of Columbia and rated one of the three highest rating categories by S&P or Moody's, or (ii) any lender (or its holding company);

(c) any certificate of deposit or bankers acceptance that matures not more than one year after it is obtained that is issued by a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than $250,000,000.00, and whose long-term certificates of deposit or bankers acceptances are, at the time of acquisition by LEI, rated A-1 by S&P or P-1 by Moody's;

(d) deposit accounts in a bank or trust company organized under the laws of the United States or any state of the United States that has capital, surplus, and undivided profits aggregating at least $250,000,000.00 and whose commercial paper or short term bank deposits (or that of the holding company with which the bank or trust company is affiliated) are rated A-1 by S&P or P-1 by Moody's;

(e) marketable direct obligations issued or unconditionally guaranteed by the United States government or issued by any U.S. agency and backed by the full faith and credit of the United States, as the case may be, in each case maturing no later than one year from the date of acquisition; or

(f) money market, mutual, or similar funds that invest in obligations referred to clauses (a), (b), (c), (d), or (e) of this definition, and in each case the funds have assets in excess of $250,000,000.00.

"**CERCLA**" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"**Change in Management**" means: (a) Anthony C. Schnur shall cease or fail for any reason to serve and function in his current capacity as Chief Executive Officer of LEI and is not succeeded in that position by a person reasonably acceptable to Rogers; or (b) William J. Dale shall cease or fail for any reason to serve and function in his current capacity as Chief Financial Officer of LEI and is not succeeded in that position by a person reasonably acceptable to Rogers.

"**Collateral Property**" means any Mortgaged Property or Collateral, each as defined and specified in the applicable Security Document.

"Confidential Information" means all business plans, data, production results, reports, and all information of any nature concerning LEI's financial statements and resources, results of operations, technical information, business dealings, negotiations with third parties, potential mergers and acquisitions, and all other material non-public information relating to LEI. Confidential Information shall not include information that (a) is known by Rogers prior to its disclosure by LEI and that is not subject to other confidentiality obligations; (b) is or becomes publicly known through no breach of the Letter Loan Agreement or any other agreement binding Rogers; (c) is received from a third party without a breach of any confidentiality obligation known to Rogers; (d) is independently developed by Rogers; or (e) is disclosed with LEI's prior written consent.

"**Contract Operator Agreement**" means any contract or agreement to which LEI is a party and pursuant to which another Person (other than LEI or owner of a working interest in the Oil and Gas Properties) provides operating services with respect to any of LEI's Oil and Gas Properties, as amended, supplemented or otherwise modified.

"**Debt**" and "**Indebtedness**" both mean all liabilities of a Person that should be classified as liabilities in accordance with GAAP, and includes current unsecured trade, utility, and non-extraordinary accounts payable arising in the ordinary course of business.

"**Debt Service Reserve Escrow Account**" means the account set up by Robertson Global Credit, LLC, at Bank of Texas to hold in escrow LEI's prepayment via escrow of the first six months of interest payments under the Note.

"**Default**" means any Event of Default or any condition, occurrence or event that, after notice or lapse of time or both, would constitute an Event of Default, as described more fully in the Letter Loan Agreement and in the relevant Security Document.

"**Disposition**" and "**Dispose**" both mean the sale, transfer, license, lease, or other disposition of any Asset by any Person.

"**Determination Period**" means the period from the date of the Letter Loan Agreement to the initial Scheduled Collateral Value Determination Date, and each subsequent six-month period between Scheduled Collateral Value Determination Dates.

"**Environmental Laws**" means any applicable federal, state, or local laws, rules, or regulations, and any judicial, arbitral, or administrative interpretations of them, including any applicable judicial, arbitral, or administrative order, judgment, permit, approval, decision, or determination pertaining to health or safety (to the extent health or safety relate to exposure to Hazardous Materials) or the environment in effect at the time in question, including CERCLA; the Federal Water Pollution Control Act, as amended; the Occupational Safety and Health Act, as amended; the Resource Conservation and Recovery Act, as amended ("RCRA"); the Safe Drinking Water Act, as amended; the Toxic Substances Control Act, as amended; the Superfund Amendment and Reauthorization Act of 1986, as amended; the Hazardous Materials Transportation Act, as amended; comparable state and local laws; and other environmental conservation and protection laws. The terms "hazardous substance," "Release," and "threatened Release" shall have the meanings specified in CERCLA, and the terms "solid waste" and "disposal" (or "disposed") shall have the meanings specified in RCRA and the term "oil" shall have the meaning specified in the Oil Pollution Act, as amended ("OPA"); provided, that (i) in the event either CERCLA, RCRA, or OPA is amended in a manner that broadens the meaning of any term defined in those Acts, the broader meaning shall apply with respect to Sections 2.2 through 2.5 of the Mortgages from and after the date of adoption and legal effect of the amendment, and, with respect to Section 2.7 of the Mortgages, as of the earliest date on which the adopted amendment has legal effect (including legally enforceable retroactive effect); and (ii) to the extent the laws of the state or states in which any Property of LEI is located establish a meaning for "hazardous substance," "release," "threatened release," "solid waste," "disposal," or "oil" that is broader than that specified in CERCLA, RCRA, or OPA, the broader meaning shall apply, with respect to Sections 2.2 through 2.5 of the Mortgages, from and after the date of adoption and legal effect of the amendment, and, with respect to Section 2.7 of the Mortgages, as of the earliest date on which the adopted amendment has legal effect (including legally enforceable retroactive effect).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, or any successor act or code.

"**GAAP**" means generally accepted accounting principles.

"**Governmental Authority**" means the government of the United States or of any other nation or country, or of any political subdivision of that nation or country, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank, or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of or pertaining to government.

"**Hazardous Material**" means any pollutant or contaminant or hazardous, dangerous, or toxic chemical, material, or substance within the meaning of any applicable national, regional, state, or local law, regulation, ordinance, or legally enforceable requirement (including consent decrees and administrative orders) regulating or imposing liability concerning any hazardous, toxic, or dangerous waste, substance, or material, and as any of these may be subsequently amended.

"**Hedge Transaction**" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options, forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of these (including any options to enter into any of these), regardless of whether the transaction is governed by or subject to any master agreement; and (b) any and all transactions of any kind, and the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement to the extent relating to any of the transactions described in the preceding clause (a), in each case, as amended, supplemented, restated, or otherwise modified from time to time.

"**Hedging Obligations**" means, with respect to any Person, all liabilities or obligations of that Person under any Hedge Transaction.

"**Hydrocarbon Interests**" means all rights, titles, interests, and estates now owned or subsequently acquired by LEI in any and all oil, gas, and other liquid or gaseous hydrocarbon properties and interests, including, without limitation, mineral fee or lease interests, production sharing agreements, concession agreements, license agreements, service agreements, risk service agreements, or similar Hydrocarbon interests granted by an appropriate Governmental Authority, farmout, overriding royalty and royalty interests, net profit interests, oil payments, production payment interests, and similar interests in Hydrocarbons, including any reserved or residual interests of whatever nature.

"**Hydrocarbons**" means oil, gas, casing head gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, all products refined, separated, settled, and dehydrated from them and all products refined from them, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuel, drip gasoline, natural gasoline, helium, sulfur, and all other minerals.

"**including**" means including without limiting the generality of any description preceding the term, and, for purposes of the Letter Loan Agreement and each other Loan Document, the parties agree that the rule of ejusdem generis shall not be applicable to limit a general statement that is followed by or referable to an enumeration of specific matters to matters similar to the matters specifically mentioned.

"**Indemnified Parties**" means Rogers and her representatives, advisors, employees, agents, heirs, successors, and assigns.

"**Initial Reserve Report**" means that certain reserve report dated as of April 1, 2013, prepared by Forrest A. Garb and Associates, Inc., reflecting reserves as of April 1, 2013.

"**Investment**" means, with respect to any Person: (a) any loan, advance, extension of credit, or capital contribution made by that Person to any other Person (excluding commission, travel, and similar advances to officers and employees made in the ordinary course of business); (b) any guarantee, endorsement, or other secondary liability of a Person for or upon the obligations or Debt of any other Person (whether directly or indirectly); and (c) the acquisition (whether for cash, property, services, securities, or otherwise) of any Capital Stock or other ownership or similar interest by a Person in any other Person. The amount of any Investment shall be the original principal or capital amount invested (without adjustment by reason of the financial condition of the other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of the property.

"**Lien**" means, with respect to any Person, any security interest, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or otherwise), charge against or interest in property to secure payment of a debt or performance of an obligation or other priority or preferential arrangement of any kind or nature whatsoever. For purposes of the Letter Loan Agreement, the term "Lien" shall exclude contractual provisions establishing set off rights, netting arrangements, and negative pledges.

"**Loan**" is Rogers' agreement to lend to LEI on or about August 13, 2013, Seven Million Five Hundred Thousand 00/100 Dollars ($7,500,000.00), pursuant to the terms and conditions set forth in the Letter Loan Agreement and the other Loan Documents.

"**Loan Document**" means the Letter Loan Agreement, the Note, and each Security Agreement, Mortgage, and other Security Documents, together, in each case, with all exhibits, schedules, and attachments to them, and all other agreements, documents, or instruments executed or delivered from time to time in connection with or pursuant to any of the documents listed, and any amendments to or restatements of any of the documents listed.

"**Material Adverse Effect**" means a material negative change to or impairment of: (i) the business, properties, assets, liabilities, conditions (financial or otherwise), operations, or prospects of LEI; (ii) the ability of LEI to perform its obligations under any of the Loan Documents; or (iii) the validity or enforceability of the Letter Loan Agreement or any of the other Loan Documents.

"**Maturity Date**" is August 13, 2015.

"**Moody's**" means Moody's Investors Service, Inc.

"**Mortgage**" means each mortgage, collateral mortgage, deed of trust, security agreement, or assignment, in a form reasonably acceptable to Rogers and delivered by LEI pursuant to the terms of the Letter Loan Agreement, in each case as amended, supplemented, restated, or otherwise modified from time to time.
"**Mortgaged Property**" is defined in each Mortgage.

"**Net Cash Proceeds**" means in connection with the Disposition of any Assets permitted by Section 8(i) of the Letter Loan Agreement, the cash proceeds received from the issuance or sale, as applicable, net of all investment banking fees, legal fees, accountants' fees, underwriting discounts, and commissions and other customary fees and expenses actually incurred and satisfactorily documented in connection with the Disposition.

"**Note**" that certain Promissory Note entered into between LEI and Rogers dated August 13, 2013, in the original principal amount of $7,500,000.00, and also means all other promissory notes accepted from time to time in substitution for the original Note or any amendment, modification, or renewal of the Note.

"**Obligations**" means all obligations, Indebtedness, and liabilities of LEI to Rogers that now exist or that subsequently arise under or in connection with the Letter Loan Agreement, the Note, and/or each other Loan Document, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, including the obligations, Debt, and liabilities of LEI, and all interest accruing on these items (including any interest that accrues after the commencement of any proceeding by or against LEI under any bankruptcy, insolvency, liquidation, moratorium, receivership, reorganization, or other debtor relief law) and all attorneys' fees and other expenses incurred in the collection or enforcement of these items.

"**Oil and Gas**" means petroleum, natural gas, and other related hydrocarbons or minerals or any of them and all other substances produced or extracted in association with them.

"**Oil and Gas Business**" means (a) the acquisition, exploration, exploitation, development, operation, management, and disposition of interests in Hydrocarbon Interests and Hydrocarbons; (b) gathering, marketing, treating, processing, storage, selling, and transporting of any production from these interests or Hydrocarbon Interests, including, without limitation, the marketing of Hydrocarbons obtained from unrelated Persons; (c) any business relating to or arising from exploration for or development, production, treatment, processing, storage, transportation, or marketing of oil, gas, and other minerals and products produced in association with these items; and (d) any activity that is ancillary, necessary, synergistic, or desirable to facilitate the activities described in clauses (a) through (c) of this definition.

"**Oil and Gas Properties**" means Hydrocarbon Interests; the Assets now or subsequently pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements, and declarations of pooled units and the units created by the declarations of pooled units (including without limitation all units created under orders, regulations, and rules of any Governmental Authority) that may affect all or any portion of the Hydrocarbon Interests; all operating agreements, contracts, and other agreements that relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange, or processing of Hydrocarbons from or attributable to the Hydrocarbon Interest; all Hydrocarbons in and under and that may be produced and saved or attributable to the Hydrocarbon Interests, the lands covered by them, and all oil in tanks and all rents, issues, profits, proceeds, products, revenues, and other income from or attributable to the Hydrocarbon Interests; all tenements, hereditaments, appurtenances, and Assets in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests; Assets, gas gathering systems, gas plants, rights, titles, interests, and estates described or referred to above, including any and all Assets, real or personal, now owned or subsequently acquired and situated upon, used, held for use, or useful in connection with the operating, working, or development of any of the Hydrocarbon Interests or Asset (excluding drilling rigs, automotive equipment, or other personal property that may be on the premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells, or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements, and servitudes, together with all additions, substitutions, replacements, accessions, and attachments to any and all of the items listed in this definition.

"**Pension Plan(s)**" means any and all employee benefit pension plans of LEI and/or any of its Subsidiaries in effect from time to time, as that term is defined in ERISA.

"**Person**" means any natural person, corporation, limited liability company, partnership, joint venture, firm, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.

"**Proved Reserves**" means "Proved Reserves" as defined in the Definitions for Oil and Gas Reserves (for purposes of this paragraph they are referred to as the "Definitions") promulgated by the Society of Petroleum Engineers (or any generally recognized successor) as in effect at the time in question. "Proved Developed Producing Reserves" means Proved Reserves that are categorized as both "Developed" and "Producing" in the Definitions; "Proved Developed Nonproducing Reserves" means Proved Reserves that are categorized as both "Developed" and "Nonproducing" in the Definitions; and "Proved Undeveloped Reserves" means Proved Reserves that are categorized as "Undeveloped" in the Definitions.

"**Reserve Report**" means a report setting forth the Proved Reserves by reserve category attributable to the Hydrocarbon Interests constituting Proved Reserves owned directly by LEI, a projection of the rate of production and net operating income with respect to them as of a specified date, and all other information that is customarily obtained from and provided in these reports, in form and substance reasonably satisfactory to Rogers. All Reserve Reports shall be prepared by an Approved Engineer and in accordance with the definition of Total Proved PV10%.

"**S&P**" means Standard & Poor's Ratings Group.

"**SEC**" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of the SEC's principal functions.

"**Security Agreement**" means the Security Agreement entered into between Rogers and LEI dated August 13, 2013, and all other Security Agreements in a form reasonably acceptable to Rogers and executed and delivered from time to time by LEI in favor of Rogers to secure the Obligations, including each Security Agreement delivered pursuant to Section 7(f) of the Letter Loan Agreement and as that Section may be amended, restated, supplemented, or modified from time to time.

"**Security Document**" means, individually, any Mortgage, any Security Agreement, and any similar document securing the Obligations, including any document delivered pursuant to Section 7(f) of the Letter Loan Agreement. "Security Documents" means, as the context requires, any or all of these documents.

"**Scheduled Collateral Value Determination Date**" means April 1 and October 1 of each calendar year.

"**Subsidiary**" means, with respect to any Person: any corporation, limited liability company, partnership, or other entity in which the Person owns a greater than 50% ownership interest or in which the Person has the voting power necessary to elect a majority of the Board of Directors or managers of the entity (regardless of whether at the time the Capital Stock or other ownership interests of any other class or classes of the corporation, limited liability company, partnership, or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by that Person, by that Person and one or more Subsidiaries of that Person, or by one or more other Subsidiaries of that Person. Unless the context otherwise clearly requires, references in the Letter Loan Agreement to a "Subsidiary" or the "Subsidiaries" refer to a Subsidiary or the Subsidiaries of LEI.

"**Test Date**" means: (a) any Scheduled Collateral Value Determination Date; (b) the date of any interim collateral value determination pursuant to Section 3(c) of the Letter Loan Agreement; (c) the date of any Disposition permitted by Section 8(i) of the Letter Loan Agreement; or (d) at Rogers's discretion, the sixtieth day after the receipt by Rogers of the engineering report required to be delivered pursuant to Section 7(a)(v) of the Letter Loan Agreement.

"**Total Proved PV10%**" means, with respect to any Proved Reserves reasonably expected to be produced from any Oil and Gas Properties, the net present value, discounted at ten percent per annum, of the future net revenues expected to accrue to LEI's interests in the Proved Reserves during the remaining expected economic lives of the reserves. Each calculation of expected future net revenues shall be determined by Rogers in her sole discretion and in accordance with the then existing standards of the Society of Petroleum Engineers, provided that in any event: (a) appropriate deductions shall be made for severance and ad valorem taxes, and for operating, gathering, transportation, and marketing costs required for the production and sale of the reserves; (b) appropriate adjustments are made for commodity and basis hedging activities pursuant to Section 6(p); (c) the pricing assumptions used in determining Total Proved PV10% for any particular reserves shall be based upon the quarterly Tristone Base Case Deck Price only; and (d) the cash-flows derived from the pricing assumptions set forth in clauses (b) and (c) above shall be further adjusted to account for the historical basis differential in a manner reasonably acceptable to Rogers; provided, however, that for purposes of this calculation, Proved Developed Producing Reserves shall constitute not less than 20% of the Total Proved PV10%.

"**Tristone Base Case Deck Price**" means the most current quarterly published price survey from regional energy-sector banks provided by Macquarie Tristone. It is available via the Macquarie Tristone website www.macquarie.com. If the published survey is no longer available, it is the average base case price deck of three regional reserve lending banks as decided by both LEI and Rogers.

SCHEDULE B

Post-Closing Obligations

1. Provide to Rogers by no later than September 12, 2013, control agreements in form and substance satisfactory to Rogers and executed by Rogers, LEI, and each bank at which LEI maintains a deposit account.

2. LEI must complete, no later than the six month anniversary date of the Closing Date, an equity funding to raise an amount equal to at least $1 million. Promptly upon completion, but in no event more than five business days after the completion of the equity funding, LEI shall cause an Authorized Officer to confirm to Rogers that the funding was completed, when it was completed, and stating how much in total was raised in the funding.

Exhibit 10.2

PROMISSORY NOTE
(Secured by, among others, Security Agreement and Mortgage,
Deed of Trust, Assignment, Security Agreement,
Financing Statement, and Fixture Filing)

Date: August 13, 2013

Maker: Lucas Energy, Inc., a Nevada Corporation ("LEI")

Maker's Mailing Address: 3555 Timmons Lane
Suite 1550
Houston, Texas 77027
Attention: Anthony C. Schnur

Holder/Payee: Louise H. Rogers, as her separate property ("Rogers")

Holder/Payee's Mailing Address: c/o Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052

The terms "LEI" and "Rogers" and other nouns and pronouns include the plural if more than one exists. The terms "LEI" and "Rogers" also include their respective heirs, personal representatives, and assigns. LEI and Rogers are collectively referred to in this Note as the "Parties."

Place for Payment (including county): XXXXXXXXX
XXXXXXXXX
(Paid via wire transfer as set forth below)

Principal Amount: Seven Million Five Hundred Thousand and No/100 Dollars ($7,500,000.00)

Monthly Interest Rate: One Percent (1.0%). Interest accruing under this Note shall be computed on the basis of a 360-day year and shall be assessed for the actual number of days elapsed.

Maturity Date: The entire principal balance remaining and all accrued interest is due and payable on or before August 13, 2015 (the "Maturity Date").

Letter Loan Agreement: This Note is the Note referred to in, and evidences the indebtedness incurred pursuant to, that certain Letter Loan Agreement dated as of August 13, 2013, by and between LEI and Rogers, together with all amendments and other modifications, if any, from time to time made to them (the "Letter Loan Agreement"). Capitalized terms used but not defined in this Note shall have the meaning assigned to them in Schedule A to the Letter Loan Agreement, or in the Security Agreement if not defined in the Letter Loan Agreement.

Terms of Payment (principal and interest):

Beginning on September 13, 2013, and continuing on the 13th day of each following month through and including February 13, 2014, payment of accrued and unpaid interest only under this Note shall be made by LEI to Rogers. Beginning on March 13, 2014, and continuing on each following month through and including the Maturity Date, monthly installments of principal plus accrued interest as set forth on **Schedule A** attached to this Note shall be made by LEI to Rogers. The full outstanding principal balance and all remaining accrued interest, as well as any other amounts due and owing by LEI to Rogers under this Note and the other Loan Documents, are due and payable on the "Maturity Date, unless sooner accelerated in accordance with the terms of this Note. The final payment due on the Maturity Date should be $4,016,182.68, unless any interest or principal payments were late or unpaid at the Maturity Date or any prepayments of principal have been made. Late payments shall be subject to a fee of three percent of the total amount of the payment (principal and interest) that is late. Each payment must be received on or before its due date. Any payment not received on or before its due date is considered late.

Payments shall be made by wire transfer using the following wiring instructions:

Bank Name:
ABA Routing Number:
Account Number:
Customer/Account Name: Louise H. Rogers

Any and all wire transfer fees shall be paid for by LEI and the amount wired shall be adjusted in the amount necessary to ensure that the total amount received into Rogers' account is the total amount of the interest and principal (if applicable) due.

Notice of Payment: Immediately upon receiving confirmation that each wire transfer payment has been completed, LEI shall send via e-mail to Rogers' attorney, Sharon E. Conway, a copy of the confirmation. Failure to send this confirmation to Ms. Conway shall constitute an Event of Default.

Mandatory Prepayment: The Letter Loan Agreement sets forth the terms and conditions under which LEI is required to make prepayments of principal or the Indebtedness evidenced by this Note.

Annual Interest Rate on Matured, Unpaid Amounts (Default Rate):	Eighteen Percent (18%) per Texas Finance Code Chapters 306 and 303
Security for Payment:	The Letter Loan Agreement describes in detail the security for this Note, and it as well as the Security Agreement between LEI and Rogers dated August 13, 2013 (the "Security Agreement"), and the Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing dated August 13, 2013, are all incorporated by reference into this Note for all purposes as if fully set forth at length.

Promise to Pay. LEI promises to pay to the order of Louise H. Rogers at the place for payment and according to the terms of payment the principal amount plus interest at the rates stated above. All unpaid amounts shall be due by the Maturity Date.

Prepayment Penalty. ***LEI may not voluntarily prepay this Note prior to November 13, 2013.*** At any time after November 13, 2013, LEI may prepay all or any part of the outstanding principal balance of this Note at any time without premium or penalty.

Application of Payments. Payments under this Note shall be applied first to accrued and unpaid interest and the balance, if any, to principal. Any allowed or mandatory prepayment of this Note shall also be accompanied by the payment of all accrued and unpaid interest on the amount prepaid. Partial prepayments of this Note shall be applied to the installments in the inverse order of their maturities.

Default. If an Event of Default under the Letter Loan Agreement, the Security Agreement, or any other Security Document occurs and LEI fails to cure the Default within the applicable cure period (if any), then in that event Rogers shall have the option to declare the entire unpaid balance of principal and accrued interest immediately due and payable. LEI and each surety, guarantor, and endorser all waive any and all notices, demands for payment, presentations for payment, notices of intent to accelerate maturity, notices of acceleration, protests, and notices of protest. All definitions and provisions contained in the Letter Loan Agreement, the Security Agreement, and any and all other security instruments between LEI and Rogers related to default and all other matters in the Loan Documents apply to this Note.

Usury Compliance. The Parties to this Note intend to comply with the usury laws applicable to this Note. Accordingly, the Parties agree that no provision in this Note or in any related documents (if any) shall require or permit the collection of interest in excess of the maximum rate permitted by law. If any excess interest is provided for or contracted for in this Note, or charged to LEI or any other person responsible for payment, or received by Rogers, or if any excess interest is adjudicated to be provided for or contracted for under this Note or adjudicated to be received by Rogers or her assignee or successor, then the Parties expressly agree that this paragraph shall govern and control and that neither LEI nor any other party liable for payment of the Note shall be obligated to pay the amount of excess interest. Any excess interest that may have been collected shall be, at Rogers' option, either applied as credit against any unpaid principal amount due or refunded to LEI. The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under the usury laws of the State of Texas as they are now or subsequently construed by the courts of the State of Texas.

Attorney's Fees and Expenses of Collection. If this Note is given to an attorney for collection, or if suit is brought for collection, or if it is collected through probate, bankruptcy, or other judicial proceeding, then LEI shall pay all of Rogers' actual attorney's fees, all costs of collection, all expenses of litigation, and all costs of court incurred in addition to any and all other amounts due.

Amendment and Assignment. This Note may not be amended or modified in any manner without the express written consent of Rogers or her attorney. Neither LEI nor Rogers may assign any of their rights or obligations under this Note without the express written consent of the other Party.

Maker:

Lucas Energy, Inc.

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

Date of Signature: _____, 2013

Exhibit 10.3

SECURITY AGREEMENT

This Security Agreement ("Security Agreement") is made as of August 13, 2013 (the "Effective Date"), by and between Lucas Energy, Inc., a Nevada corporation ("LEI") (as Maker), its principal place of business at 3555 Timmons Lane, Suite 1550, Houston, Texas, 77027; and Louise H. Rogers, an individual who resides in Tyler, Texas, as her separate property ("Rogers"). LEI and Rogers are collectively referred to in this Security Agreement as the "Parties."

I. Recitals

A. Rogers has agreed to loan LEI the principal amount of Seven Million Five Hundred Thousand and No/100 Dollars ($7,500,000.00) under and pursuant to that certain Promissory Note dated August 13, 2013 (and as it may be subsequently renewed, extended, modified, increased, or restated) (the "Note") by LEI payable to the order of Rogers, and that certain Letter Loan Agreement dated August 13, 2013 (and as it may be subsequently amended) (the "Letter Loan Agreement"), between LEI, as Borrower, and Rogers, as Lender, in exchange for LEI granting to Rogers a security interest in certain collateral.

B. LEI has requested that Rogers loan LEI the principal amount of Seven Million Five Hundred Thousand and No/100 Dollars ($7,500,000.00) under and pursuant to the Note and the Letter Loan Agreement, and LEI has agreed to grant a security interest in and has agreed to pledge certain collateral described below to Rogers as security for the repayment of the amounts owed by LEI to Rogers under the Note and for LEI's performance of all of the terms and conditions of the Note, the Letter Loan Agreement, this Security Agreement, and the other Loan Documents.

II. Agreements

In consideration of the above items and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree to the following terms and conditions:

A. **Defined Terms.** The definitions set forth in this Security Agreement control. Any capitalized terms not defined in this Security Agreement shall be governed by the Definitions in Schedule A to the Letter Loan Agreement unless the context of the usage of a term requires a different definition or unless specifically stated otherwise. Terms not defined in this Security Agreement or in Schedule A to the Letter Loan Agreement but that are defined in the Texas Uniform Commercial Code, as amended as of the date of this Security Agreement (the "UCC"), have the meanings specified in the UCC, and the definitions specified in Article 9 of the UCC control in the case of any conflicting definitions with the UCC. The singular number includes the plural and *vice versa*. Captions of sections in this Security Agreement do not limit the terms of those sections.

B. **Collateral.** The Parties agree that the term "Collateral," as used in and for the purposes of this Security Agreement, means the following specific assets:

1. all assets of LEI, including but not limited to goods, furniture, fixtures, equipment (including but not limited to machinery, furniture, fixtures, manufacturing equipment, shop equipment, office equipment, parts, and tools, wherever located), inventory, cash, accounts, accounts receivable, contract rights, letter of credit rights, commercial tort claims, chattel paper, instruments, promissory notes, deposit accounts, securities and all other investment property, and general intangibles (including but not limited to all copyrights, trademarks, service marks, patents, inventions, trade secrets, exclusive licenses, processes, systems, and goodwill), any and all after-acquired property, and any and all proceeds of any of LEI's assets that now exist or that are subsequently acquired;

2. the Mortgaged Property and any and all Mortgages;

3. all distributions, proceeds (both cash and non-cash), insurance proceeds, monies, income, and benefits arising from, by virtue of, or payable with respect to the items of Collateral described above; and

4. any and all products of, accessions to, substitutions for, insurance distributions for, and cash and other proceeds of any and all of the items of Collateral described above.

C. **Security Interest.** To secure the payment and performance of the Obligations (as that term is defined in this Security Agreement) by LEI under the Loan Documents (and any Notes or Security Documents issued pursuant to them), LEI grants to Rogers a continuing security interest (the "Security Interest") in the Collateral. This Security Interest is intended to extend to all products, accessions to, and cash and other proceeds of all of the items of Collateral described above. The security interest granted under this Security Agreement, or under any other security instruments executed and delivered at any time, now or in the future, pursuant to the terms of the Loan Documents, shall secure the obligations and indebtedness described in the Loan Documents.

D. **Perfection by Possession.** In addition to any Financing Statements that are required to be filed by Rogers or that may at her option be filed, Rogers or her designee shall have the right to maintain possession of any of the Collateral for which perfection is primarily accomplished by possession, and shall have the right to and any and all powers of attorney necessary to enforce her Security Interest in any or all of the Collateral until any and all amounts due under the Loan Documents and/or any other instrument or agreement between the Parties are paid in full and the instruments are all terminated.

III. Representations and Covenants

A. **Representations.** LEI represent to Rogers as follows:

1. LEI is the legal and beneficial owner of the Collateral;

2. to the best of LEI's knowledge, no dispute, setoff, or counterclaim exists with respect to any part of the Collateral;

3. the Collateral is owned by LEI, free and clear of any pledge, mortgage, hypothecation, lien, charge, encumbrance, or security interest except as previously held by Rogers or as created or permitted in this Security Agreement, or that have been previously disclosed to Rogers and will be extinguished within five Business Days of the date of this Security Agreement;

4. no restrictions upon the transfer of any of the Collateral exist other than those clearly disclosed by LEI to Rogers in writing;

5. LEI has the full power, authority, and legal right to transfer its respective items of Collateral free of any encumbrances and without obtaining the consent of any other person or entity that has not already been obtained;

6. the execution and delivery of the Loan Documents and the performance of their terms will not result in any violation of any provision of any applicable Bylaws or Operating Agreement or violate or constitute a default under the terms of any material agreement, material indenture or other instrument, license, judgment, decree, order, law, statute, ordinance, or other governmental rule or regulation applicable to LEI or any of its respective property;

7. this Security Agreement is a valid assignment of and creates a valid first lien upon and security interest in the Collateral and the proceeds of the Collateral (except as expressly set forth in this Security Agreement);

8. LEI is organized under the laws of Nevada and its exact legal name is set forth in the opening paragraph of this Security Agreement; and

9. LEI does not conduct business under any names than the name under which it was organized.

The representations set forth in items 1 through 9 of this Section shall be deemed given again whenever LEI delivers additional Collateral that may be required by this Security Agreement.

B. **Covenants.** LEI covenants to do the following:

1. deliver to Rogers and/or her designated agent any certificates or instruments that represent its interest in the ownership interests, if any, provided as Collateral (a "Pledged Interest"), to notify any entity represented within the Collateral that a security interest has been granted to Rogers, to obtain consent from each entity requiring consent that a security interest has been granted to Rogers, and to comply with any additional notice, consent, acknowledgement, waiver, or agreement requirements that may be set forth in the respective entity's governing documents;

2. from time to time promptly execute and deliver to Rogers all other assignments, certificates, proxies, entitlement orders, supplemental writings, and financing statements, and do all other acts and things that Rogers may reasonably request in order to evidence the assignment and perfect and enforce the Security Interest granted in this Security Agreement;

3. promptly furnish to Rogers or her attorney or agent with any and all information or writings that Rogers or her attorney or agent may reasonably request concerning the Collateral;

4. promptly notify Rogers and her attorney of any claim, action, or proceeding affecting the Collateral or any part of the Collateral, and at the request of Rogers, appear in and defend, at its own expense, the action or proceeding;

5. notify Rogers and her attorney immediately if either of them becomes aware of the occurrence of any event, fact, or condition that could become an Event of Default under the Loan Documents (or any Note issued pursuant to the Loan Documents);

6. if an event of default occurs, then LEI shall promptly pay to Rogers the amount of all court costs, actual attorney's fees, costs of collection, and expenses of litigation incurred by Rogers in enforcing the Loan Documents;

7. if an Event of Default occurs and continues, promptly deliver all proceeds constituting part of the Collateral to Rogers as and when first received by LEI; and

8. not attempt to or actually sell, assign, or transfer the Collateral (except for sales, assignments or transfers expressly permitted by Section 8(i) of the Letter Loan Agreement) or the lien created by this Security Agreement, nor create or permit to exist any other lien or security interest in, nor otherwise encumber or permit to exist any encumbrance on, any of the Collateral (except as expressly permitted by Section 8(e) of the Letter Loan Agreement), nor permit any of the Collateral to be or become subject to any financing statement, lien, attachment, execution, sequestration, or other legal or equitable process, nor any lien or encumbrance of any kind other than as permitted by this Security Agreement.

C. **Additional Liens**. LEI expressly agrees that it must comply with all of the following provisions before it may grant an effective second or other lien on the Collateral:

1. Any second or other lien given on the Collateral must be made expressly subordinate to Rogers' lien. LEI shall ensure that the paperwork documenting the transaction with the second or other lienholder properly notifies the second and/or other lienholder of the existence of Rogers' first lien and that the second and any other lienholder clearly acknowledges Rogers' existence and status as first lienholder on all of the Collateral and that the subsequent lienholder's debt and security interest is fully and completely subordinated to Rogers.

2. LEI shall ensure that the paperwork documenting the transaction with the second and any other lienholder clearly instructs the second and any other lienholder that it may not even attempt to collect or execute on the Collateral without first ensuring that the entire first lien balance is paid in full and all loan or credit transactions between LEI and Rogers are completely terminated and are no longer in effect. The second and any other lienholder must be required to give notice of any default related to the subordinated lien to LEI and Rogers concurrently before the second or any other lienholder may exercise any collection efforts against the Collateral. All paperwork related to any proposed second lien on any of the Collateral must be presented to and approved by Rogers' attorney before LEI may enter into an agreement authorizing a second lien on the Collateral.

3. LEI shall defend, at its own expense, against any claims by any lienholders other than Rogers against the Collateral.

4. LEI shall keep Rogers' counsel informed of the status of any second and any other lien granted by LEI and of any default or alleged default by LEI on the transaction secured in whole or in part by the second and/or other lien, and shall reimburse Rogers for any and all actual attorney's fees, court costs, and expenses incurred by Rogers that Rogers or her counsel deemed necessary to protect the Collateral within fifteen days after the submission of an invoice for the fees or expenses to LEI by Rogers' counsel.

5. LEI shall provide Rogers' counsel with fully-executed copies of all documents related to any transaction giving any third party a second or other lien on any or all of the Collateral within three business days of the last signature date on the transaction or the date the transaction is funded, whichever is earlier.

6. Rogers has the express right, in her sole discretion, to refuse to allow a second or other lien to be placed on any of the Collateral securing the Note.

D. **Perfection; Protection of Collateral; Indemnification.** LEI shall cause the execution of any instrument reasonably necessary to carry out the terms of and its Obligations under the Loan Documents and any accompanying or related Promissory Note and/or Security Document. LEI shall cause any entity in which it has the right or power to produce an affirmative and effective act to execute guarantees, notes, and security instruments as reasonably necessary to carry out the provisions of the Loan Documents and to ensure the broadest and most effective security for Rogers for all funds loaned to LEI by Rogers. LEI shall bear the cost of perfection of all Security Interests granted under this Security Agreement in any applicable or desirous jurisdiction as necessary to protect Rogers, and, in addition, as may be directed by Rogers or her attorney in her sole and exclusive discretion. LEI shall be the guarantor of the perfection of Security Interests under this Security Agreement and no failure on the part of Rogers to perfect shall inure to the benefit of LEI or any assignee, holder, or trustee in bankruptcy as any failure of this type shall be deemed the fault and to the prejudice of LEI and its estate. LEI shall execute any and all documents reasonably necessary to carry out the provisions of all of the Loan Documents and/or any Note or Security Document executed pursuant to the Loan Documents. LEI shall pay all costs and all actual attorneys' fees incurred by Rogers in connection with any of Rogers' loans to LEI, the Loan Documents, the execution of any documents under it, and the perfection of any Security Interests under it within fifteen days of presentation to LEI of these charges by Rogers' attorney. LEI also agrees that it will use its best efforts to protect its respective items of Collateral; to prevent any loss, theft, substantial damage, destruction, sale, or encumbrance to or of any of its respective items of Collateral; and to defend against any actual or attempted levy, seizure, or attachment of or on any of its respective items of Collateral.

In the event Rogers finds it necessary to take action to protect the Collateral against the actions of third parties or against any wrongful conduct of LEI, or in the event that Rogers finds any failure by LEI to use its best efforts to protect its respective Collateral, LEI agrees that it shall indemnify Rogers for any and all actual attorney's fees, court costs, and any and all other expenses incurred in her efforts to protect the Collateral. LEI understands and agrees that it shall promptly ensure payment to Rogers for any and all of these expenses and shall do so, from time to time, as reasonably necessary to fund and maintain the litigation so that Rogers shall not be required to expend her own funds on this litigation while pending. In no event shall these attorney's fees and expenses be paid later than fifteen days after the date on which they are submitted to LEI. Submission of fee statements by Rogers' attorney to LEI for any provision under this Security Agreement constitutes submission to LEI.

IV. Default

A. LEI will be in default of the Note, this Security Agreement, and the other Loan Documents if LEI fails in its performance of any duty imposed on it in any of the Loan Documents, or if any of the following happens ("Default" or "Event of Default"):

1. LEI fails to timely make any principal or interest payment on the Note (at which time default interest and late payments set forth in the Note automatically apply retroactively for that payment through the date the payment is made in full), and Rogers gives notice of this failure to LEI but does not receive the payment in full on or before the fifteenth day after the date Rogers gives LEI notice of its failure to pay as per the provisions of Section 9(a) of the Letter Loan Agreement;

2. LEI fails to timely make any payment of any Obligation due pursuant to this Agreement, the Note, the Security Agreement, or any of the other Loan Documents, and Rogers gives notice of this failure to LEI but does not receive the payment in full on or before the tenth day after the date Rogers gives Lucas the notice;

3. LEI attempts to sell or transfer or to allow a lien on any of the Collateral in violation of the Letter Loan Agreement without Rogers' express written consent or compliance with the provisions of Section III(C) above;

4. subject to the exceptions expressly stated in this Security Agreement, if LEI sells or transfers any Pledged Interest in a particular entity or any right to receive money held by that particular entity and the proceeds of that sale are not delivered to Rogers within five business days of the receipt of any part of the proceeds;

5. LEI defaults under any loan, extension of credit, security agreement, purchase or sales agreement, contractual obligation, or any agreement in favor of any creditor or person (as "default" is defined in that instrument and after giving effect to all applicable cure periods) and that default results in LEI owing, through default and/or acceleration, an amount in excess of $250,000.00, or as otherwise set forth in Section 9(g) of the Letter Loan Agreement;

6. LEI fails to timely comply with the Obligations (other than those Obligations specifically identified in this Section);

7. LEI breaches any covenant, representation, or warranty in any of the Loan Documents, and LEI does not cure that breach within the cure period, if any, set forth in the Loan Documents, and LEI agrees to give Rogers prompt notice of any breach under this provision;

8. LEI makes an assignment for the benefit of creditors, files for bankruptcy protection, is adjudicated insolvent, a receiver is appointed for any wholly or partially owned entity in which LEI is a member, partner, shareholder, or equitable holder of any type, or any involuntary proceeding is commenced against LEI under any bankruptcy or insolvency laws and that involuntary proceeding is not dismissed within sixty days after it is filed, or as otherwise set forth in Section 9(e) of the Letter Loan Agreement;

9. An order, judgment, or decree is entered by any court of competent jurisdiction or other competent authority approving a petition appointing a receiver, custodian, trustee, intervenor, or liquidator of LEI or of all or substantially all of its assets, and the order, judgment, or decree continues unstayed and in effect for a period of sixty days; or a complaint or petition is filed against LEI seeking or instituting a bankruptcy, insolvency, reorganization, rehabilitation, or receivership proceeding of LEI, and the petition or complaint has not been dismissed within thirty days after it was filed;

10. a final, non-appealable judgment in litigation or arbitration is entered against LEI where the total amount of the judgment, including actual damages, pre- and post-judgment interest, attorney's fees, court costs, and/or punitive damage, exceeds $250,000.00; and/or

11. an Event of Default, as defined in the Letter Loan Agreement or in any of the other Loan Documents, occurs.

The terms "Default" and "Event of Default," as used throughout this Security Agreement, shall always mean and include all of items 1 through 11 above.

B. If an Event of Default occurs, then Rogers shall have all of the rights and remedies available to her under the law as well as all of those set forth in each of the Loan Documents.

V. Effects of and Remedies for an Event of Default

A. **Notice of Default.** Rogers is only required to provide LEI with notice of any Default by LEI as set forth in the Letter Loan Agreement. However, failure by Rogers to give notice of Default payment to LEI does not relieve LEI of its obligation to make the payment or otherwise cure the Default, nor does it relieve LEI of its obligation to pay the default interest rate and late payment fee described in the Note upon the failure to timely make and principal or interest payment as provided in the Loan Documents.

B. **Adjustments and Distributions.** If an Event of Default has occurred and continues, all payments and distributions of any nature pertaining to the Collateral shall be delivered to Rogers to be applied toward payment of the Obligations. If any of the Collateral is converted into another type of property or if any money or other proceeds are paid or delivered to or for credit to the account of LEI as a result of that Party's rights in the Collateral, all of that property, money, and/or other proceeds are part of the Collateral. After an Event of Default, LEI will immediately pay and deliver all property, money, and other proceeds of Collateral that it has or has received to Rogers, and LEI shall take all other steps necessary to ensure Rogers has control over the Collateral. In this event, and if Rogers so requests, LEI will promptly endorse or assign all other property and proceeds that are included in the Collateral to Rogers and deliver to Rogers all proceeds that require perfection by possession under the UCC and that Rogers does not already have. If any of this property requires any additional security agreement, financing statement, or other writing to create or perfect a security interest in favor of Rogers, LEI shall promptly execute and deliver or cause to be executed and delivered to Rogers any document or instrument Rogers deems is reasonably necessary or proper for those purposes. Rogers shall not be liable for any error, omission, or delay occurring in the settlement, collection, or payment related to the Collateral or of any property or instrument received pursuant to this Security Agreement.

C. **Remedies.** If an Event of Default occurs and continues, in addition to any other rights and remedies that Rogers may have under the Letter Loan Agreement, this Security Agreement, under the UCC, or otherwise, Rogers may, to the extent permitted by applicable law and at her discretion, and without notice to LEI except as specifically provided, take any one or more of the following actions without liability except to account for property actually received by her, and LEI agrees that it is commercially reasonable for Rogers, in her sole discretion, to do any of the following:

1. receive the income, property, and other distributions related to the Collateral and hold them or apply them to the Obligations in any order selected by Rogers;

2. exchange any of the Collateral for other property upon a reorganization, dissolution, or other readjustment and, in connection with the exchange, deposit any of the Collateral with any committee or depository upon any terms that Rogers may determine;

3. in her name, or in LEI's name, demand, sue for, collect, or receive any money or property at any time payable with respect to any of the Collateral and, in connection with these efforts, endorse notes, checks, drafts, money orders, and other instruments in LEI's name, as applicable;

4. apply any cash held as Collateral to the Obligations and reduce her claim to judgment or foreclose or otherwise enforce the Security Interest, in whole or in part, by any available procedure;

5. make any compromise or settlement deemed advisable with respect to any of the Collateral;

6. renew, extend, or otherwise change the terms and conditions of any of the Collateral or the Obligations;

7. take or release any other collateral as security for any of the Collateral or the Obligations;

8. add or release any guarantor, endorser, surety, or other party to any of the Collateral or the Obligations;

9. without demanding performance or making any other demand, advertisement, or notice of any kind (except the notice specified in the Loan Documents for the late payment of interest, and the notice specified below of public sale or private sale if required under the UCC) to or upon LEI, or upon any other person (all of which are, to the extent permitted by law, expressly waived), immediately convert the Collateral or any part of it into cash, and sell or otherwise dispose of or, if appropriate, issue entitlement orders with respect to, or deliver the Collateral or any part of it or interest in it in one or more parcels at public or private sale or sales at Rogers? office or elsewhere, at any price and on any terms (including, without limitation, a requirement that any purchaser of any of the Collateral purchase the Collateral for investment without any intention to make any distribution of it) that she deems best, for cash or on credit, or for future delivery without assumption of any credit risk, with any purchaser to purchase the Collateral at any sale free from any right of equity of redemption in LEI, and the right of equity of redemption is expressly waived and released by LEI;

10. request an appropriate court to appoint a receiver for the Collateral, or any part of it, and LEI, by its execution of this Security Agreement, consents to the appointment of a receiver; and

11. exercise any other rights she may have under this Security Agreement or any of the other Loan Documents, or under the UCC, or otherwise.

D. **Notification of Sale.** Reasonable notification of the time and place of any public or private sale or disposition of the Collateral shall be sent to LEI and to any other person or entity entitled under law to notice; provided that if any of the Collateral threatens to decline speedily in value or is of the type customarily sold on a recognized market, Rogers may sell, issue entitlement orders, or otherwise dispose of the Collateral without notification, advertisement, or other notice of any kind. LEI agrees that notice sent or given not less than seven calendar days prior to the taking of the action to which the notice relates is reasonable notice for purposes of this Section. The sale of any part of the Collateral shall not exhaust Rogers' power of disposition of any of the remaining Collateral. Rogers is under no duty to exercise or withhold the exercise of any of the rights, powers, privileges, or options expressly or implicitly granted to Rogers in this Security Agreement, and Rogers is not responsible for any failure to do so or delay in so doing.

E. **Enforcement of Rights.** LEI agrees that it is commercially reasonable for Rogers to exercise her rights related to the Collateral in any manner and in any order Rogers may determine. Nothing contained in this Security Agreement requires Rogers to sell all or any part of the Collateral or to collect, or attempt to collect, any sum payable by reason of the Collateral before Rogers may assert liability and collect the Obligations, nor is Rogers obligated to attempt to collect the Obligations before selling all or any part of the Collateral. Rogers may, without foreclosing on the Collateral, collect and otherwise enforce on the Collateral or any proceeds of any Collateral all amounts owing under the Loan Documents (and/or under any Note or Security Document issued pursuant to the Loan Documents) or otherwise enforce any or all of LEI's or Rogers' rights under the Loan Documents or in any of the Collateral and apply those collections as provided in this Security Agreement, or she may foreclose on the Collateral. Rogers may hold funds as additional Collateral or may, at her discretion, apply them to the Obligations. Rogers may attempt to collect from any person liable to LEI to deliver any proceeds related to the Collateral, by suit or otherwise, any sums due and to otherwise to enforce LEI's rights regarding those proceeds.

F. **Power of Attorney.** LEI appoints Rogers (and her successors and assigns) as its respective attorney-in-fact (without requiring her to act in that capacity), with full power of substitution, to do any act that LEI is obligated to do by this Security Agreement, including but not limited to the power to do the following: (a) endorse the name of LEI on all checks, drafts, money orders, or other instruments for the payment of monies that are payable to LEI and constitute collections of the Collateral; (b) execute in the name of LEI any schedules, assignments, instruments, documents, financing statements, applications for registration, and other papers to perfect, preserve, or enforce the Security Interest; (c) exercise all rights of LEI in its respective items of Collateral, save and except the LEI's voting rights, which pass to Rogers only after an Event of Default has occurred and has not been timely cured by LEI; (d) make collections and execute all papers and instruments and do all other things it deems appropriate to preserve and protect the Collateral and to protect Rogers? interest in the Collateral; (e) release any Party liable on the Collateral and to give receipts and acquittances and compromise disputes related to the Collateral; (f) release security for any Collateral; (g) make withdrawals from deposit accounts and other accounts with any financial institution, wherever located, into which proceeds from the Collateral may have been deposited and to apply those funds to the payment of the Obligations; and (h) do all acts and things and execute all documents in the name of LEI or otherwise, that Rogers reasonably deems are necessary, proper, and convenient in connection with the preservation, perfection, and enforcement of her rights under this Security Agreement. Rogers may use this Power of Attorney only for purposes proper under this Security Agreement, the Loan Documents, and any Notes executed pursuant to this Security Agreement for her benefit and she shall owe no other duty as agent when exercising these powers.

All persons dealing with Rogers pursuant to this power of attorney shall be fully protected in treating the powers and authorities conferred by this Section as continuing in full force and effect until advised by Rogers that all Obligations are finally paid. The powers and authority granted pursuant to this Security Agreement are made for valuable consideration, are coupled with an interest, are irrevocable and non-terminable so long as any part of the Obligations is unpaid, and until LEI has fully and finally complied with all of the Obligations. These Powers of Attorney are durable and they shall not be affected by any act of LEI or any other person or entity or by operation of law, including, without limitation, the dissolution, death, disability, or incompetency of any person or entity. Rogers agrees she will not exercise her powers as attorney-in-fact until an Event of Default occurs.

VI. Miscellaneous Provisions

A. **Notices.** All notices under or pursuant to this Security Agreement shall comply with the section entitled "Notices" set forth in the Letter Loan Agreement.

B. **Duties of Rogers.** Rogers? duty regarding the Collateral at any time prior to full and final payment of all of the Obligations is solely to use reasonable care in the custody and preservation of the Collateral. Rogers is deemed to have exercised reasonable care in the custody and preservation of the Collateral if the Collateral is accorded treatment substantially equal to that which Rogers accords her own property. Rogers has no responsibility for ascertaining or taking action with respect to fixing or preserving rights against prior parties to the Collateral, calls, conversions, exchanges, maturities, tenders, or other matters relative to any Collateral or for informing LEI of these matters regardless of whether Rogers has or is deemed to have any knowledge of these matters. Rogers is not required to take any steps necessary to preserve any rights in the Collateral against prior parties or to protect, perfect, preserve, or maintain any Security Interest given to secure the Collateral. Rogers is not liable for her failure to use due diligence in the collection of the Obligations, or for her failure to give notice to LEI of default in the payment of the Obligations, or in the payment of or upon any security, whether pledged under this Security Agreement or otherwise, nor for a decline in the market value of the Collateral.

C. **Indemnification.** LEI agrees to indemnify and to hold Rogers harmless, in the absence of Rogers' gross negligence or willful misconduct, from and against any loss, claim, demand, or expense (including attorney's fees) by reason of, or in any manner related to, the Collateral or the foreclosure, sale, or other disposition and subsequent ownership of any part of the Collateral, including but not limited to any claim that may arise because of any alleged breach of warranty concerning the Collateral.

D. **Expenses.** If an Event of Default under any of the Loan Documents occurs, LEI shall promptly pay, upon demand, any and all actual attorney's fees and out-of-pocket expenses incurred by Rogers related to the Event of Default to the extent permitted by applicable law, but in no event shall these attorney's fees and expenses be paid later than fifteen days after the date on which they are submitted to LEI. Additionally, LEI shall promptly pay all costs, expenses, taxes, assessments, insurance premiums, court costs, actual attorney's fees, expenses of litigation, expenses of sales, and other similar and related expenses incurred by Rogers that relate in any way to her loans to LEI, regardless of whether they are incurred before or after the occurrence of an Event of Default or incurred in connection with the perfection, preservation, or defense of the Security Interest, or the custody, protection, collection, repossession, enforcement, or sale of the Collateral. All of these expenses shall become part of the Obligations and shall bear interest at the Default Rate (as defined in the Letter Loan Agreement) from the date paid or incurred by Rogers or her attorney until paid by LEI.

E. **Financing Statement.** LEI authorizes Rogers to file financing statements (and, if necessary or appropriate, sign LEI's name on financing statements to authenticate them) describing the Collateral. Rogers shall be entitled, but not required, to file financing statements describing the assets as set forth above and to attach a copy of the Collateral description to the financing statement. A carbon, photographic, or other reproduction of this Security Agreement or a financing statement describing the Collateral with shall be sufficient as a financing statement to the full extent permitted by applicable law.

F. **Further Assurances.** LEI agrees to execute all other documents and instruments reasonably requested by Rogers or her attorney to effectuate the intent of this Security Agreement upon written request by Rogers or her attorney after the date of this Security Agreement.

G. **Amendment and Written Waiver.** No waiver, modification, or alteration of any provision of this Security Agreement, nor consent to any departure from the terms of it or from the terms of any other document, shall be effective unless it is in writing and signed by LEI and Rogers, and any executed waiver shall be effective only for the specific purpose and in the specific instance set forth in that document. Any document purporting to amend or modify this Security Agreement shall be of no force or effect unless the document expressly states that it is intended to amend or modify the Security Agreement and it is signed by Rogers and LEI. No waiver by Rogers of any Event of Default shall be deemed to be a waiver of any other or subsequent Event of Default nor shall the waiver be deemed to be a continuing waiver.

H. **Benefit.** This Security Agreement is binding upon and inures to the benefit of LEI as indicated and of Rogers, and their respective heirs, legal representatives, successors, and assigns, provided that neither LEI nor Rogers may assign any rights, powers, duties, or obligations under this Security Agreement without the prior written consent of the other Party.

I. **Remedies Cumulative.** All rights and remedies of Rogers under this Security Agreement are cumulative of each other and of every other right or remedy that Rogers may otherwise have at law or in equity or under any other document for the enforcement of the Security Interest or the enforcement of any duties of LEI or any other Party liable regarding the Obligations. The exercise by Rogers of one or more rights or remedies shall not in any way affect her right to exercise any of her other rights or remedies, or to subsequently exercise the same rights or remedies in the future.

J. **Course of Dealing.** No course of dealing between LEI and Rogers, nor any failure or delay by Rogers in exercising any of her rights, powers, or privileges under the Loan Documents shall operate as a waiver of any of Rogers' rights, powers, or privileges; nor shall any single or partial exercise of any right, power, or privilege under the Loan Documents preclude any other or further exercise of that right, power, or privilege or the exercise of any other right, power or privilege.

K. **Severability.** The invalidity of any one or more phrases, sentences, clauses, paragraphs, or sections of this Security Agreement shall not affect the remaining portions of this Security Agreement. If any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Security Agreement are invalid, or operate to render this Security Agreement invalid, then this Security Agreement shall be construed as if the invalid phrase or phrases, sentence or sentences, clause or clauses, paragraph or paragraphs, or section or sections had not been inserted.

L. **Satisfaction of Obligations.** Upon the full and final satisfaction of all of the Obligations and in the absence of a Default, as determined by Rogers, this Security Agreement and all of the other Loan Documents shall terminate and shall be declared null and void as of the date all of the Obligations are fully and finally satisfied. At that time, Rogers shall release her lien on the Collateral and shall deliver to LEI at LEI's expense, the Collateral remaining in her possession that has not been sold or otherwise applied pursuant to this Security Agreement. Rogers shall also provide any other termination statements reasonably required by LEI, also at its expense.

M. **Governing Law.** The substantive laws of the State of Texas govern the validity, construction, enforcement, and interpretation of this Security Agreement without regard to any conflict of laws provisions. All Parties agree that venue for any action under this Security Agreement is proper in Montgomery County, Texas.

N. **Controlling Document.** To the extent that this Security Agreement conflicts with or is in any way incompatible with any of the other Loan Documents or any other loan document or instrument concerning the Obligations that involves any loan of funds by Rogers to LEI, this Security Agreement shall control over any other document, and if this Security Agreement does not address an issue, then each other loan document executed by Rogers shall control to the extent that it deals most specifically with an issue.

O. **Incorporation of Other Documents.** The Parties agree that the Loan Documents are all incorporated by reference in this Security Agreement for all purposes as if fully set forth at length.

The parties have executed this instrument to be effective as of August 13, 2013.

Maker:

Lucas Energy, Inc.

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

Date of Signature: August 9, 2013

Secured Party:

/s/ Louise H. Rogers
Louise H. Rogers, as her Separate Property

Date of Signature: August 12, 2013

Exhibit 10.4

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

MORTGAGE, DEED OF TRUST, ASSIGNMENT, SECURITY AGREEMENT, FINANCING STATEMENT, AND FIXTURE FILING

FROM

Lucas Energy, Inc., a Nevada corporation
(Taxpayer I.D. No. 20-2660243)
(Organizational I.D. No. C31179-2003)

TO

Sharon E. Conway, Trustee

for the benefit of

Louise H. Rogers, an individual, as her Separate Property
as Mortgagee, Beneficiary, and Secured Party

Dated as of August 13, 2013

THE OIL AND GAS INTERESTS INCLUDED IN THE MORTGAGED PROPERTY WILL BE FINANCED AT THE WELLHEADS OF THE WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A TO THIS INSTRUMENT. THE MORTGAGED PROPERTY COVERED BY THIS INSTRUMENT INCLUDES AS-EXTRACTED COLLATERAL [INCLUDING BOTH (A) OIL, GAS, AND OTHER MINERALS, AND (B) ACCOUNTS ARISING OUT OF THE SALE OF OIL, GAS, AND OTHER MINERALS AT THE WELLHEADS OF THE WELLS LOCATED NOW OR HEREAFTER ON THE REAL PROPERTY DESCRIBED IN EXHIBIT A TO THIS INSTRUMENT. THIS INSTRUMENT ALSO COVERS GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED IN THIS INSTRUMENT. THIS INSTRUMENT IS TO BE FILED OF RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OF THE COUNTIES REFERENCED IN EXHIBIT A TO THIS INSTRUMENT AND THESE FILINGS SHALL SERVE, AMONG OTHER PURPOSES, AS FIXTURE FILINGS. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, AND THIS INTEREST IS DESCRIBED IN EXHIBIT A TO THIS INSTRUMENT.

When Recorded and/or Filed Is to be Returned to:

Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052
Telephone: (281) 681-2230

This Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing (this "Mortgage"), dated and effective as of August 13, 2013 is from Lucas Energy, Inc., a Nevada corporation (referred to in this Mortgage as the "Mortgagor"), whose mailing address is 3555 Timmons Lane, Suite 1550, Houston, Texas, 77027, to Sharon E. Conway, as Trustee (together with any substitute trustee, referred to in this Mortgage as the "Trustee"), for the benefit of Louise H. Rogers, an individual, as her Separate Property, whose mailing address is c/o Sharon E. Conway, 2441 High Timbers, Suite 410, The Woodlands, Texas, 77380-1052 (referred to in this Mortgage as the "Secured Party").

WITNESSETH:

1. Pursuant to that certain Letter Loan Agreement, dated as of August 13, 2013, as it has been or may be amended, modified, or supplemented from time to time (referred to as the "Letter Loan Agreement"), among the Mortgagor, as borrower (the "Borrower"), and the Secured Party (the "Lender"), the Lender has agreed to make a Loan for the benefit of the Borrower. Capitalized terms not otherwise defined in this Mortgage shall have the meanings attributed to them in Schedule A to the Letter Loan Agreement, and the Letter Loan Agreement with all Schedules and Exhibits is incorporated by reference in this Mortgage for all purposes as if fully set forth at length.

2. The Mortgagor has duly authorized the execution, delivery, and performance of this Mortgage.

3. For all purposes of this instrument, unless the context otherwise requires:

a. "Governmental Requirement" means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization, treaty, or other directive or requirement or common law interpretations thereof (whether or not having the force of law), including, without limitation, Environmental Laws, energy regulations, and occupational, safety, and health standards or controls, of any Governmental Authority.

b. "lands described in Exhibit A" shall include any lands that are either described in Exhibit A or the description of which is incorporated in Exhibit A by reference to another instrument or document, and shall also include any lands now or hereafter unitized or pooled with lands that are either described in Exhibit A or the description of which is incorporated in Exhibit A by reference.

c. "Mortgaged Property" shall mean the properties, rights, and interests hereinafter described and defined as the Mortgaged Property.

d. "oil and gas leases" shall include oil, gas, and mineral leases, subleases, and assignments thereof, operating rights and subleases, and assignments of operating rights.

e. "Operating Equipment" shall mean all surface or subsurface machinery, goods, equipment, fixtures, inventory, facilities, supplies, or other property of whatsoever kind or nature (excluding drilling rigs, trucks, automotive equipment, or other property taken to the premises to drill a well or for other similar temporary uses) now or hereafter located on or under any of the lands described in Exhibit A that are useful for the production, gathering, treatment, processing, storage, or transportation of Hydrocarbons (together with all accessions, additions, and attachments to any thereof), including, but not by way of limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, tubular goods, rods, pumping units and engines, christmas trees, platforms, derricks, separators, compressors, gun barrels, flow lines, tanks, gas systems (for gathering, treating, and compression), pipelines (including gathering lines, laterals, and trunklines), chemicals, solutions, water systems (for treating, disposal, and injection), steam generation and injection equipment and systems, power plants, poles, lines, transformers, starters and controllers, tools, storage yards and equipment stored therein, telegraph, telephone, and other communication systems, roads, loading docks, loading racks, and shipping facilities.

f. "Permitted Encumbrance" shall have the meaning set forth in the Granting Clause below.

g. "Production Sale Contracts" shall mean contracts now in effect, or hereafter entered into by the Mortgagor, or entered into by the Mortgagor's predecessors in interest, for the sale, purchase, exchange, gathering, transportation, treating, or processing of Hydrocarbons produced from the lands described in Exhibit A attached hereto and made a part hereof.

h. "Release" of any Hazardous Materials includes, but is not limited to any release, deposit, discharge, emission, leaking, spilling, seeping, migrating, injecting, pumping, pouring, emptying, escaping, dumping, or disposing of Hazardous Materials. "Release" and "threatened Release" shall also have the meanings specified in CERCLA, except that it also includes such Releases or threatened Releases into a building, structure, or uncontained storage vessel, and the passive or active migration of any Releases and vapor intrusion into buildings or other structures or enclosed spaces.

i. "Remediation" includes, but is not limited to any response, remedial removal, or corrective action, any activity to cleanup, detoxify, decontaminate, contain, or otherwise remediate any Hazardous Material, any actions to prevent, cure, or mitigate any Release or threat of release of any Hazardous Materials, any action to comply with any applicable Environmental Laws (other than routine compliance) or with any permits issued pursuant thereto, any inspection, investigation, study, monitoring, assessment, audit, sampling and testing, laboratory, or other analysis, or evaluation relating to the presence or Release or threat or Release of any Hazardous Materials.

j. "Secured Obligations" shall have the meanings set forth in Article I, Section 1.2 below.

k. "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the State of Texas, as the same shall be amended from time to time; and the terms "Account," "Account Debtor," "As-Extracted Collateral," " Chattel Paper," "Deposit Account," "Equipment," "Fixtures," "General Intangibles," "Goods," "Instrument," "Inventory," and "Proceeds" shall have the respective meanings assigned to these terms in the Uniform Commercial Code.

GRANT OF MORTGAGE

NOW, THEREFORE, the Mortgagor, for and in consideration of the premises and of the debts and trusts hereinafter mentioned, does hereby GRANT, BARGAIN, SELL, WARRANT, MORTGAGE, ASSIGN, PLEDGE, TRANSFER, AND CONVEY unto the Trustee, in trust, with a POWER OF SALE, for the use and benefit of the Secured Party, all the Mortgagor's right, title, and interest, whether now owned or hereafter acquired, in and to all of the hereinafter described properties, rights, and interests that are located in (or cover properties located in) the State of Texas or that are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of Texas are applicable with respect to this Mortgage and/or the liens or security interests created hereby; and, insofar as such properties, rights, and interests consist of Accounts, As-Extracted Collateral, Certificated Securities, Chattel Paper, Commodity Accounts, Commodity Contracts, Deposit Accounts, Documents, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Proceeds, Securities, Securities Accounts, Securities Entitlements, or Uncertificated Securities, or any other personal property of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code (as in effect from time to time in the appropriate jurisdiction with respect to each of said properties, rights, and interests), the Mortgagor hereby grants to the Secured Party, a security interest therein to the full extent of the Mortgagor's legal and beneficial interest therein, whether now owned or hereafter acquired, namely:

(a) the lands described in Exhibit A, and the oil and gas leases (including all lands described therein), the fee, mineral, overriding royalty, royalty, and other real property interests that are described or referred to in Exhibit A;

(b) the presently existing and hereafter arising unitization, unit operating, communitization and pooling agreements, and the properties covered and the units created thereby (including, without limitation, all units formed under orders, regulations, rules, approvals, decisions, or other official acts of any federal, state, or other governmental agency having jurisdiction) that are specifically described in Exhibit A or that relate to any of the properties and interests specifically described in Exhibit A;

(c) the Hydrocarbons that are in, under, upon, produced, or to be produced from or that are attributed or allocated to the lands described in Exhibit A;

(d) the Production Sale Contracts;

(e) the Operating Equipment;

(f) without duplication of any other provision of this granting clause, Equipment, Fixtures, and other Goods necessary or used in connection with, and Accounts, As-Extracted Collateral, Chattel Paper, Deposit Accounts, Documents, General Intangibles, Instruments, Inventory, and Proceeds; and

(g) any and all liens and security interests in Hydrocarbons securing the payment of proceeds from the sale of Hydrocarbons, including but not limited to those liens and security interests provided for in §9.343 of the Texas Business and Commerce Code or similar statutes of other jurisdictions or any successor statutes;

together with any and all corrections or amendments to, or renewals, extensions, or ratifications of, or replacements or substitutions for, any of the same, or any instrument relating thereto, and, to the extent permitted by the terms of any instrument creating the same, all accounts, contracts, contract rights, options, nominee agreements, unitization or pooling agreements, operating agreements and unit operating agreements, processing agreements, farm-in agreements, farmout agreements, joint venture agreements, partnership agreements (including mining partnerships), exploration agreements, bottom hole agreements, dry hole agreements, support agreements, acreage contribution agreements, surface use and surface damage agreements, net profits agreements, production payment agreements, hedge agreements, derivative contracts, insurance policies, title opinions, title abstracts, title materials and information, books, files, records, writings, data bases, information, systems, logs, well cores, fluid samples, production data and reports, well testing data and reports, maps, surveys, seismic and geophysical, geological and chemical data and information, interpretative and analytical reports of any kind or nature (including, without limitation, reserve studies and reserve evaluations), computer hardware and software and all documentation therefor or relating thereto (including, without limitation, all licenses relating to or covering such computer hardware, software, and/or documentation), trade secrets, trademarks, service marks, and business names and the goodwill of the business relating thereto, copyrights, copyright registrations, unpatented inventions, patent applications and patents, rights-of-way, franchises, bonds, easements, servitudes, surface leases, permits, licenses, tenements, hereditaments, appurtenances, concessions, occupancy agreements, privileges, development rights, condemnation awards, claims against third parties, general intangibles, letters of credit, and letter-of-credit rights, payment intangibles, rents, royalties, issues, profits, products, proceeds, distributions on, rights arising out of, returns of and from, and any and all claims and/or insurance payments arising out of the loss, nonconformity, or interference with the use of, defects, or infringements of rights in, or damage to, in each case whether now or hereafter existing or arising, used or useful in connection with, covering, relating to, or arising from or in connection with, any of the aforesaid items (a) through (g), inclusive, in this granting clause mentioned, and all other things of value and incident thereto (including, without limitation, any and all liens, lien rights, security interests, and other properties, rights and interests) that the Mortgagor might at any time have or be entitled to, and all the aforesaid properties, rights, and interests, to the full extent of the Mortgagor's right, title, and interest, including alike the Mortgagor's entire legal and beneficial interest therein, whether or not owned or hereafter acquired, together with any additions thereto that may be subjected to the lien and security interest of this instrument by means of supplements to this Mortgage, all of which is called the "Mortgaged Property."

Subject, however, to (i) Liens permitted by Section 8(e) of the Letter Loan Agreement; (ii) the restrictions, exceptions, reservations, conditions, limitations, interests, and other matters, if any, set forth or referred to in the specific descriptions of such properties and interests in Exhibit A (including all presently existing royalties, overriding royalties, payments out of production, and other burdens that are referred to in Exhibit A and that are taken into consideration in computing any percentage, decimal or fractional interest as set forth in Exhibit A); (iii) the assignment of production contained in Article III hereof (the matters described in the immediately preceding clauses (i), (ii), and (iii) are collectively referred to as the "Permitted Encumbrances"); and (iv) the condition that neither the Trustee nor the Secured Party shall be liable in any respect for the performance of any covenant or obligation (including without limitation measures required to comply with Environmental Laws) of the Mortgagor in respect of the Mortgaged Property.

TO HAVE AND TO HOLD the Mortgaged Property unto the Trustee for the benefit of the Secured Party forever to secure the payment of the Secured Obligations and to secure the performance of the obligations of the Mortgagor herein contained. The Mortgaged Property is to remain so specially mortgaged, affected, and hypothecated unto and in favor of the Secured Party to secure payment of the Secured Obligations (including the performance of the obligations of the Mortgagor herein contained) until full and final payment or discharge of the Secured Obligations, and the Mortgagor is herein and hereby bound and obligated not to sell or alienate the Mortgaged Property to the prejudice of this Mortgage except to the extent permitted under the Letter Loan Agreement.

BUT IN TRUST, NEVERTHELESS, for the benefit and security of the holders of the Secured Obligations and upon the trusts and subject to the terms and provisions herein set forth. The Mortgagor, in consideration of the premises and to induce the Lender to make the Loan to the Mortgagor, the Mortgagor hereby covenants and agrees with both the Trustee and the Secured Party as follows:

I. Article
Secured Obligations

1.1 Items of Secured Obligations Secured. The following items of indebtedness are secured by this Mortgage:

A. All Obligations, and all other obligations and liabilities of the Mortgagor, under the Letter Loan Agreement and the other Loan Documents;

B. Any promissory note evidencing any of the Obligations and any promissory note taken in extension, renewal, substitution, or replacement for any such promissory note;

C. The obligations of the Mortgagor to the Secured Party now or hereafter existing or arising, under or in connection with the Letter Loan Agreement or other Loan Documents to which it is or may become a party, whether for principal, interest, fees, costs, expenses, or otherwise, and however created and whether direct or indirect, primary or secondary, fixed or absolute or contingent, joint or several (including all such amounts that would become due but for the operation of the automatic stay under §362(a) of the United States Bankruptcy Code, 11 U.S.C. §362(a), and the operation of §§502(b) and 506(b) of the United States Bankruptcy Code, 11 U.S.C. §502(b) and §506(b) and any other similar provisions arising under applicable law);

D. Any sums advanced or expenses or costs incurred by the Trustee or the Secured Party (or any receiver appointed hereunder) that are made or incurred pursuant to, or permitted by, the terms hereof, plus interest thereon at the rate herein specified or otherwise agreed upon, from the date of the advances or the incurring of such expenses or costs until reimbursed; and

E. Any extensions, refinancings, modifications, or renewals of all such indebtedness described in subparagraphs (A) through (D) above, whether or not the Mortgagor executes any extension agreement or renewal instrument.

1.2 Secured Obligations Defined. All the above obligations are hereinafter collectively referred to as the "Secured Obligations."

II. Article
Particular Covenants and Warranties of the Mortgagor

2.1 Certain Representations and Warranties. The Mortgagor represents and warrants to the Trustee and the Secured Party that (a) the oil and gas leases described in Exhibit A hereto are valid, subsisting leases, superior and paramount to all other oil and gas leases respecting the properties to which they pertain except for Permitted Encumbrances where the failure hereunder could not reasonably be expected to have a Material Adverse Effect, (b) all producing wells located on the lands described in Exhibit A have been drilled, operated, and produced in conformity with all applicable Governmental Requirements except where the failure hereunder could not reasonably be expected to have a Material Adverse Effect, and are subject to no penalties on account of past production that could reasonably be expected to have a Material Adverse Effect, and such wells are in fact bottomed under and are producing from, and the well bores are wholly within, the lands described in Exhibit A except where the failure hereunder could not reasonably be expected to have a Material Adverse Effect, (c) the Mortgaged Property is free from all encumbrances or liens whatsoever, except for Permitted Encumbrances, and (d) the true legal name of the Mortgagor as registered in the jurisdiction in which the Mortgagor is organized or incorporated, the state of incorporation or organization of the Mortgagor, the organization identification number of the Mortgagor as designated by the state of its incorporation or organization and principal place of business (or, if it has more than one place of business, its chief executive office) of the Mortgagor as of the date of this Mortgage are as set forth on Schedule I hereto. The Mortgagor is not now known by any trade name. The Mortgagor will warrant and forever defend the Mortgaged Property unto the Trustee and the Secured Party, against every person whomsoever lawfully claiming the same or any part thereof (subject, however, to Permitted

Encumbrances), and the Mortgagor will maintain and preserve the Lien hereby created so long as any of the Secured Obligations remains unpaid.

2.2 Environmental Representations and Warranties. Mortgagor represents and warrants that: (a) there are no Hazardous Materials or underground storage tanks, pits, impoundments or landfills in, on, or under the Mortgage Property, except those that are (i) in compliance with applicable Environmental Laws and with Environmental Permits (as defined below) issued or required to be issued pursuant thereto, (ii) fully maintained in compliance with industry best management practices, (iii) fully disclosed to the Secured Party in writing pursuant to the written reports delivered to the Secured Party, and (iv) maintained in a condition such that there have been no Release or Releases for which Remediation is required (whether by the Secured Party or any other party); (b) there are no past or present Releases or threatened Releases of Hazardous Materials in violation of any applicable Environmental Law which would require Remediation by a Governmental Authority or other party (including any public water supplier, residential water supplier, or municipality) or would impose any liability or losses which, individually or in the aggregate would reasonably be expected to cause a Material Adverse Effect in, on, under, or from the Mortgaged Property or otherwise to the Secured Party; (c) there is no past or present non-compliance with applicable Environmental Laws, or with any permits, authorizations, approvals or licenses issued pursuant thereto ("Environmental Permits"), in connection with the Mortgaged Property; (d) the Secured Party does not know of, and has not received, any written or oral notice or other communication from any person or entity (including, without limitation, any Governmental Authority, citizens, or activist groups) relating to the presence or Releases of Hazardous Materials at or immediately adjacent to the Mortgaged Property or the Remediation thereof, or possible liability of any person or entity with respect to any Environmental Law, other adverse environmental conditions in connection with the Mortgaged Property, or any actual administrative or judicial proceedings in connection with the foregoing; and (e) the Mortgagor has truthfully and fully provided to the Secured Party, in writing, any and all material information relating to environmental conditions in, on, under or from the Mortgaged Property that is known to Mortgagor and/or that is contained in the Mortgagor records (or their lawyers' or advisors' records), including, but not limited to any reports relating to Hazardous Materials or violation of Environmental Law in, on, under, or from the Mortgaged Property and/or to the environmental condition of the Mortgaged Property, and none of such information, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect to the Mortgaged Property or otherwise to the Secured Party.

2.3 Environmental Covenants. Mortgagor covenants and agrees that so long as the Mortgagor owns, manages, is in possession of, or otherwise controls the operation of the Mortgaged Property: (a) all uses and operations on or of the Mortgage Property, whether by Mortgagor or any other person or entity, shall be in compliance with all applicable Environmental Laws and Environmental Permits; (b) there shall be no Releases of Hazardous Materials in, on, under, or from the Mortgage Property which violate applicable Environmental Laws or Environmental Permits in any respect or which require Remediation; (c) there shall be no Hazardous Materials in, on, or under the Mortgaged Property, except those that are compliance with all applicable Environmental Laws and with Environmental Permits issued pursuant thereto, if and to the extent required; (d) Mortgagor shall keep the Mortgaged Property free and clear of all Liens and other restrictions or encumbrances imposed pursuant to any Environmental Law, whether due to any act or omission of Mortgagor or other entity ("Environmental Liens"); (e) Mortgagor shall, at its sole cost and expense, fully and expeditiously cooperate in all activities pursuant to Sections 2.4 and 2.5 below, including, but not limited to providing all relevant information and making knowledgeable persons reasonably available for interviews; (f) Mortgagor shall, at its sole cost and expense, perform any environmental site assessment or other investigation of environmental conditions in connection with the Mortgaged Property, and if the results do not comply with any required environmental laws or permits, then Mortgagor, at its sole cost and expense, shall remedy the violation to its required condition and shall promptly share with the Secured Party the reports and other results thereof. The Secured Party and other Indemnified Parties (defined in Section 7(m) of the Letter Loan Agreement) shall be entitled to rely on such reports and other results thereof; (g) Mortgagor shall, at its sole cost and expense, comply with all reasonable written requests of the Secured Party to (i) effectuate Remediation of any material hazardous or unlawful condition (including, but not limited to a Release of a Hazardous Materials) in, on, under, or from the Mortgaged Property, (ii) comply with any applicable Environmental Laws, (iii) comply with any environmental directive from any Governmental Authority applicable to the Mortgaged Property, and (iv) take any other reasonable action necessary or appropriate for protection of human health or the environment as per industry Environmental Law and Guidance; (h) Mortgagor shall not do or allow any tenant or other user of the Mortgaged Property to do any act with respect to Hazardous Materials, Releases or Remediation relating to or affecting the Mortgaged Property which is not in compliance with applicable Environmental Laws or that increases the dangers to human health or the environment, poses an unreasonable risk of harm to any person or entity (whether on or off the Mortgaged Property), impairs or may impair the value of the Mortgaged Property, constitutes a public or private nuisance, constitutes waste, or violates any covenant, condition, agreement, or easement applicable to the Mortgaged Property; and (i) Mortgagor shall notify the Secured Party in writing promptly after it has become aware of (A) any presence or Release or threatened Release of Hazardous Materials in, on, under, from, or migrating towards the Mortgaged Property (a) which is required to be reported (except in connection with routine compliance) to a Governmental Authority under any applicable Environmental Laws or (b) which could result in a violation of Environmental Laws or require Remediation, (B) any actual, threatened, or pending Environmental Liens affecting the Mortgaged Property, (C) any required Remediation (other than de minimis Remediation in the ordinary course of business, the cost of which is reasonably likely to be less than Ten Thousand Dollars ($10,000.00)) of environmental conditions relating to the Mortgaged Property, and (D) any written or oral notice or other communication of which Mortgagor becomes aware from any source whatsoever (including, but not limited to a governmental entity) relating in any way to (a) the presence or the Release or threat of Release of Hazardous Materials at, from, upon, or immediately adjacent to the Mortgaged Property or Remediation thereof, (b) possible liability of any person or entity with respect to any Environmental Laws, (c) other material adverse environmental conditions in connection with the Mortgaged Property, or (d) any

actual or threatened administrative or judicial proceedings.

2.4 Secured Party's Rights.

A. The Secured Party, her environmental consultant, and any other person or entity designated by Secured Party, including, but not limited to any receiver and any representative of a governmental entity, shall have the right, but not the obligation, after three days' notice to Mortgagor, to enter upon the Mortgaged Property at all reasonable times to assess any and all aspects of the environmental condition of the Mortgaged Property and its use, including, but not limited to conducting any environmental assessments or audits of the Property or portions thereof to confirm Mortgagors compliance with the provisions of this Instrument, and Mortgagor shall cooperate in all reasonable ways with the Secured Party in connection with any such audit. Such audit shall be performed in a manner so as to minimize interference with the conduct of business at the Mortgaged Property.

B. If such audit discloses that a violation of or a liability under any applicable Environmental Law or if such audit was required or prescribed by law, regulation, or Governmental Authority having jurisdiction over such matters, Mortgagor shall pay all costs and expenses incurred in connection with such audit.

2.5 Required Reporting. Mortgagor acknowledges that storage of certain Hazardous Materials at the Mortgaged Property in the ordinary course of business of Borrower requires notification and reporting to governmental agencies, and agrees that Mortgagor shall have thirty days from the date hereof to make such notifications and reports as required under applicable Environmental Laws without being deemed or alleged to be in breach of any provision of this Instrument; unless and to the extent that such notice is provided beyond the time period permissible by any such applicable Environmental Law or other is in violation of any covenant of this Mortgage.

2.6 Recording, Filing, etc. The Mortgagor will promptly, at the Mortgagor's expense, take all reasonable steps to enable the Trustee or the Secured Party to record, register, deposit and file this and every other instrument in addition or supplemental hereto in such offices and places and at such times and as often as may be reasonably necessary to preserve, protect, and renew the Lien hereof as a valid first lien on and prior perfected security interest, subject to Permitted Encumbrances, in real or personal property, as the case may be, and the rights and remedies of the Trustee and the Secured Party, and otherwise will do and observe all things or matters reasonably necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States of America or of any other Governmental Authority, for the purpose of effectively creating, maintaining, and preserving the Lien on and in the Mortgaged Property. The Mortgagor hereby authorizes the Trustee or the Secured Party to file financing statements and other documents without its signature (to the extent allowed by applicable law).

2.7 Hazardous Substances Indemnification. The Mortgagor shall indemnify the Trustee and the Secured Party, and their respective directors, officers, employees, counsel, agents, and attorneys-in-fact, or any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial actions, requirements, and enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, without limitation, reasonable attorneys' fees and expenses) (all of the foregoing, collectively, "losses"), arising directly or indirectly, in whole or in part, from (a) the presence of any Hazardous Material on, under, or from any Mortgaged Property in violation of Environmental Laws, whether prior to or during the term hereof, (b) any activity carried on or undertaken on or off any Mortgaged Property, whether prior to or during the term hereof, and whether by Mortgagor or any predecessor in title, employee, agent, contractor, or subcontractor of Mortgagor or any other Person at any time occupying or present on any Mortgaged Property, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transportation, or disposal of any Hazardous Material at any time located or present on or under the Mortgaged Property, (c) any residual contamination on or under any Mortgaged Property, (d) any contamination of any Mortgaged Property or natural resources arising in connection with the generation, use, handling, storage, transportation, or disposal of any Hazardous Material by Mortgagor, any employee, agent, contractor, or subcontractor of Mortgagor while such Persons are acting within the scope of their relationship with Mortgagor, OR ANY OTHER PERSON irrespective of whether any of such activities were or will be undertaken in accordance with applicable requirements of law, or (e) the performance and enforcement of this Mortgage or any other act or omission in connection with or related to this Mortgage or the transactions contemplated hereby, **INCLUDING, WITHOUT LIMITATION, ANY OF THE FOREGOING IN THIS SECTION ARISING FROM NEGLIGENCE, WHETHER SOLE OR CONCURRENT, ON THE PART OF THE SECURED PARTY OR ANY OF HER EMPLOYEES, AGENTS, ATTORNEYS, ATTORNEYS-IN-FACT, OR THE TRUSTEE;** provided further that the foregoing indemnity shall survive satisfaction of the Secured Obligations, the termination of any Loan Document, and the release of the lien, security interest, and assignment created hereby, and provided further, that the foregoing indemnity shall not extend to matters to the extent caused by or resulting from the gross negligence or willful misconduct of the Secured Party.

2.8 State or Incorporation or Organization, etc. The Mortgagor shall not change its state or incorporation or organization or its name, identity, or corporate structure such that any financing statement filed to perfect the Secured Party's interest under this Agreement would become seriously misleading, unless the Mortgagor has given the Secured Party prior written notice of such change (provided that this Section 2.8 shall not be deemed to authorize any change or transaction prohibited under the Letter Loan Agreement).

III. Article
Assignment of Production

3.1 Assignment. As further security for the payment of the Secured Obligations, the Mortgagor hereby transfers, assigns, warrants, and conveys to the Secured Party, effective as of August 13, 2013, at 7:00 A.M., local time, all Hydrocarbons that are thereafter produced from and that accrue to the Mortgaged Property (the "Production"), and all proceeds therefrom. During the continuance of an Event of Default, the Mortgagor authorizes and empowers the Secured Party to demand, collect, receive, and deliver receipts for all Production and Proceeds. THE MORTGAGOR IRREVOCABLY APPOINTS THE SECURED PARTY AS THE MORTGAGOR'S AGENT AND ATTORNEY-IN-FACT, FOR THE PURPOSE OF EXECUTING ANY TRANSFER ORDERS, PAYMENT ORDERS, DIVISION ORDERS, RECEIPTS, RELEASES, OR OTHER INSTRUMENTS (COLLECTIVELY, " RECEIPTS") THAT THE SECURED PARTY DEEMS REASONABLY NECESSARY IN ORDER FOR THE SECURED PARTY TO DEMAND, COLLECT, RECEIVE, AND DELIVER RECEIPTS FOR PRODUCTION AND PROCEEDS DURING THE CONTINUANCE OF AN EVENT OF DEFAULT. In addition, the Mortgagor agrees that, upon the Secured Party's request, the Mortgagor shall promptly execute and deliver to the Secured Party such Receipts as the Secured Party may deem reasonably necessary in connection with the payment and delivery directly to the Secured Party of all Production and Proceeds and to effectuate the purposes of this paragraph. All parties producing, purchasing, or receiving any Production or having Production or Proceeds in their possession for which they or others are accountable to the Secured Party by virtue of the provisions of this Article are authorized and directed to treat and regard the Secured Party as the assignee and transferee of the Mortgagor and entitled in the Mortgagor's place and stead to receive Production and Proceeds; and said parties and each of them shall be fully protected in so treating and regarding the Secured Party and shall be under no obligation to see to the application by the Secured Party of any Production or Proceeds received by

it. Notwithstanding the foregoing, the Secured Party, has agreed not to exercise her right to directly receive delivery of Production and payment of Proceeds immediately. Rather, each party producing, purchasing, or receiving Production may continue to make such deliveries or payments to the Mortgagor until such time as such party has received notice from the Secured Party that an Event of Default has occurred and is continuing and that such party is directed to make delivery or payment directly to the Secured Party.

3.2 Application of Proceeds. All payments received by the Secured Party pursuant to Section 3.1 hereof shall be applied in the manner determined by the Secured Party in her sole discretion unless otherwise provided in the Note or the Letter Loan Agreement, but in all cases subject to the provisions of Section 5.9 of this Mortgage.

3.3 No Liability of the Secured Party in Collecting. The Secured Party is hereby absolved from all liability for failure to enforce collection of any proceeds so assigned (and no such failure shall be deemed to be a waiver of any right of the Secured Party under this Article) and from all other responsibility in connection therewith, except the responsibility to account to the Mortgagor for funds actually received.

3.4 Assignment Not a Restriction on the Secured Party's Rights. Nothing herein contained shall detract from or limit the absolute obligation of the Mortgagor to make payment of the Secured Obligations regardless of whether the proceeds assigned by this Article would be sufficient to pay the same, and the rights under this Article shall be in addition to all other security now or hereafter existing to secure the payment of the Secured Obligations.

3.5 Status of Assignment. Notwithstanding the other provisions of this Article and in addition to the other rights hereunder, the Trustee, the Secured Party, or any receiver appointed in judicial proceedings for the enforcement of this instrument shall have the right to receive all of the Production and Proceeds after the Secured Obligations have been declared due and payable, either through an Event of Default or through any other applicable provision of any of the Loan Documents, and to apply all of the proceeds as provided in Section 3.2 above. Upon any sale of the Mortgaged Property or any part thereof pursuant to Article V, the Hydrocarbons thereafter produced from the property so sold, and the proceeds therefrom, shall be included in such sale and shall pass to the purchaser free and clear of the assignment contained in this Article.

3.6 Indemnity. The Mortgagor shall indemnify the Trustee and the Secured Party, and their respective Affiliates, directors, officers, employees, counsel, agents, and attorneys-in-fact, or any of the foregoing Persons (each of these Person are called an "Indemnitee" for purposes of this Section 3.6) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, actions, liabilities, judgments, costs, and related expenses, including the reasonable fees, charges, and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of, (i) the assertion, either before or after the payment in full of the Secured Obligations, that any Indemnitee received Production or Proceeds claimed by third persons, or (ii) any actual or prospective claim, litigation, investigation, or proceeding relating to any of the foregoing, whether based on contract, tort, or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities, or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee (IT BEING UNDERSTOOD THAT IT IS THE INTENTION OF THE PARTIES HERETO THAT ALL OF THE INDEMNITEES BE INDEMNIFIED IN THE CASE OF THEIR OWN NEGLIGENCE (OTHER THAN GROSS NEGLIGENCE), REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE OR CONTRIBUTORY, ACTIVE OR PASSIVE, IMPUTED, JOINT, OR TECHNICAL). All amounts due under this Section shall be payable not later than thirty (30) days after written demand therefor. The obligations of the Mortgagor as herein set forth in this Section shall survive the release, termination, foreclosure, or assignment of this instrument or any sale hereunder. Notwithstanding the foregoing indemnity, it is expressly provided that the assignment of Production under Section 3.1 is made in favor of the Secured Party, and only the Secured Party may exercise the right to demand, collect, receive, and deliver receipts for Production and Proceeds.

3.7 Rights Under Statutes. The Mortgagor hereby appoints the Secured Party as its attorney-in-fact to pursue any and all lien rights of the Mortgagor to liens and security interests in the Mortgaged Property securing payment of Production and Proceeds attributable to the Mortgaged Property, including, but not limited to, those liens and security interests provided for by §9.343 of the Texas Business and Commerce Code and other similar statutes of other jurisdictions or any successor statutes. The Mortgagor further hereby assigns to the Secured Party any and all such liens, security interests, financing statements, or similar interests of the Mortgagor attributable to its interests in the Mortgaged Property and Production and Proceeds therefrom arising under or created by said statutory provision, judicial decision or otherwise.

3.8 License to Collect. Until such time as a Default or Event of Default has occurred and is continuing, the Secured Party hereby grants to Mortgagor a license to sell, collect, receive, and receipt for all Production and Proceeds, which license shall automatically terminate upon such Default or Event of Default or for so long as same continues.

IV. Article
Events of Default

4.1 Events of Default Under this Mortgage. The occurrence of an Event of Default under the terms and provisions of the Note or Letter Loan Agreement shall be an "Event of Default" under this Mortgage.

V. Article
Enforcement of the Security

Upon the occurrence of an Event of Default and in addition to all other rights conferred in this Mortgage on the Trustee or the Secured Party, the Trustee and the Secured Party have the following rights and remedies:

5.1 Power of Sale and Foreclosure of Real Property Constituting a Part of the Mortgaged Property.

A. During the continuation of an Event of Default, the Trustee shall have the right and power to sell, to the extent permitted by law, at one or more sales, as an entirety or in parcels, as they may elect, the real property constituting a part of the Mortgaged Property, at such place or places and otherwise in such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Trustee may deem appropriate, and to make conveyances to the purchaser or purchasers, without any covenant or warranty, express or implied. The Trustee may postpone the sale of all or any portion of such real property by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. The right of sale hereunder shall not be exhausted by one or any sale, and the Trustee may make other and successive sales until all of the trust estate be legally sold.

B. The Trustee is hereby authorized and empowered to sell the Mortgaged Property at public sale to the highest bidder for cash in the area at the county courthouse of the county in which the Mortgaged Property or any part thereof is situated, as herein described, designated by such county's commissioner's court for such proceedings, or if no area is so designated, at the door of the county courthouse of said county, at a time between the hours of 10:00 A.M. and 4:00 P.M. that is no later than three (3) hours after the time stated in the notice described immediately below as the earliest time at which such sale would occur on the first Tuesday of any month, after advertising the earliest time at which said sale would occur, the place and terms of said sale, and the portion of the Mortgaged Property to be sold, by (a) posting (or by having some person or persons acting for the Trustee post) for at least twenty-one (21) days preceding the date of the sale, written or printed notice of the proposed sale at the courthouse door of said county in which the sale is to be made; and if such portion of the Mortgaged Property lies in more than one county, one such notice of sale shall be posted at the courthouse door of each county in which such part of the Mortgaged Property is situated and such part of the Mortgaged Property may be sold in the area at the county courthouse of any one of such counties designated by such county's commissioner's court for such proceedings, or if no area is so designated, at the courthouse door of such county, and the notice so posted shall designate in which county such property shall be sold, and (b) filing in the office of the county clerk of each county in which any part of the Mortgaged Property that is to be sold at such sale is situated a copy of the notice posted in accordance with the preceding clause (a). In addition to such posting and filing of notice, the Trustee shall, at least twenty-one (21) days preceding the date of sale, serve, or cause to be served written notice of the proposed sale by certified mail on the Mortgagor and on each other debtor, if any, obligated to pay the Secured Obligations according to the records of the Secured Party or other holder of the Secured Obligations. Service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper properly addressed to the Mortgagor and such other debtors at their most recent address or addresses as shown by the records of the Secured Party or other holder of the Secured Obligations in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such a service was completed shall be prima facie evidence of the fact of service. The Mortgagor agrees that no notice of any sale of the Mortgaged Property other than as set out in this paragraph, need be given by the Trustee or any other Person. The Mortgagor hereby designates as its address for the purpose of such notice the address set out on the signature page hereof, and agrees that such address may be changed only in the manner set forth in Section 12(b) of the Letter Loan Agreement. The Mortgagor authorizes and empowers the Trustee to sell the Mortgaged Property in lots or parcels or in its entirety as the Trustee shall deem expedient; and to execute and deliver to the purchaser or purchasers thereof deeds conveying the property, but without any covenant or warranty, express or implied. Where portions of the Mortgaged Property lie in different counties, sales in such counties may be conducted in any order that the Trustee may deem expedient; and one or more such sales may be conducted in the same month, or in successive or different months as the Trustee may deem expedient. The Trustee may postpone the sale provided for in this Section 5.1 by public announcement at the time and place of such sale, and from time to time thereafter may further postpone such sale by public announcement made at the time of sale fixed by the preceding postponement. The provisions hereof with respect to the posting and giving of notices of sale are intended to comply with the provisions of §51.002 of the Texas Property Code, effective January 1, 1984, and in the event the requirements, or any notice, under such §51.002 of the Texas Property Code shall be eliminated or the prescribed manner of giving such notices modified by future amendment to, or adoption of any statute superseding, §51.002 of the Texas Property Code, the requirement for such particular notices shall be deemed stricken from or modified in this instrument in conformity with such amendment or superseding statute, effective as of the effective date thereof.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE TRUSTEE OR SECURED PARTY TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS MORTGAGE.

5.2 Rights of the Trustee and the Secured Party with Respect to Personal Property Constituting a Part of the Mortgaged Property.

C. During the continuation of an Event of Default, the Secured Party will have all rights and remedies granted by law, and particularly by the Uniform Commercial Code or similar statute in force in any other state to the extent the same is applicable law, including, but not limited to, the right to take possession of all personal property constituting a part of the Mortgaged Property and for this purpose the Secured Party may enter upon any premises on which any or all of such personal property is situated and take possession of and operate such personal property (or any portion thereof) or remove it therefrom. The Secured Party may require the Mortgagor to assemble such personal property to the extent feasible and make it available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to all parties. Unless such personal property is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Secured Party will give the Mortgagor reasonable notice of the time and place of any public sale or of the time after which any private sale or other disposition of such personal property is to be made. This requirement of sending reasonable notice will be met if the notice is mailed by first-class mail, postage prepaid, to the Mortgagor at the address shown below the signatures at the end of this instrument (or at such other address for notice hereafter designated by the Mortgagor in conformity with Section 11(b) of the Letter Loan Agreement) at least ten (10) days before the time of the sale or disposition.

D. In the event of a foreclosure sale, whether made by the Trustee or the Secured Party under the terms hereof, or under judgment of a court, the personal property constituting a portion of the Mortgaged Property and the other Mortgaged Property may, at the option of Secured Party, be sold as a whole. It shall not be necessary that the Secured Party take possession of such personal property or any part thereof prior to the time that any sale pursuant to the provisions of this Section 5.2 is conducted and it shall not be necessary that such personal property or any part thereof be present at the location of such sale. With respect to the application of proceeds of disposition of such personal property under Section 5.9 of this Mortgage, the costs and expenses incident to disposition shall include the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing, and the like and the reasonable attorneys' fees and legal expenses incurred by the Trustee or the Secured Party, as applicable. Any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of the Secured Obligations or as to the occurrence of any default, or as to Secured Party having declared all of such Secured Obligations to be due and payable, or as to notice of time, place, and terms of sale and of the properties to be sold having been duly given, or as to any other act or thing having been duly done by the Trustee or the Secured Party, shall be taken as prima facie evidence of the truth of the facts so stated and recited; and Secured Party may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Secured Party, including the sending of notices and the conduct of the sale, but in the name and on behalf of Secured Party.

5.3 Rights of the Trustee and the Secured Party with Respect to Fixtures Constituting a Part of the Mortgaged Property. During the continuation of an Event of Default, the Trustee or the Secured Party, as applicable, may elect to treat the fixtures constituting a part of the Mortgaged Property as either real property collateral or personal property collateral and then proceed to exercise such rights as apply to such type of collateral.

5.4 Judicial Proceedings. The Trustee, in lieu of or in addition to exercising any power of sale herein given, may proceed by a suit or suits in equity or at law, whether for a foreclosure hereunder, or for the sale of the Mortgaged Property, or for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Mortgaged Property, or for the enforcement of any other appropriate legal or equitable remedy. The Mortgagor hereby acknowledges the Secured Obligations, whether now existing or that arise hereafter, and, to the extent not prohibited by applicable law, confesses judgment thereon in the full amount of the Secured Obligations in favor of the Secured Party if the obligations are not paid pursuant to the terms of the Note or the Letter Loan Agreement.

5.5 Possession of the Mortgaged Property. It shall not be necessary for the Trustee or the Secured Party to have physically present or constructively in their possession at any sale held by the Trustee, the Secured Party, or by any court, receiver, or public officer any of the Mortgaged Property; and the Mortgagor shall deliver to the purchasers at such sale on the date of sale the Mortgaged Property purchased by such purchasers at such sale, and if it should be impossible or impracticable for any of such purchasers to take actual delivery of the Mortgaged Property, then the title and right of possession to the Mortgaged Property shall pass to such purchaser at such sale as completely as if the same had been actually present and delivered.

5.6 Certain Aspects of a Sale. The Secured Party shall have the right to become the purchaser at any sale made pursuant to this Article V. To the extent permitted by applicable law, recitals contained in any conveyance made to any purchaser at any sale made hereunder shall conclusively establish the truth and accuracy of the matters therein stated, including, without limiting the generality of the foregoing, nonpayment of the Secured Obligations, after the same have become due and payable, advertisement and conduct of such sale in the manner provided herein or appointment of any successor Trustee hereunder.

5.7 Receipt to Purchaser. Upon any sale, whether made under the power of sale herein granted and conferred or by virtue of judicial proceedings, the receipt of the Trustee, or the Secured Party, or of the officer making sale under judicial proceedings, shall be sufficient discharge to the purchaser or purchasers at any sale for his or her or their purchase money, and such purchaser or purchasers, or his or her or their assigns or personal representatives, shall not, after paying such purchase money and receiving such receipt of the Trustee or the Secured Party or of such officer therefor, be obliged to see to the application of such purchase money, or be in anywise answerable for any loss, misapplication or nonapplication thereof.

5.8 Effect of Sale. Any sale or sales of the Mortgaged Property, whether under the power of sale herein granted and conferred or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim, and demand whatsoever either at law or in equity, of the Mortgagor of, in and to the premises and the property sold, and shall be a perpetual bar, both at law and in equity, against the Mortgagor, and the Mortgagor's successors or assigns, and against any and all persons claiming or who shall thereafter claim all or any of the property sold from, through, or under the Mortgagor or the Mortgagor's successors or assigns. Nevertheless, the Mortgagor, if requested by the Secured Party or the Trustee to do so, shall join in the execution and delivery of all proper conveyances, assignments, and transfers of the properties so sold.

5.9 Application of Proceeds. The proceeds of any sale of the Mortgaged Property, or any part thereof, whether under the power of sale herein granted and conferred or by virtue of judicial proceedings, shall be applied in the manner determined by Secured Party in her sole discretion, to the extent permitted by applicable law, provided that any proceeds remaining in excess of the total amount of all the expenses incurred associated with the sale (including but not limited to protecting and enforcing rights under this Mortgage) and fully satisfying all of the outstanding Secured Obligations are returned to the Mortgagor.

5.10 Mortgagor's Waiver of Appraisement, Marshaling, and Other Rights. The Mortgagor agrees, to the full extent that the Mortgagor may lawfully so agree, that the Mortgagor will not at any time insist upon or plead or in any manner whatever claim the benefit of any appraisement, valuation, stay, extension, or redemption law now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this instrument or the absolute sale of the Mortgaged Property or the possession thereof by any purchaser at any sale made pursuant to any provision hereof, or pursuant to the decree of any court of competent jurisdiction; the Mortgagor, for the Mortgagor and all who may claim through or under the Mortgagor, so far as the Mortgagor or those claiming through or under the Mortgagor now or hereafter lawfully may, hereby waives the benefit of all such laws. The Mortgagor, for the Mortgagor and all who may claim through or under the Mortgagor, waives, to the extent that the Mortgagor may lawfully do so, any and all right to have the Mortgaged Property marshaled upon any foreclosure of the lien hereof, or sold in inverse order of alienation, and agrees that the Trustee, the Secured Party, or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety. The Mortgagor, for the Mortgagor and all who may claim through or under the Mortgagor, further waives, to the full extent that the Mortgagor may lawfully do so, any requirement for posting a receiver's bond or replevin bond or other similar type of bond if the Trustee or the Secured Party commence an action for appointment of a receiver or an action for replevin to recover possession of any of the Mortgaged Property. If any law in this paragraph referred to and now in force, of which the Mortgagor or the Mortgagor's successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the operation or application of the provisions of this paragraph.

5.11 Costs and Expenses. All costs and expenses (including attorneys' fees) incurred by the Trustee or the Secured Party in protecting and enforcing their rights hereunder shall constitute a demand obligation owing by the Mortgagor to the party incurring such costs and expenses and shall draw interest at an annual rate equal to the rate of interest from time to time accruing on the Note under the Letter Loan Agreement until paid, all of which shall constitute a portion of the Secured Obligations.

5.12 Operation of the Mortgaged Property by the Trustee or the Secured Party. Upon the occurrence of an Event of Default and in addition to all other rights herein conferred on the Trustee or the Secured Party, the Trustee or the Secured Party (or any person, firm, or corporation designated by the Trustee or the Secured Party) shall have the right and power, but shall not be obligated, to enter upon and take possession of any of the Mortgaged Property, and to exclude the Mortgagor, and the Mortgagor's agents or servants, wholly therefrom, and to hold, use, administer, manage, and operate the same to the extent that the Mortgagor shall be at the time entitled and in its place and stead. The Trustee or the Secured Party, or any person, firm, or corporation designated by the Trustee or by the Secured Party, may operate the same without any liability to the Mortgagor in connection with such operations, except to use ordinary care in the operation of such properties, and the Trustee or the Secured Party or any person, firm, or corporation designated by the Trustee or the Secured Party, shall have the right to collect, receive, and receipt for all Hydrocarbons produced and sold from said properties, to make repairs, purchase machinery and equipment, conduct work-over operations, drill additional wells, and to exercise every power, right, and privilege of the Mortgagor with respect to the Mortgaged Property necessary or advisable (in the reasonable determination of the Secured Party) to preserve and protect the Mortgage Property. When and if the Event of Default is not longer continuing said properties shall, if there has been no sale or foreclosure, be returned to the Mortgagor.

5.13 Other Jurisdictions. In the event the Mortgaged Property, or any part thereof, shall be located in any state other than the State of Texas, the procedures for foreclosure and all other provisions of this Article V relating to remedies upon default and related matters shall be modified to the extent necessary to comply with the laws of the state in which such properties are located. It is the intent of the Mortgagor that this Mortgage shall be legal and enforceable in any state in which the Mortgaged Property, or any part thereof, is located and that the provisions hereof shall be modified only to the extent necessary to comply with the laws of such state, and that all other provisions contained herein shall be in no way affected or impaired by the necessity to so modify some or all of the provisions of this Article V.

VI. Article
Miscellaneous Provisions

6.1 Pooling and Unitization. The Mortgagor shall have the right, and is hereby authorized, to pool or unitize all or any part of any tract of land described in Exhibit A, insofar as relates to the Mortgaged Property, with adjacent lands, leaseholds, and other interests, when, in the reasonable judgment of the Mortgagor, it is necessary, advisable, or desirable to do so in order to form a drilling unit to facilitate the orderly development of that part of the Mortgaged Property affected thereby, or to comply with the requirements of any law or governmental order or regulation relating to the spacing of wells or proration of the production therefrom; provided, however, that the Hydrocarbons produced from any unit so formed shall be allocated among the separately owned tracts or interests comprising the unit in a uniform manner consistently applied. Any unit so formed may relate to one or more zones or horizons, and a unit formed for a particular zone or horizon need not conform in area to any other unit relating to a different zone or horizon, and a unit formed for the production of oil need not conform in area with any unit formed for the production of gas. The interest of the Mortgagor in any such unit attributable to the Mortgaged Property (or any part thereof) included therein shall become a part of the Mortgaged Property and shall be subject to the lien hereof in the same manner and with the same effect as though such unit and the interest of the Mortgagor therein were specifically described in Exhibit A.

6.2 Successor Trustee. Any Trustee may resign in writing addressed to the Secured Party or may be removed at any time with or without cause by an instrument in writing duly executed by the Secured Party. In case of the death, resignation, or removal of a Trustee, a successor Trustee may be appointed by the Secured Party by instrument of substitution complying with any applicable requirements of law, and in the absence of any such requirement without formality other than appointment and designation in writing to be recorded in each County wherein the Mortgage is recorded. Such appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited, and upon the making of any such appointment and designation this conveyance shall vest in the named successor Trustee, all the estate and title of the prior Trustee in the Mortgaged Property, and he/she or they shall thereupon succeed to all the rights, powers, privileges, immunities, and duties hereby conferred upon the prior Trustee. All references herein to the Trustee shall be deemed to refer to the Trustee from time to time acting hereunder.

6.3 Actions or Advances by the Secured Party or the Trustee. Each and every covenant herein contained shall be performed and kept by the Mortgagor solely at the Mortgagor's expense. If the Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this instrument, the Secured Party or the Trustee or any receiver appointed hereunder, may, but shall not be obligated to, take action and/or make advances to perform the same in the Mortgagor's behalf, and the Mortgagor hereby agrees to repay the reasonable expense of such action and such advances upon demand plus interest at the Default Rate until paid. No such advance or action by the Secured Party or the Trustee or any receiver appointed hereunder shall be deemed to relieve the Mortgagor from any default hereunder.

6.4 Mortgaged Property to Revert; Release of this Mortgage. If the Secured Obligations shall be paid in full in cash, then this Mortgage shall terminate and, to the extent applicable under local law, all of the Mortgaged Property shall revert to the Mortgagor and the entire estate, right, title, and interest of the Trustee and the Secured Party granted hereunder shall thereupon cease; and the Trustee and the Secured Party in such case shall, upon the request of the Mortgagor and at the Mortgagor's cost and expense, promptly deliver to the Mortgagor proper instruments in recordable form acknowledging satisfaction of this instrument.

6.5 Other Security. The Trustee and the Secured Party may take or may now hold other security for the Secured Obligations, including other security from Persons other than Mortgagor, all without notice to or consent of the Mortgagor. The Trustee or the Secured Party may resort first to such other security or any part thereof or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action shall not be a waiver of any rights conferred by this instrument, which shall continue as a first Lien upon and prior perfected security interest, subject to Liens permitted by Section 8(e) of the Letter Loan Agreement, in the Mortgaged Property not expressly released until the Secured Obligations are fully paid.

6.6 Instrument as Assignment, etc. This instrument shall be deemed to be and may be enforced from time to time as an assignment, chattel mortgage, contract, deed of trust, financing statement, real estate mortgage, or security agreement, and from time to time as any one or more thereof.

6.7 Unenforceable or Inapplicable Provisions. If any provision of this Mortgage is invalid or unenforceable in any jurisdiction, the other provisions this Mortgage shall remain in full force and effect, and the invalidity of any provision of this Mortgage in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction. Any reference herein contained to a statute or law of a state in which no part of the Mortgaged Property is situated shall be deemed inapplicable to, and not used in, the interpretation hereof.

6.8 Rights Cumulative. Each and every right, power, and remedy herein given to the Trustee or the Secured Party under this Mortgage shall be cumulative and not exclusive; and each and every right, power, and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Secured Party, as the case may be, and the exercise, or the beginning of the exercise, of any such right, power, or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power, or remedy. No delay or omission by the Trustee or the Secured Party in the exercise of any right, power, or remedy shall impair any such right, power, or remedy or operate as a waiver thereof or of any other right, power, or remedy then or thereafter existing.

6.9 Amendments; Waiver by the Secured Party. This instrument may be amended, modified, revised, discharged, released, or terminated, and any and all covenants in this instrument may from time to time be waived, only by a written instrument or instruments executed by the Mortgagor and the Secured Party, but without the joinder of the Trustee, which shall not be required. Notwithstanding the foregoing, no amendment, modification, revision, or waiver shall ever affect or impair the Trustee's or the Secured Party's rights or liens or security interests hereunder, except to the extent specifically stated in such written instrument. Any alleged amendment, modification, revision, discharge, release, or termination that is not in writing and executed by the proper parties shall not be effective as to any party.

6.10 Action by Individual Trustee. Any Trustee from time to time serving hereunder shall after any Event of Default under any of the Loan Documents occurs, have the absolute right, acting individually, to take any action and to exercise any right, remedy, power, privilege, or authority conferred upon the Trustee, and any action taken by any other Trustee from time to time serving hereunder shall be binding upon the other Trustee(s) and no person dealing with any Trustee from time to time serving hereunder shall be obligated to confirm the power and authority of such Trustee to act without the concurrence of the other Trustee(s). In this instrument, the term "Trustee" shall mean Sharon E. Conway of 2441 High Timbers, Suite 410, The Woodlands, Texas, 77380-1052, and any successor Trustee(s).

6.11 No Partnership. Nothing contained in this instrument is intended to, or shall be construed as, creating to any extent and in any manner whatsoever, any partnership, joint venture, or association among the Mortgagor, the Trustee, the Secured Party, and their respective Affiliates, or in any way as to make the Secured Party or the Trustee co-principals with the Mortgagor with reference to the Mortgaged Property, and any inferences to the contrary are hereby expressly negated.

6.12 Successors and Assigns. This instrument is binding upon the Mortgagor, the Mortgagor's successors and assigns, and shall inure to the benefit of the Trustee, her successors, and the Secured Party and her respective successors and assigns, and the provisions hereof shall likewise be covenants running with the land.

6.13 Article and Section Headings. The article and section headings in this instrument are inserted for convenience of reference and shall not be considered a part of this instrument or used in its interpretation.

6.14 Execution in Counterparts. This instrument may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which are identical, except that, to facilitate recordation or filing, in any particular counterpart portions of Exhibit A hereto that describe properties situated in counties other than the county in which such counterpart is to be recorded or filed may have been omitted. Complete copies of this instrument containing the entire Exhibit A have been retained by the Mortgagor and the Secured Party.

6.15 Special Filing as Financing Statement. This instrument shall likewise constitute a Security Agreement, Financing Statement, Fixture Filing, and As-Extracted Collateral filing on and against all of the Mortgaged Property which is or is to become personal property, as-extracted collateral, and fixtures as within the meaning of the Uniform Commercial Code and other applicable law. The Mortgagor shall execute and deliver to Secured Party, in form and substance satisfactory to Secured Party, such financing statements and such other further assurances as Secured Party may, from time to time, reasonably consider necessary to create, perfect and preserve Secured Party's security interest hereunder and Secured Party may cause such statements and assurances to be recorded and filed, at such times and places as may be required or permitted by law to so create, perfect, and preserve such security interest. This instrument shall be filed for record, among other places, in the real estate records of each county in which any portion of the real property covered by the oil and gas leases described in Exhibit A hereto is situated, and, when filed in such counties shall be effective as a financing statement covering (1) fixtures located or to become located on said oil and gas properties, and (2) oil, gas, and other minerals extracted from said oil and gas properties and other as-extracted collateral (and accounts arising from the sale of said oil, gas, and other minerals) at the wellheads of wells located now or hereafter on the real property described in Exhibit A hereto. At the option of the Secured Party, a carbon, photographic, or other reproduction of this instrument or of any financing statement covering the Mortgaged Property or any portion thereof shall be sufficient as a financing statement and may be filed as such. Information concerning the security interest herein granted may be obtained at the addresses of the Mortgagor and Secured Party as set forth on the execution pages of this Mortgage. The real estate concerned is described in Exhibit A and the record owner thereof is as specified in Exhibit A. **THE SECURED PARTY DESIRES THIS FINANCING STATEMENT TO BE INDEXED AGAINST THE RECORD OWNER OF THE PROPERTY.**

6.16 Notices. Except as otherwise expressly provided herein, any notice, request, demand, or other instrument that may be required or permitted to be given or served upon the Mortgagor shall be sufficiently given when given to the Mortgagor as set forth in Section 12(b) of the Letter Loan Agreement.

6.17 Reliance. Notwithstanding any reference herein to the Letter Loan Agreement, no party shall have any obligation to inquire into the terms or conditions of any such documents and all parties shall be fully authorized to rely upon any statement, certificate, or affidavit of the Secured Party or any future holder of any portion of the indebtedness evidenced by the Letter Loan Agreement and the other Loan Documents as to the occurrence of any event such as the occurrence of any Event of Default.

6.18 Effective as Mortgage. As to the Mortgaged Property, this instrument shall be effective as a mortgage as well as a deed of trust and during the continuation of an Event of Default may be foreclosed as to the Mortgaged Property, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by the Trustee or by the Secured Party. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, the Mortgagor hereby mortgages the Mortgaged Property to the Secured Party.

6.19 No Liability for Trustee. THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY THE TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR THE TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. The Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by her hereunder, believed by her in good faith to be genuine. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and the Trustee shall be under no liability for interest on any moneys received by her hereunder.

6.20 GOVERNING LAW. INSOFAR AS PERMITTED BY OTHERWISE APPLICABLE LAW, THIS MORTGAGE AND THE SECURED OBLIGATIONS SHALL BE CONSTRUED UNDER AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS (EXCLUDING CHOICE OF LAW AND CONFLICT OF LAW RULES); PROVIDED, HOWEVER, THAT, WITH RESPECT TO THE MORTGAGED PROPERTY, THE LAWS OF THE PLACE IN WHICH SUCH PROPERTY IS SITUATED, OR OFFSHORE ADJACENT TO (AND STATE LAW MADE APPLICABLE AS A MATTER OF FEDERAL LAW), SHALL APPLY TO THE EXTENT OF PROCEDURAL AND SUBSTANTIVE MATTERS RELATING ONLY TO THE CREATION, PERFECTION, FORECLOSURE OF LIENS, AND ENFORCEMENT OF RIGHTS AND REMEDIES AGAINST THE MORTGAGED PROPERTY.

6.21 NO UNWRITTEN ORAL AGREEMENTS. THIS INSTRUMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature and notarization follows on next page.]

IN WITNESS WHEREOF, the Mortgagor has executed or caused to be executed this Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing on the date first above written.

Mortgagor and Debtor:

Lucas Energy, Inc.,
a Nevada Corporation

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

The name and mailing address of the Mortgagor is:
Lucas Energy, Inc.
3555 Timmons Lane, Suite 1550
Houston, Texas 77027
Attn: Anthony C. Schnur
Telephone: (713) 528-1881; Facsimile: (713) 337-1510

State of Texas §
§
County of Harris §

This instrument was acknowledged before me this 9 day of August, 2013, by Anthony C. Schnur, the Chief Executive Officer of Lucas Energy, Inc., a Nevada corporation, on behalf of the corporation. In witness whereof I hereunto set my hand and official seal.

(Seal)
Bailey Kristen Harrell
Notary Public, State of Texas
My Commission Expires

April 11, 2017

/s/ Bailey Kristen Harrell
Notary Public in and for the State of Texas

The name and mailing address of the Secured Party is:
Louise H. Rogers, as her Separate Property
c/o Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052
Telephone: (281) 681-2230
Facsimile No: (281) 754-4685

The name and mailing address of the Trustee is:

Sharon E. Conway, Trustee
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052
Telephone: (281) 681-2230
Facsimile No: (281) 754-4685

EXHIBIT A To Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing

dated August 13, 2013

from Lucas Energy, Inc., as Mortgagor

to Sharon E. Conway as Trustee

for the benefit of Louise H. Rogers as Secured Party

List of Properties

1. Depth limitations, unit designations, unit tract descriptions, and descriptions of undivided leasehold interests, well names, "Operating Interests," "Working Interests," and "Net Revenue Interests" contained in this Exhibit A and the listing of any percentage, decimal, or fractional interest in this Exhibit A shall not be deemed to limit or otherwise diminish the interests being subjected to the lien, security interest, and encumbrance of this instrument.

2. Some of the land descriptions in this Exhibit A may refer only to a portion of the land covered by a particular lease. This instrument is not limited to the land described in Exhibit A but is intended to cover the entire interest of the Mortgagor in any lease described in Exhibit A even if that interest relates to land not described in Exhibit A. Reference is made to the land descriptions contained in the documents of title recorded as described in this Exhibit A. To the extent that the land descriptions in this Exhibit A are incomplete, incorrect, or not legally sufficient, the land descriptions contained in the recorded documents referenced are incorporated in this Exhibit A by this reference for all purposes as if fully set forth at length.

3. References in Exhibit A to instruments on file in the public records are made for all purposes. Unless provided otherwise, all recording references in Exhibit A are to the official real property records of the county or counties in which the mortgaged property is located and in which these documents are or in the past have been customarily recorded, whether Deed Records, Oil and Gas Records, Oil and Gas Lease Records, or other records, and those official records are incorporated by reference into this Exhibit A for all purposes as if fully set forth at length.

4. Any statement in this Exhibit A that a certain interest described in this Exhibit A is subject to the terms of certain described or referred to agreements, instruments, or other matters shall not operate to subject that interest to any agreement, instrument, or other matter except to the extent that the agreement, instrument, or matter is otherwise valid and presently subsisting nor shall the statement be deemed to constitute a recognition by the parties to this Mortgage that any identified agreement, instrument, or other matter is valid and presently subsisting.

[Do not detach this page]

Rogers - Lucas Energy Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing

August 13, 2013

When Recorded and/or Filed Is to be Returned to:

Sharon E. Conway
Attorney at Law
2441 High Timbers, Suite 410
The Woodlands, Texas 77380-1052
Telephone: (281) 681-2230

SCHEDULE I
To
Mortgage, Deed of Trust, Assignment, Security Agreement,
Financing Statement and Fixture Filing,
dated August 13, 2013
from LUCAS ENERGY, LLC
to Sharon E. Conway as Trustee,
for the benefit of LOUISE H. ROGERS
as Secured Party

State of Incorporation or Organization, Etc.

1. Correct Legal Name of Mortgagor as Registered in the Jurisdiction in which Mortgagor is Incorporated or Organized and State of Incorporation or Organization of Mortgagor:

LUCAS ENERGY, INC., a Nevada Corporation

2. Organization Identification Number as Designated by Mortgagor's State of Incorporation or Organization:

Organization I.D. No. C31179-2003

3. Principal Place of Business of Mortgagor:
3555 Timmons Lane
Suite 1550
Houston, Texas 77027

Exhibit 31.1

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, 2013, 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. The registrant's other certifying officer(s) and I are 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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, 2013

/s/ Anthony C. Schnur
Anthony C. Schnur
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, William J. Dale, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2013, 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. The registrant's other certifying officer(s) and I are 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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, 2013

/s/ William J. Dale
William J. Dale
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony C. Schnur, Chief Executive Officer and Principal Executive 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, 2013

/s/ Anthony C. Schnur
Anthony C. Schnur
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William J. Dale, Chief Financial Officer and Principal 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, 2013

/s/ William J. Dale
William J. Dale
Chief Financial Officer
(Principal Financial Officer)