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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 September 30, 2011

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

For the transition period from _____ to _____

Commission File Number: 001-32508

LUCAS ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada	**98-0417780**
(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 No o

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	19,515,826 (as of November 3, 2011)

LUCAS ENERGY, INC.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LUCAS ENERGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2011	March 31, 2011
ASSETS		
Current Assets		
Cash	$ 1,480,049	$ 2,471,108
Accounts Receivable	684,603	806,098
Inventories	66,268	-
Other Current Assets	115,136	152,793
Total	2,346,056	3,429,999
Property, Plant and Equipment		
Oil and Gas Properties (Full Cost Method)	30,015,074	24,650,840
Other Property, Plant and Equipment	134,860	93,199
Total Property, Plant and Equipment	30,149,934	24,744,039
Accumulated Depletion, Depreciation and Amortization	(4,433,241)	(3,753,275)
Total Property, Plant and Equipment, Net	25,716,693	20,990,764
Deposit for Acquisition of Oil and Gas Properties	500,000	500,000
Other Assets	97,612	57,112
Total Assets	$ 28,660,361	$ 24,977,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 2,239,831	$ 2,236,917
Common Stock Payable	57,082	503,750
Accrued Expenses	560,784	255,239
Advances From Working Interest Owners	-	357,399
Current Portion of Long-Term Debt	32,944	30,727
Total	2,890,641	3,384,032
Asset Retirement Obligation	428,012	409,112
Note Payable	40,420	60,114
Commitments and Contingencies (see Note 9)		
Stockholders' Equity		
Preferred Stock, 10,000,000 Shares Authorized of $0.001 Par, No Shares Issued and Outstanding	-	-
Common Stock, 100,000,000 Shares Authorized of $0.001 Par, 19,537,786 Shares Issued and 19,500,886 Outstanding Shares at September 30, 2011 and 16,727,713 Issued and 16,690,813 Outstanding Shares at March 31, 2011, respectively	19,538	16,728
Additional Paid in Capital	35,617,298	28,461,239
Accumulated Deficit	(10,286,389)	(7,304,191)
Common Stock Held in Treasury, 36,900 Shares, at Cost	(49,159)	(49,159)
Total Stockholders' Equity	25,301,288	21,124,617
Total Liabilities and Stockholders' Equity	$ 28,660,361	$ 24,977,875

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 September 30,		Six Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Net Operating Revenues				
Crude Oil	$ 927,924	$ 936,849	$ 2,132,344	$ 1,514,389
Natural Gas	39,518	1,741	67,545	1,741
Total	967,442	938,590	2,199,889	1,516,130
Operating Expenses				
Lease Operating Expenses	1,033,286	309,090	1,634,769	619,197
Severance and Property Taxes	59,749	50,473	119,524	88,774
Depreciation, Depletion, Amortization and Accretion	290,933	352,183	698,866	564,292
General and Administrative	1,386,663	763,781	2,431,377	1,358,197
Total	2,770,631	1,475,527	4,884,536	2,630,460
Operating Loss	(1,803,189)	(536,937)	(2,684,647)	(1,114,330)
Other Income (Expense), Net	(292,555)	(7,810)	(291,709)	(22,660)
Interest Expense	(2,355)	-	(5,842)	(261,212)
Loss Before Income Taxes	(2,098,099)	(544,747)	(2,982,198)	(1,398,202)
Income Tax Provision	-	-	-	-
Net Loss	$ (2,098,099)	$ (544,747)	$ (2,982,198)	$ (1,398,202)
Net Loss Per Share				
Basic and Diluted	$ (0.11)	$ (0.04)	$ (0.17)	$ (0.10)
Average Number of Common Shares				
Basic and Diluted	18,714,267	13,696,043	17,780,193	13,524,702

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

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

	Six Months Ended September 30,	
	2011	**2010**
Cash Flows from Operating Activities		
Reconciliation of Net Loss to		
Net Cash Provided by Operating Activities:		
Net Loss	$ (2,982,198)	$ (1,398,202)
Items Not Requiring Cash		
Depreciation, Depletion, Amortization and Accretion	698,866	564,292
Share-Based Compensation	217,551	86,340
Non-Operating Expense Relating to Exercise of Warrants	293,277	-
Amortization of Deferred Financing Costs	-	250,921
Unrealized Loss on Marketable Securities	-	21,450
Other	-	1,210
Changes in Components of Working Capital and Other Assets		
Accounts Receivable	121,495	(290,124)
Inventories	(66,268)	-
Other Current Assets	37,657	(34,444)
Accounts Payable and Accrued Expenses	308,459	374,394
Advances from Working Interest Owners	(357,399)	(1,770,528)
Other Assets	(40,500)	(6,812)
Changes in Components of Working Capital Associated with Investing Activities	(314,274)	(499,769)
Net Cash Used in Operating Activities	(2,083,334)	(2,701,272)
Investing Cash Flows		
Additions of Oil and Gas Properties	(5,023,330)	(7,052,736)
Additions of Other Property, Plant and Equipment	(41,661)	(51,549)
Proceeds from Sale of Oil and Gas Properties	100,096	9,739,114
Other	-	(31,210)
Changes in Components of Working Capital Associated with Investing Activities	314,274	499,769
Net Cash Provided by (Used In) Investing Activities	(4,650,621)	3,103,388
Financing Cash Flows		
Net Proceeds from Exercises of Warrants	5,760,373	-
Net Proceeds from Sales of Common Stock	-	1,369,811
Repayment of Borrowings	(17,477)	(2,150,000)
Net Cash Provided by (Used In) Financing Activities	5,742,896	(780,189)
Decrease in Cash and Cash Equivalents	(991,059)	(378,073)
Cash and Cash Equivalents at Beginning of the Period	2,471,108	1,822,780
Cash and Cash Equivalents at End of the Period	$ 1,480,049	$ 1,444,707

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

NOTE 1 - GENERAL

History. 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.

Basis of Presentation. 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, 2011. 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 2011 as reported in Form 10-K have been omitted.

Fiscal Year. 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, 2012 and 2011 as our 2012 and 2011 fiscal year, respectively.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Lucas's condensed consolidated financial statements are based on a number of significant estimates, including oil and gas reserve quantities which are the basis for the calculation of depreciation, depletion and impairment of oil and gas properties, and timing and costs associated with its retirement obligations, as well as those related to the fair value of stock options, stock warrants and stock issued for services.

Reclassification. Certain reclassifications have been made to prior period financial statements to conform with the current presentation.

Cash and Cash Equivalents. Cash and cash equivalents include cash in banks and financial instruments which mature within three months of the date of purchase.

Income Taxes. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry-forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and accrued tax liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Lucas has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company’s financial statements as of September 30, 2011. The Company’s policy is to classify assessments, if any, for tax related interest as interest expense and penalties as interest expense.

Concentration of Credit Risk. Financial instruments that potentially subject Lucas to concentration of cash and credit risk consist of accounts receivable. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, for the two-year period of January 1, 2011 through December 31, 2012, cash balances in noninterest-bearing transaction accounts at all FDIC-insured depository institutions are provided temporary unlimited deposit insurance coverage. At September 30, 2011, cash balances in interest-bearing accounts totaled $4,800.

Accounts receivable are recorded at the invoiced amount and generally do not bear interest. Any allowance for doubtful accounts is based on management's estimate of the amount of probable losses due to the inability to collect from customers. As of September 30, 2011, no allowance for doubtful accounts has been recorded.

Fair Value of Financial Instruments. As of September 30, 2011 and March 31, 2011, the fair value of Lucas's cash, accounts receivable, accounts payable and note payable approximate their carrying values because of the short-term maturity of these instruments.

Earnings per Share of Common Stock. Basic and diluted net income per share calculations are calculated on the basis of the weighted average number of shares of the Company's common stock (Common Shares) outstanding during the period. Purchases of treasury stock reduce the outstanding shares commencing on the date that the stock is purchased. Common stock equivalents are excluded from the calculation when a loss is incurred as their effect would be anti-dilutive.

Stock options to purchase 456,000 Common Shares at an average exercise price of $2.88 per share and warrants to purchase 2,966,136 Common Shares at an average exercise price of $2.67 per share were outstanding at September 30, 2011. Using the treasury stock method, had we had net income, approximately 70,400 Common Shares attributable to our outstanding warrants would have been included in the fully diluted earnings per share calculation for the periods ended September 30, 2011. There would not have been any Common Shares attributable to outstanding stock options included in the fully diluted earnings per share calculations as there was no net income.

Stock options to purchase 200,000 Common Shares at an average exercise price of $2.60 per share and warrants to purchase 3,135,500 Common Shares at an average exercise price of $7.72 per share were outstanding at September 30, 2010. Using the treasury stock method, had we had net income, approximately 49,700 Common Shares attributable to our outstanding warrants would have been included in the fully diluted earnings per share calculation for the periods ended September 30, 2010.

Subsequent Events. Lucas evaluated all transactions from September 30, 2011 through the financial statement issuance date for subsequent event disclosure. See Note 12.

Recent Accounting Pronouncements. In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, which amends the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification. The amendments clarify the FASB's intent about the application of existing fair value measurement requirements and change certain principles or requirements for measuring fair value or disclosing information about fair value measurements. ASU 2011-04 is effective for interim and annual fiscal periods beginning after December 15, 2011. The Company does not expect that the adoption of ASU 2011-04 will have a material impact on its financial statements.

NOTE 2 - MARKETABLE SECURITIES

At September 30, 2011 and March 31, 2011, Lucas held 3,300,000 shares of Bonanza Oil and Gas Inc. (Bonanza) common stock recorded at zero value. During the six months ended September 30, 2010, pursuant to mark-to-market accounting, Lucas reported a non-cash unrealized loss on Bonanza common shares of $21,450.

NOTE 3 – 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 $30.50 per barrel of oil equivalent ("BOE") for the three months ended September 30, 2011, and was $25.40 per BOE for the three months ended September 30, 2010. Amortization expense calculated per equivalent physical unit of production amounted to $30.47 per BOE for the six months ended September 30, 2011, and was $25.46 per BOE for the six months ended September 30, 2010. Sales of oil and natural gas properties are accounted for as adjustments to the net full cost

pool and generally, no gain or loss is recognized.

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 September 30, 2011, 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 cost as of September 30, 2011:

		Amount
Proved leasehold costs	$	7,110,772
Costs of wells and development		21,800,706
Capitalized asset retirement costs		305,646
Oil & gas properties		
not subject to amortization		797,950
Total oil & gas properties		30,015,074
Accumulated depreciation and depletion		(4,371,272)
Net Capitalized Costs	$	25,643,802

The following table sets forth the changes in the total cost of oil and gas properties during the six months ended September 30, 2011:

		Amount
Balance at beginning of period	$	24,650,840
Acquisitions using cash		416,001
Acquisitions using shares		441,000
Tangible and Intangible Drilling Costs		
and Title Related Expenses		4,607,329
Proceeds from Sale of Partial Interests		(100,096)
Balance at end of period	$	30,015,074

During the six months ended September 30, 2011, Lucas entered into a farm-out joint venture agreement to drill a new Austin Chalk horizontal well. Under the agreement, the counterparty purchased a working interest in the well operated by Lucas. Proceeds from the sale of the partial working interest were approximately $100,100 and were recorded as a reduction in the full cost pool.

On April 1, 2010, Lucas entered into a purchase and sale agreement with HilCorp Energy I, L.P. ("HilCorp") for the development of Lucas's Eagle Ford Shale properties located in Gonzales County, Texas. The agreement provided for HilCorp to acquire an undivided eighty-five (85%) working interest in all the formations below the Austin Chalk formation held by Lucas in Gonzales County, Texas. During the six months ended September 30, 2010, Lucas received gross proceeds of approximately $10.1 million and net proceeds of approximately $8.9 million, after distribution to Lucas's working interest participants of their proportionate share of proceeds totaling approximately $1.2 million. A final closing was also conducted pursuant to the agreement on March 31, 2011.

In December 2010, Lucas entered into an agreement for the right to purchase, over time, as financing becomes available, up to an aggregate 77.5% interest in certain oil and gas properties and leases located in McKinley County, New Mexico for an aggregate price of $20.5 million, which included a deposit of $0.5 million towards the possible purchase of the interests. In January 2011, as part of the agreement, Lucas purchased an undivided 7.56% interest in the New Mexico properties for $2.0 million and paid the deposit of $0.5 million. Lucas did not purchase any additional interests and allowed the right to purchase additional interests to expire in April 2011, without exercising any further rights. In October 2011, the Company sold its interests in these properties and in the deposit. See Note 12 – Subsequent Events.

NOTE 4 – 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, plant and equipment for the six-month periods ended September 30, 2011 and 2010. Lucas did not have any short-term asset retirement obligations as of September 30, 2011.

	Six Months Ended September 30,	
	2011	2010
Carrying amount at beginning of period	$ 409,112	$ 327,412
Liabilities incurred	-	43,170
Liabilities settled	-	-
Accretion	18,900	12,000
Revisions	-	-
Reduction for sale of oil and gas property	-	-
Carrying amount at end of period	$ 428,012	$ 382,582

NOTE 5 - REVOLVING LINE OF CREDIT AND LETTER OF CREDIT FACILITY

On May 5, 2010, Lucas terminated its credit facility with Amegy Bank and paid off the then outstanding balance of $2.15 million. Lucas expensed the remaining unamortized deferred financing costs totaling $250,921 as interest expense during the six months ended September 30, 2010.

NOTE 6 – INCOME TAXES

The Company has estimated that its effective tax rate for U.S. purposes will be zero for the 2012 fiscal year and consequently, recorded no provision or benefit for income taxes for the six months ended September 30, 2011.

NOTE 7 – STOCKHOLDERS' EQUITY

Common Stock

The following summarizes Lucas's common stock activity during the six-month period ended September 30, 2011:

		Common Shares			
		Issued			
	Amount	Per Share	Shares	Treasury	Outstanding
Balance at March 31, 2011			16,727,713	(36,900)	16,690,813
Series C Warrants Exercised	$ 5,760,373	$ 2.29	2,510,506	-	2,510,506
Property Acquisitions	441,000	2.94	150,000	-	150,000
Share-Based Compensation	562,500	3.76	149,567	-	149,567
Balance at September 30, 2011			19,537,786	(36,900)	19,500,886

The exercise price of the Series C Warrants was $2.48 per share. The per share price of $2.29 shown in the above tabulation was net of commissions paid to the placement agent, See "Warrants" below for additional information. Common stock issuances for property acquisitions and share-based compensation are recorded at the grant date fair value of the shares on the date of issuance. See Footnote 8 – 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 six months ended September 30, 2011, the Company did not issue any warrants, and none of the Company's outstanding warrants expired. However, the Company's Series C Warrants were exercised as discussed below.

The following is a summary of the Company's outstanding warrants at September 30, 2011:

Warrants Outstanding	Exercise Price ($)	Expiration Date	Intrinsic Value at September 30, 2011
305,000 (1)	1.00	August 31, 2012	$91,500
150,630 (2)	2.98	July 3, 2014	-
2,510,506 (3)	2.86	July 6, 2016	-
2,966,136	2.67		$91,500

(1) Warrants issued in connection with the sale of units in a private equity placement in September 2009.
(2) Placement agent warrants issued in connection with the sale of units in the Company's unit offering in December 2010. The warrants were not exercisable until July 4, 2011 and will remain exercisable until, and including, July 3, 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 were not exercisable until July 4, 2011 and will remain exercisable until, and including, July 3, 2016.

At the beginning of the quarter ended September 30, 2011, in an effort to secure the funding for the capital expenditure program for the current fiscal year and to avoid the unpredictable nature of the financial market, the Company incentivized the institutional investors who purchased securities in the Company's December 2010 offering to exercise the Series C Warrants they purchased as part of the offering by entering into an amendment to the original Series C Warrant Agreement on July 18, 2011 (the "Amendment Agreement"). The expiration date for the Series C Warrants was August 3, 2011. Without changing the expiration date, the Amendment Agreement required the investors to immediately exercise 25% of the Series C Warrants they held and the Company to lower the exercise price of the Series C Warrants to $2.48 per share from the original exercise price of $2.62 per share. Pursuant to the Series C Warrant Agreement, as amended, the investors were required to exercise all of their remaining Series C Warrants if the closing bid price of the Company's stock was higher than the amended exercise price on August 3, 2011. Since the closing bid price on that date for the Company's stock was $2.51, all remaining Series C Warrants were exercised. Net proceeds to the Company from exercises of all of the 2,510,506 Series C Warrants were approximately $5.8 million after deducting commissions paid to the placement agent. The Company used the net proceeds for general corporate purposes, including funding future capital expenditures. Based on the Black Scholes option pricing model, the change in the exercise price resulted in an increase of $293,277 in the aggregate value of the Series C Warrants. Pursuant to the Stock Compensation Topic of the Financial Accounting Standards Board Accounting Standards Codification (ASC Topic 718), the Company recorded the increase as a non-operating expense in Other Income (Expense) in the Condensed Consolidated Income Statement and recorded the same amount in Additional Paid-In Capital in the Condensed Consolidated Balance Sheet.

NOTE 8 – 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

During the three months ended September 30, 2011, Lucas issued 5,025 shares of its common stock to an officer of the Company according to the officer's employment agreement. During the same period, Lucas accrued awards of shares of its common stock with an aggregate grant date fair value of $62,083 according to the employment agreements with certain managerial personnel.

During the three months ended June 30, 2011, Lucas issued 125,000 shares of its common stock, which were previously accrued for and valued at $498,750 as of March 31, 2011, to a business consultant for his services provided during the 2011 fiscal year. During the same period, Lucas accrued awards of shares of its common stock with an aggregate grant date fair value of $63,750 according to the employment agreements with certain managerial personnel. The total number of shares issued from the accrual was 19,542. The shares were issued in July 2011.

All awards and issuances were valued at fair value on the date of grant based on the trading value of Lucas common stock.

Stock Options

None of the Company's outstanding options expired, were exercised or forfeited during the six months ended September 30, 2011 or 2010.

The following table sets forth stock option activity for the three-month and six-month periods ended September 30, 2011 and 2010:

	Three Months Ended September 30, 2011		Three Months Ended September 30, 2010	
	Number of Stock Options	Weighted Average Grant Price	Number of Stock Options	Weighted Average Grant Price
Outstanding at June 30	456,000	$ 2.88	200,000	$ 2.60
Granted	-	-	-	-
Outstanding at September 30	456,000	$ 2.88	200,000	$ 2.60
Exercisable at September 30	96,000	$ 2.00	150,000	$ 2.60

	Six Months Ended September 30, 2011		Six Months Ended September 30, 2010	
	Number of Stock Options	Weighted Average Grant Price	Number of Stock Options	Weighted Average Grant Price
Outstanding at March 31	256,000	$ 1.96	200,000	$ 2.60
Granted	200,000	4.05	-	-
Outstanding at September 30	456,000	$ 2.88	200,000	$ 2.60
Exercisable at September 30	96,000	$ 2.00	150,000	$ 2.60

During the quarter ended June 30, 2011, Lucas granted 200,000 stock options to an officer valued at approximately $604,000. Lucas did not grant any stock options during the three months ended September 30, 2011 and the six months ended September 30, 2010. The grant date fair values of the stock options are amortized and recognized as compensation expenses over the service period.

Compensation expense related to stock options granted during the three-month period and six-month period ended September 30, 2011 was $50,860 and $101,718, respectively. The options have a 5 year exercise period and vest 25% on each of the first four anniversary dates. The exercise prices for the options equal the closing price of the Company stock on the grant dates. All issuances were valued at fair value on the date of grant based on the market value of Lucas' common stock using the Black Scholes option pricing model with the following weighted average assumptions used for grants; dividend yield of 0.00%; expected volatility of 116%; risk-free interest rate of 1.31% and expected term of 3.1 years.

Options outstanding and options exercisable at September 30, 2011 and 2010 had no intrinsic value.

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

Exercise Price	Remaining Life (Yrs)	Options Outstanding	Options Exercisable
$ 2.00	4.00	96,000	96,000
$ 1.94	4.40	160,000	-
$ 4.05	4.50	200,000	-
	Total	456,000	96,000

As of September 30, 2011, total unrecognized stock-based compensation expense related to all non-vested stock options was $701,100, which is being recognized over a weighted average period of approximately 3.4 years.

As of September 30, 2011, the number of shares available for issuance under the Company's Long Term Incentive Plan was approximately 47,400.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings. The Company is periodically named in legal actions arising from normal business activities. Lucas evaluates the merits of these actions and, if the Company determines that an unfavorable outcome is probable and can be reasonably estimated, we will establish the necessary reserves. Lucas does not anticipate any material losses as a result of commitments and contingent liabilities. Lucas is not involved in any material legal proceedings.

NOTE 10 – POSTRETIREMENT BENEFITS

On April 1, 2011, Lucas established a matched defined contribution savings plan for its employees. During the three and six months ended September 30, 2011, Lucas's total costs recognized for the savings plan were approximately $7,400 and $14,700, respectively.

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended September 30,	
	2011	2010
Interest	$ 5,842	$ 261,212
Income taxes	-	-
Issuance of common stock for the purchase of certain oil and gas properties	441,000	117,506
Common stock payable for the purchase of certain oil and gas properties	-	200,000
Increase in asset retirement obligations	-	43,170
Deferred offering costs applied to sale of common stock	-	119,912

NOTE 12 – SUBSEQUENT EVENTS

On October 13, 2011, Lucas entered into a purchase and sale agreement with Nordic Oil USA I, LLLP (Nordic 1), with an effective date of July 1, 2011, to purchase all of Nordic 1's interests in certain oil, gas and mineral leases, rights and assets located in Gonzales, Karnes and Wilson Counties, Texas, which represent all of Nordic 1's interests in the existing two capital programs operated by Lucas (the Nordic 1 Transaction). Pursuant to the agreement, the closing of the Nordic 1 Transaction is deferred until the transaction is ratified by Nordic 1's shareholders. In early November 2011, Lucas was informed by Nordic 1 that its shareholders had ratified the transaction and the transaction will officially close upon receipt of the proper confirmation documentation from Nordic 1. Pursuant to

the transaction, Lucas agreed to pay $22 million to Nordic 1 in the form of a senior secured promissory note, the payment of which will be secured by a deed of trust, security agreement, financing statement and assignment of production on the properties acquired. The note will be due a year from the official closing date and will bear interest at 6% per annum.

On October 13, 2011, Lucas also entered into a purchase agreement with an individual, with an effective date of July 1, 2011, to purchase all of the individual's interests in the properties acquired from Nordic 1 in consideration for 2,000 shares of to be designated series of Series A Convertible Preferred Stock of the Company, each of which shares will be convertible into an aggregate of 1,000 shares of the Company's common stock. The closing of the transaction with the individual was subject to the successful closing of the Nordic 1 Transaction. The Series A Convertible Preferred Stock to be issued will contain a provision that limits the amount of common shares that the individual can own at any time upon conversion to an aggregate of 4.99% of the Company's then issued and outstanding shares of common stock.

In October 2011, Lucas entered into a purchase and sale agreement with Nordic Oil USA 2, LLLP (Nordic 2), with an effective date of February 1, 2011, to sell to Nordic 2 all of Lucas's interests, or a 7.56% working interest, in and to certain oil, gas and mineral leases located in McKinley County, New Mexico for $4 million in cash. A total of $0.5 million of the $4 million due pursuant to the agreement has been received as of the date of this report. The Company acquired the properties in January 2011 in a purchase transaction for $2.5 million, which included a deposit of $0.5 million. Nordic 2 acquired, among other things, the rights to the $0.5 million deposit. Net proceeds to the Company from the sale were approximately $3.6 million after deducting commission. There have not been any revenues or expenses recorded by Lucas relating to these properties since the properties were acquired in January 2011.

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

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes thereto included elsewhere in this report, and should be read in conjunction with management's discussion and analysis contained in Lucas's Annual Report on Form 10-K for the fiscal year ended March 31, 2011 (the 2011 Annual Report) and related discussion of our business and properties contained therein. The terms "Company," "Lucas Energy," "Lucas," "we," "us" and "our" refer to Lucas Energy, Inc. and its subsidiary.

Overview

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

The Company's strategy is twofold:

- €€We focus on building and developing a portfolio of oil and gas assets by acquiring what we believe are undervalued, underdeveloped and underperforming properties and for which we believe we can increase production economically and profitably. We do not operate in land not known to be a productive field; that is, we do not drill wildcat wells.
- €€To efficiently pave the way towards growth, we monetize and divest non-core oil and gas assets and enter into joint ventures, farm-outs and drilling arrangements with select and reputable oil and gas companies to exploit the productive geological formations in our properties.

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

Operations. During the first six months of our fiscal year 2012, we continued our efforts on improving production from our existing Austin Chalk wells to capitalize on their undeveloped potential. Our efforts resulted in a 9% growth in our gross crude oil production for the first six months of this fiscal year as compared to the first six months of our prior fiscal year.

To expedite the production growth of the Company, we prepared for our 2012 Austin Chalk horizontal well drilling program early in the first quarter of the 2012 fiscal year; and in late June, commenced the program by drilling a new horizontal well, the Rainey Unit No.1H, in Gonzales County. A portion of the well is on the same lease as the two Hagen Eagle Ford No. 1H and No. 2H wells operated by Hilcorp Energy Company ("Hilcorp"). The Rainey Unit No.1H well was successfully completed in early September and is currently producing 80–100 gross barrels of oil per day (BOPD) from the Austin Chalk formation. Seidler Oil and Gas is a joint venture partner with Lucas in this well, and Lucas owns an approximate 30% working interest in the well. In October 2011, the Company completed the re-drilling of the lateral on the Milton Hines No.1 well, and it is currently producing 80–100 gross BOPD. Lucas owns a 100% working interest in this well. We are presently drilling the Kuntschik #1 lateral extension and anticipate the extension to add more than 100 gross BOPD for the 2012 third fiscal quarter's totals when completed. The Company plans to drill at least three new Austin Chalk horizontal wells and five more new Austin Chalk laterals from old well bores during the remainder of its 2012 fiscal year. In addition, the Hilcorp operated Eagle Ford program is anticipated to add another two to three wells during the same period.

Lucas also plans to increase its production by acquiring additional property interests in the Austin Chalk. On October 13, 2011, the Company entered into a purchase and sale agreement with Nordic Oil USA I, LP (Nordic 1), whereby effective July 1, 2011, the Company purchased all of Nordic 1's right, title and interest in certain oil, gas and mineral leases located in Gonzales, Karnes and Wilson Counties, Texas. The property interests acquired represent all of Nordic 1's interests in the LEI 2009 II and III Capital Programs. Pursuant to the agreement, the closing of the Nordic 1 Transaction is deferred until the transaction is ratified by Nordic 1's shareholders. In early November 2011, Lucas was informed by Nordic 1 that its shareholders had ratified the transaction and the transaction will officially close upon receipt of the proper confirmation documentation from Nordic 1. Pursuant to the transaction, Lucas agreed to pay $22 million to Nordic 1 in the form of a senior secured promissory note, the payment of which will be secured by a deed of trust, security agreement, financing statement and assignment of production on the properties acquired. The note will be due a year from the official closing date and will bear interest at 6% per annum. The Company also entered into a purchase agreement with an individual pursuant to which the Company agreed to purchase the individual's property interests in the property to be acquired from Nordic 1 in consideration for 2,000 shares of to be designated Series A Convertible Preferred Stock of the Company. The Series A Convertible Preferred Stock will have no voting rights, no liquidation rights and no redemption rights, but will have conversion rights. The conversion rights will provide the holder thereof the right to convert each Series A Convertible Preferred Stock share into 1,000 shares of the Company's common stock, from time to time at the option of the holder, provided that no conversion will be allowed at any time that the number of shares to be issued to the holder thereof, together with any other shares of common stock beneficially owned by the holder, would exceed 4.99% of the Company's then outstanding common stock.

Lucas expects the performance of the Company's existing wells, its current capital expenditure program and the newly acquired property interests to give rise to an average daily production rate of approximately 300 gross BOPD for the last six months of the 2012 fiscal year and the daily production rate at the end of the 2012 fiscal year to be approximately 500 gross BOPD, subject to operational risks, economic uncertainties and other factors that may cause the actual results to be materially different.

Eagle Ford Acreage. The Company has been meeting with potential buyers and investment banking groups to discuss various possible future plans concerning its approximately 4,700 net Eagle Ford acres. The Company is considering different alternatives and strategies for the property, including but not limited to converting the position to cash and focusing on the development of the Austin Chalk reserves.

Financial Strengths. The only material debt that the Company has is the $22 million senior secured promissory note in connection with the Nordic 1 acquisition described above. The note is secured by the properties acquired.

In an effort to secure the funding for the capital expenditure program for the current fiscal year and to avoid the unpredictable nature of the financial market, the Company incentivized the institutional investors who purchased securities in the Company's December 2010 unit offering to exercise the Series C Warrants they purchased as part of

the offering by entering into an amendment to the original Series C Warrant Agreement on July 18, 2011 (the "Amendment Agreement"). The expiration date for the Series C Warrants was August 3, 2011. Without changing the expiration date, the Amendment Agreement required the investors to exercise immediately 25% of the Series C Warrants they held and the Company to lower the exercise price of the Series C Warrants to $2.48 per share from the original exercise price of $2.62 per share. Pursuant to the Series C Warrant Agreement, as amended, the investors were required to exercise all of their remaining Series C Warrants if the closing bid price of the Company's stock was higher than the amended exercise price on August 3, 2011. Since the closing bid price on that date for the Company's stock was $2.51, all remaining Series C Warrants were exercised and a total of 2,510,506 shares of the Company's common stock were issued. Net proceeds to the Company from the exercises of the Series C Warrants were approximately $5.8 million after deducting commission to the placement agent. The Company used the net proceeds for general corporate purposes, including the funding of capital expenditures.

To further secure the funding for its capital expenditure program, the Company entered into a purchase and sale agreement with Nordic Oil USA 2 LLLP (Nordic 2) on October 13, 2011. Pursuant to the agreement, which had an effective date of February 1, 2011, the Company agreed to sell to Nordic 2 for $4 million all of its interests, or a 7.56% working interest, in and to certain oil, gas and mineral leases located in McKinley County, New Mexico. A total of $0.5 million of the $4 million due pursuant to the agreement has been received as of the date of this report. The Company acquired the properties in January 2011 in a purchase transaction for $2.5 million, which included a deposit of $0.5 million. Nordic 2 acquired, among other things, the rights to the $0.5 million deposit. Net proceeds to the Company from the sale were approximately $3.6 million after deducting commission.

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

	Six Months Ended September 30,	
	2011	2010
Additions to Oil and Gas Properties (Capitalized)		
Acquisitions Using Cash	$ 416,001	$ 4,926,634
Tangible and Intangible Drilling Costs and Title Related Expenses	4,607,329	2,126,102
Subtotal	5,023,330	7,052,736
Acquisitions Using Shares	441,000	317,506
Other Non-Cash Acquisitions (a)	-	21,947
Total Additions to Oil and Gas Properties	5,464,330	7,392,189
Lease Operating Expenditures (Expensed)	1,634,769	619,197
Severance and Property Taxes (Expensed)	119,524	88,774
	$ 7,218,623	$ 8,100,160
General and Administrative Expense (Cash)	$ 2,213,826	$ 1,271,857
Share-Based Compensation (Non-Cash)	$ 217,551	$ 86,340

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

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three and six months ended September 30, 2011 and 2010 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, "Mcf" for thousand cubic feet and "Boe" for barrels of oil equivalent on the basis of six Mcf per barrel.

Three Months Ended September 30, 2011 vs. Three Months Ended September 30, 2010

We reported a net loss for the three months ended September 30, 2011 of $2.1 million, or $0.11 per share. For the same period a year ago, we reported a net loss of $0.5 million, or $0.04 per share. Net loss increased by $1.6 million primarily due to increased operating expenses, a non-cash non-operating expense related to the modification of the Series C Warrant and decreased crude oil sale volumes.

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

	Three Months Ended September 30,		Increase	%
	2011	**2010**	**(Decrease)**	**Incr (Decr)**
Sale Volumes:				
Crude Oil (Bbls)	10,674	12,991	(2,317)	-18%
Natural Gas (Mcf)	8,739	580	8,159	1407%
Total (Boe)	12,131	13,088	(957)	-7%
Per Day Sale Volumes:				
Crude Oil (Bbls per day)	116	141	(25)	-18%
Natural Gas (Mcf per day)	95	6	89	1483%
Total (Boe per day)	132	142	(10)	-7%
Average Sale Price:				
Crude Oil ($/Bbl)	$ 86.93	$ 72.12	$ 14.81	21%
Natural Gas ($/Mcf)	$ 4.52	$ 3.00	$ 1.52	51%
Net Operating Revenues:				
Crude Oil	$ 927,924	$ 936,849	$ (8,925)	-1%
Natural Gas	39,518	1,741	37,777	2170%
Total Revenues	$ 967,442	$ 938,590	$ 28,852	3%

Oil and Gas Revenues

Total crude oil and natural gas revenues for the three months ended September 30, 2011 increased slightly to $1.0 million from $0.9 million for the same period a year ago due primarily to a favorable crude oil price variance of $0.2 million offset by an unfavorable crude oil volume variance of $0.1 million.

Operating and Other Expenses

	Three Months Ended September 30,		Increase	%
	2011	**2010**	**(Decrease)**	**Incr (Decr)**
Lease Operating Expenses	$ 1,033,286	$ 309,090	$ 724,196	234%
Severance and Property Taxes	59,749	50,473	9,276	18%
Depreciation, Depletion, and Amortization	290,933	352,183	(61,250)	-17%
General and Administrative (Cash)	1,273,721	689,361	584,360	85%
Share-Based Compensation (Non-Cash)	112,942	74,420	38,522	52%
Other Income (Expense), Net	(292,555)	(7,810)	(284,745)	3646%
Interest Expense	2,355	-	2,355	100%

Lease operating expenses increased $0.7 million for the current quarter as compared to the prior year period principally due to higher work-over costs of $0.4 million resulting from expanding efforts during the current quarter to increase production volumes from existing wells.

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

DD&A decreased $61,000 primarily due to a decrease in production for the current quarter ended September 30, 2011 totaling 957 barrels of oil equivalent less than the prior year period. The rate per BOE increased from $25.40 to $30.50.

General and Administrative Expenses

General and administrative expenses, including share-based compensation, increased $0.6 million for the current quarter as compared to the prior year's quarter. The increase is primarily due to higher employee-related costs ($0.3 million) and higher legal and other professional fees ($0.2 million).

Other Income (Expense), Net

Other Income (Expense) primarily consisted of $293,277 representing the increase in the value of the Series C Warrants as a result of the modification of the warrant agreements to incentivize the warrant holders to exercise the warrants. The value was calculated based on the Black Scholes option pricing model.

Six Months Ended September 30, 2011 vs. Six Months Ended September 30, 2010

We reported a net loss for the six months ended September 30, 2011 of $3.0 million, or $0.17 per share. For the same period a year ago, we reported a net loss of $1.4 million, or $0.10 per share. Net loss increased by $1.6 million primarily due to increased operating expenses of $2.3 million partially offset by increased net operating revenues of $0.7 million and reduced interest expense of $0.3 million.

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

	Six Months Ended September 30,		Increase	%
	2011	**2010**	**(Decrease)**	**Incr (Decr)**
Sale Volumes:				
Crude Oil (Bbls)	22,841	20,876	1,965	9%
Natural Gas (Mcf)	12,839	580	12,259	2114%
Total (Boe)	24,981	20,973	4,008	19%
Per Day Sale Volumes:				
Crude Oil (Bbls per day)	125	114	11	10%
Natural Gas (Mcf per day)	70	3	67	2233%
Total (Boe per day)	137	115	22	19%
Average Sale Price:				
Crude Oil ($/Bbl)	$ 93.36	$ 72.54	$ 20.82	29%
Natural Gas ($/Mcf)	$ 5.26	$ 3.00	$ 2.26	75%
Net Operating Revenues:				
Crude Oil	$ 2,132,344	$ 1,514,389	$ 617,955	41%
Natural Gas	67,545	1,741	65,804	3780%
Total Revenues	$ 2,199,889	$ 1,516,130	$ 683,759	45%

Oil and Gas Revenues

Total crude oil and natural gas revenues for the six months ended September 30, 2011 increased $0.7 million, or 47%, to $2.2 million from $1.5 million for the same period a year ago due primarily to a favorable crude oil price variance of $0.4 million and a favorable crude oil volume variance of $0.3 million.

Operating and Other Expenses

	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010	Increase (Decrease)	% Incr (Decr)
Lease Operating Expenses	$ 1,634,769	$ 619,197	$ 1,015,572	164%
Severance and Property Taxes	119,524	88,774	30,750	35%
Depreciation, Depletion, and Amortization	698,866	564,292	134,574	24%
General and Administrative (Cash)	2,213,826	1,271,857	941,969	74%
Share-Based Compensation (Non-Cash)	217,551	86,340	131,211	152%
Other Income (Expense), Net	(291,709)	(22,660)	(269,049)	1187%
Interest Expense	5,842	261,212	(255,370)	-98%

Lease operating expenses increased $1.0 million for the current period as compared to the prior year period principally due to higher work-over costs of $0.5 million resulting from expanding efforts commencing in the second quarter of fiscal 2012 to increase production volumes from existing wells.

Depreciation, Depletion, Amortization and Accretion

DD&A increased $135,000 primarily due to an increase in production for the six months ended September 30, 2011 totaling 4,008 barrels of oil equivalent in excess of the prior year period. The rate per BOE increased from $25.46 to $30.47.

General and Administrative Expenses

General and administrative expenses, including share-based compensation, increased $1.1 million for the six months ended September 30, 2011 as compared to the prior year period. The increase is primarily due to higher employee-related costs ($0.7 million) resulting from expanded land, production management and production administration functions and higher legal and other professional fees ($0.2 million).

Other Income (Expense), Net

Other Income (Expense) primarily consisted of $293,277 representing the increase in the value of the Series C Warrants as a result of the modification of the warrant agreements to incentivize the warrant holders to exercise the warrants. The value was calculated based on the Black Scholes option pricing model.

Interest Expense

During the six months ended September 30, 2011, we incurred interest expense of $5,800 on a note assumed during a property acquisition. Interest expense of $261,000 for the six months ended September 30, 2010 was due primarily to our expensing the remaining unamortized balance of deferred financing costs originally incurred in connection with our credit facility with Amegy Bank, which we terminated and repaid in full during the six months ended September 30, 2010.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of cash for Lucas during the six months ended September 30, 2011 were funds generated from operations and proceeds from the exercise of the Series C Warrants as further discussed below. The primary uses of cash were funds used in operations and additions of oil and gas properties. Our cash balance decreased from $2.5 million to $1.5 million as of September 30, 2011 as compared to March 31, 2011.

In an effort to secure the funding for the capital expenditure program for the current fiscal year and to avoid the unpredictable nature of the financial market, the Company incentivized the institutional investors who purchased securities in the Company's December 2010 unit offering to exercise the Series C Warrants they purchased as part of the offering by entering into an amendment to the original Series C Warrant Agreement on July 18, 2011 (the "Amendment Agreement"). The expiration date for the Series C Warrants was August 3, 2011. Without changing the original expiration date, the Amendment Agreement required the investors to exercise immediately 25% of the Series C Warrants they held and the Company to lower the exercise price to purchase a share of the Company's common stock to $2.48 per share from the original exercise price of $2.62 per share. Pursuant to the Series C

Warrant Agreement, as amended, the investors were required to exercise all of their remaining Series C Warrants if the closing bid price of the Company's stock was higher than the amended exercise price on August 3, 2011. Since the closing bid price on that date for the Company's stock was $2.51, all remaining Series C Warrants were exercised. Net proceeds to the Company from the exercises of all of the 2,510,506 Series C Warrants were approximately $5.8 million after deducting commissions paid to the placement agent. The Company used the net proceeds for general corporate purposes, including the funding of capital expenditures.

Cash Flows.

The primary sources of cash for Lucas during the six months ended September 30, 2011 were funds generated from sales of crude oil production, net proceeds from the exercises of the Series C Warrants and proceeds from asset sales. The primary uses of cash were funds used in operations and capital expenditures. During the first six months of its fiscal year 2011, Lucas's cash balance decreased $1 million to $1.5 million from $2.5 million at March 31, 2011.

Net cash used in operating activities for the six months ended September 30, 2011 decreased $0.6 million to $2.1 million from $2.7 million for the prior year period. The $0.6 million decrease was primarily due to favorable changes in working capital and other assets of $1.9 million and increased revenues of $0.7 million, partially offset by the increase of cash operating expenses of $2.0 million.

Net cash used in investing activities for the six months ended September 30, 2011 of $4.7 million decreased by $7.8 million compared to net cash provided by investing activities of $3.1 million for the prior year period due primarily to a decrease in proceeds from sale of oil and gas properties ($9.6 million), partially offset by a decrease in oil and gas property additions ($2.0 million). Proceeds from sale of oil and gas properties of $9.7 million for the prior year period was due primarily to our sale of an undivided 85% interest in our "deep rights" located in Gonzales County, Texas.

Net cash provided by financing activities for the six months ended September 30, 2011 was $5.7 million resulting primarily from the proceeds from the exercise of the Series C Warrants as discussed above. For the six months ended September 30, 2010, net cash flow used in financing activities was $0.8 million and consisted of funds expended to pay off the outstanding principal on our credit facility with Amegy Bank of $2.2 million, less net proceeds from the sale of common stock in our "at-the-market" public equity offering of $1.4 million.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). These forward-looking statements are generally located in the material set forth under the headings "Risk Factors" and "Management’s Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, among others,

- our growth strategies;
- anticipated trends in our business;
- our ability to make or integrate acquisitions;
- our liquidity and ability to finance our exploration, acquisition and development strategies;
- market conditions in the oil and gas industry;
- the timing, cost and procedure for proposed acquisitions;
- the impact of government regulation;
- estimates regarding future net revenues from oil and natural gas reserves and the present value thereof; planned capital expenditures (including the amount and nature thereof);
- increases in oil and gas production;
- the number of wells we anticipate drilling in the future;
- estimates, plans and projections relating to acquired properties; the number of potential drilling locations; and
- our financial position, business strategy and other plans and objectives for future operations.

We identify forward-looking statements by use of terms such as "may," "will," "expect," "anticipate," "estimate," "hope," "plan," "believe," "predict," "envision," "intend," "will," "continue," "potential," "should," "confident," "could" and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements. You should consider carefully the statements under the "Risk Factors" section of this report and our Annual Report on Form 10-K and other sections of this report and our Form 10-K, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, and the following factors

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

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

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 September 30, 2011.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the six months ended September 30, 2011 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.

See Part 1, Item 1, Note 9 to Condensed Consolidated Financial Statements, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

In addition to the risk factors set forth in our Annual Report on Form 10-K for the year ended March 31, 2011 ("2011 Annual Report"), as filed with the SEC on June 28, 2011, you should carefully consider the risk factors identified below. The risk factors disclosed in this section and in our 2011 Annual Report, 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.

If the warrant holders sell a large number of shares all at once or in blocks after exercising the warrants to purchase the registered shares, the trading value of our shares could decline in value.

We registered 2,510,506 shares of common stock and an additional 941,053 shares of common stock issuable upon the exercise of outstanding Series C Warrants in connection with the filing of our original prospectus supplement. Additionally, pursuant to our resale registration statement we registered an aggregate of 4,230,589 shares of common stock, which number includes all of the shares of common stock issuable upon exercise of the Series B Warrants and the Series C Warrants (collectively the “Warrants”), not registered in the original prospectus supplement (of which all of the Series C Warrants to purchase 2,510,506 shares of common stock have been exercised to date pursuant to the Amendment Agreement). We have 19,515,826 shares of common stock issued and outstanding as of the date of this report. As a result, the offer or sale of large numbers of shares in the future, including those shares registered in our original prospectus supplement and the resale registration statement, may cause the market price of our securities to decline in value. The amount of common stock registered on behalf of the investors, which shares will be eligible for immediate resale upon the exercise of the Warrants, pursuant to their terms, would represent approximately 11.4% of our outstanding shares of common stock assuming the full exercise of all remaining unexercised warrants (of which all 2,510,506 Series C Warrants have been exercised to date).

We face potential liability under the Amendment Agreement in the event we do not satisfy the current public information requirements of Rule 144(c) of the Securities Act of 1933, as amended, prior to the date the Warrants and shares of common stock issuable upon exercise thereof have been sold by the holders thereof or have expired.

Pursuant to the Amendment Agreement, we agreed that if at any time prior to the date that all of the Warrants and any shares of common stock issuable upon exercise of such Warrants are sold by the holders thereof, we fail to satisfy the current public information requirement of Rule 144(c) of the Securities Act of 1933, as amended (a "Public Information Failure"), as partial relief for the damages to any holder of Warrants, we would pay the holders, based on their pro rata ownership of non-exercised and non-expired Warrants on the first day of a Public Information Failure, an aggregate of $80,000 for the first thirty calendar days that there is a Public Information Failure (pro-rated for a period of less than thirty days) and an amount in cash equal to one and one-half percent (1.5%) of the aggregate Black Scholes Value (as defined in the Warrants) of such holder’s non-exercised and non-expired Warrants on the sixty-first (61st) calendar day after the Public Information Failure (covering the 31st to 60th calendar days) and on every thirtieth day (pro-rated for periods totaling less than thirty days) thereafter until the earlier of (i) the date such Public Information Failure is cured; (ii) such time that such public information is no longer required pursuant to Rule 144; and (iii) the expiration date of the Warrants. Additionally, upon the occurrence of any Public Information Failure during the 12 months prior to the expiration of any Warrant, the expiration date of such Warrant will be automatically extended for one day for each day that a Public Information Failure occurs and is continuing. As such, in the event of the occurrence of a Public Information Failure, we will face liability and penalties under the Amendment Agreement.

The Investors in the Company's December 2010 sale of 2,510,506 Units obtained a right of first refusal to provide additional funding to the Company.

Pursuant to the Securities Purchase Agreement (the "Purchase Agreement"), pursuant to which the investors purchased an aggregate of 2,510,506 units in December 2010, the Company agreed that until December 30, 2011, the Company would not undertake any of the following, without the prior written consent of all of the investors (as described in greater detail in the Purchase Agreement): (A), directly or indirectly, file any registration statement with the SEC, (B) directly or indirectly, offer, sell, grant any option to purchase, or otherwise dispose of (or announce any offer, sale, grant or any option to purchase or other disposition of) any of its equity securities, including without limitation any debt, preferred stock or other instrument or security (a "Subsequent Placement"), or (C) be party to any solicitations or negotiations with regard to the foregoing. Additionally, the Company agreed that until December 30, 2012, the Company would not, directly or indirectly, effect any Subsequent Placement unless the Company first provides the investors notice of such Subsequent Placement and provides such investors an opportunity to purchase up to 25% of the securities offered in such Subsequent Placement pursuant to the terms and conditions described in greater detail in the Purchase Agreement.

However, the above requirements do not apply to the Company's issuance or grant of any common stock issued or issuable: (i) in connection with any employee benefit plan approved by the Board of Directors, subject to a maximum of 150,000 shares to be issued to consultants in any calendar year; (ii) upon exercise of the Warrants (and other warrants granted in connection with the Purchase Agreement); (iii) upon exercise of any options or convertible securities which were outstanding on the day immediately preceding the closing date of the offering; and (iv) in connection with mergers, acquisitions, strategic business transactions or joint ventures with a strategic partner who is not in the business of making financial investments, in each case with non-affiliated third parties and otherwise on an arm's-length basis, the primary purpose of which is not to raise additional capital (collectively (i) through (iv), "Excluded Securities"); provided that any shares issued or issuable in connection with any transaction contemplated by this clause (iv) that is either primarily (A) attributable to capital raising for the Company (other than nominal amounts of capital) or (B) to raise capital for the Company, directly or indirectly, in connection with any transaction contemplated by this clause (iv), including, without limitation, securities issued in one or more related transactions or that result in similar economic consequences, shall not be deemed to be Excluded Securities.

As a result of the above, it may be harder for the Company to raise funding and/or issue securities in consideration for certain business purposes not included in the Excluded Securities, described above, which could prevent the Company from meeting its capital needs, limit the Company's ability to grow its operations and implement its business plan and ultimately cause the value of the Company's securities to decline in value.

We incur certain costs to comply with government regulations, particularly regulations relating to environmental protection and safety, and could incur even greater costs in the future.

Our exploration, production and marketing operations are regulated extensively at the federal, state and local levels, as well as by the governments and regulatory agencies in the foreign countries in which we do business, and are subject to interruption or termination by governmental and regulatory authorities based on environmental or other considerations. Moreover, we have incurred and will continue to incur costs in our efforts to comply with the requirements of environmental, safety and other regulations. Further, the regulatory environment in the oil and gas industry could change in ways that we cannot predict and that might substantially increase our costs of compliance and, in turn, materially and adversely affect our business, results of operations and financial condition.

Specifically, as an owner or lessee and operator of crude oil and natural gas properties, we are subject to various federal, state, local and foreign regulations relating to the discharge of materials into, and the protection of, the environment. These regulations may, among other things, impose liability on us for the cost of pollution cleanup resulting from operations, subject us to liability for pollution damages and require suspension or cessation of operations in affected areas. Moreover, we are subject to the United States (U.S.) Environmental Protection Agency's (U.S. EPA) rule requiring annual reporting of greenhouse gas (GHG) emissions. Changes in, or additions to, these regulations could lead to increased operating and compliance costs and, in turn, materially and adversely affect our business, results of operations and financial condition.

We are aware of the increasing focus of local, state, national and international regulatory bodies on GHG emissions and climate change issues. In addition to the U.S. EPA's rule requiring annual reporting of GHG emissions, we are also aware of legislation proposed by U.S. lawmakers to reduce GHG emissions.

Additionally, there have been various proposals to regulate hydraulic fracturing at the federal level. Currently, the regulation of hydraulic fracturing is primarily conducted at the state level through permitting and other compliance requirements. Any new federal regulations that may be imposed on hydraulic fracturing could result in additional permitting and disclosure requirements (such as the reporting and public disclosure of the chemical additives used in the fracturing process) and in additional operating restrictions. In addition to the possible federal regulation of hydraulic fracturing, some states and local governments have considered imposing various conditions and restrictions on drilling and completion operations, including requirements regarding casing and cementing of wells, testing of nearby water wells, restrictions on the access to and usage of water and restrictions on the type of chemical additives that may be used in hydraulic fracturing operations. Such federal and state permitting and disclosure requirements and operating restrictions and conditions could lead to operational delays and increased operating and compliance costs and, moreover, could delay or effectively prevent the development of crude oil and natural gas from formations which would not be economically viable without the use of hydraulic fracturing.

We will continue to monitor and assess any new policies, legislation, regulations and treaties in the areas where we operate to determine the impact on our operations and take appropriate actions, where necessary. We are unable to predict the timing, scope and effect of any currently proposed or future laws, regulations or treaties, but the direct and indirect costs of such laws, regulations and treaties (if enacted) could materially and adversely affect our business, results of operations and financial condition.

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

In connection with the purchase agreement with the individual described above, which was entered into in connection with the Purchase Agreement with Nordic 1, the Company agreed to issue the individual 2,000 shares of to be designated Series A Preferred Stock of the Company to the individual, which shares have not been issued as of the date of this Report.

The Company plans to claim an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the “Act”) for the foregoing issuance as the recipient will take the shares for investment and not resale, the Company will take appropriate measures to restrict transfer, and the recipient will have access to similar documentation and information as would be required in a Registration Statement under the Act.

ITEM 6. EXHIBITS.

EXHIBIT INDEX

	Exhibit No.		**Description**
*	3.1		Certificate of Designations of Series A Preferred Stock
	10.1	-	Purchase and Sale Agreement – Lucas Energy, Inc. and Nordic Oil USA 2 LLP (October 13, 2011)(Filed as an exhibit to the Company's Form 8-K, filed with the Commission on October 19, 2011 and incorporated herein by reference)
*	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.LAB	-	XBRL Label Linkbase Document.
*	**101.PRE	-	XBRL Presentation Linkbase Document.

* Exhibits filed 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 –September 30, 2011 and March 31, 2011, (ii) the Condensed Consolidated Statements of Income - Three and Six Months Ended September 30, 2011 and 2010, (iii) the Condensed Consolidated Statements of Cash Flows - Six Months Ended September 30, 2011 and 2010; 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.

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)

Date: November 14, 2011

By:/s/ K. ANDREW LAI
K. Andrew Lai
Chief Financial Officer
(Principal Financial Officer and
Duly Authorized Officer)

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EX-3.1

EX-3.1 2 ex3-1.htm

Exhibit 3.1

CERTIFICATE OF DESIGNATIONS
OF
LUCAS ENERGY, INC.
ESTABLISHING THE DESIGNATIONS, PREFERENCES,
LIMITATIONS AND RELATIVE RIGHTS OF ITS
SERIES A CONVERTIBLE PREFERRED STOCK

Pursuant to Section 78.1955 of the Nevada Revised Statutes, Lucas Energy, Inc., a corporation organized and existing under the Nevada Revised Statutes (the "**Company**"),

DOES HEREBY CERTIFY that pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation, as amended, of the Company, and pursuant to Section 78.1955 of the Nevada Revised Statutes, the Board of Directors, by unanimous written consent of all members of the Board of Directors on October 12, 2011, duly adopted a resolution providing for the issuance of a series of shares of Series A Convertible Preferred Stock, which resolution is and reads as follows:

RESOLVED, that pursuant to the authority expressly granted to and invested in the Board of Directors of Lucas Energy, Inc. by the provisions of the Articles of Incorporation of the Company, as amended, a series of the preferred stock, par value $0.001 per share, of the Company be, and it hereby is, established; and

FURTHER RESOLVED, that the series of preferred stock of the Company be, and it hereby is, given the distinctive designation of "**Series A Convertible Preferred Stock**"; and

FURTHER RESOLVED, that the Series A Convertible Preferred Stock shall consist of Two Thousand (2,000) shares; and

FURTHER RESOLVED, that the Series A Convertible Preferred Stock shall have the powers and preferences, and the relative, participating, optional and other rights, and the qualifications, limitations, and restrictions thereon set forth below (the "**Designation**" or "**Certificate of Designation**"):

Section 1. DESIGNATION OF SERIES; RANK. The shares of such series shall be designated as the "**Series A Convertible Preferred Stock**" (the "**Preferred Stock**") and the number of shares initially constituting such series shall be Two Thousand (2,000) shares.

Section 2. DEFINITIONS.

For purposes of this Designation, the following definitions shall apply:

(a) "**Business Day**" means a day in which a majority of the banks in the State of Texas in the United States of America are open for business.

(b) **"Common Stock"** means the Company's $0.001 par value common stock.

(c) **"Conversion Rate"** shall mean 1,000 shares of Common Stock for each Preferred Stock share converted, subject to Recapitalizations.

(d) **"Holder"** shall mean the person or entity in which the Preferred Stock is registered on the books of the Company, which shall initially be the person or entity which such Preferred Stock is issued to, and shall thereafter be permitted and legal assigns which the Company is notified of by the Holder and which the Holder has provided a valid legal opinion in connection therewith to the Company.

(e) **"Preferred Stock Certificates"** means the certificates, as replaced from time to time, evidencing the outstanding Preferred Stock shares.

(f) **"Recapitalization"** shall mean any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event.

(g) **"Restricted Shares"** means shares of the Company's Common Stock which are restricted from being transferred by the Holder thereof unless the transfer is effected in compliance with the Securities Act of 1933, as amended and applicable state securities laws (including investment suitability standards, which shares shall bear the following restrictive legend (or one substantially similar):

> "***The securities represented by this certificate have not been registered under the Securities Act of 1933 or any state securities act. The securities have been acquired for investment and may not be sold, transferred, pledged or hypothecated unless (i) they shall have been registered under the Securities Act of 1933 and any applicable state securities act, or (ii) the corporation shall have been furnished with an opinion of counsel, satisfactory to counsel for the corporation, that registration is not required under any such acts.***"

SECTION 3. DIVIDENDS. No dividends shall be payable on the Preferred Stock.

SECTION 4. LIQUIDATION PREFERENCE. The Preferred Stock shall have no liquidation preference.

SECTION 5. CONVERSION RIGHTS. The Preferred Stock shall be convertible into Common Stock as follows (the "**Conversion Rights**"):

(a) Holder's Right to Convert.

(i) Each share of Preferred Stock shall be convertible, at the option of the Holder thereof, with five (5) Business Days written notice to the Company (a "**Notice of Conversion**"), at the office of the Company or any transfer agent for the Preferred Stock, into that number of fully-paid, non-assessable shares of Common Stock determined by multiplying the number of Preferred Stock shares being converted by the Conversion Rate, as adjusted for any Recapitalizations (the "**Shares**"). The Holder may convert any or all of the Preferred Stock shares which he, she or it owns from time to time, pursuant to and in compliance with the restrictions on conversion set forth herein, and Holder shall not be required to fully convert the Preferred Stock which he, she or it holds at any one time (each a "**Conversion**"), subject in all cases to the Beneficial Ownership Limitation described below.

(ii) No Conversion of the Preferred Stock shall be affected during any time that, and only to the extent that, the number of Shares to be issued to Holder upon such Conversion, when added to the number of shares of Common Stock, if any, that the Holder otherwise beneficially owns (outside of the Preferred Stock, and not including any other securities of the Company held by Holder having a provision substantially similar to this paragraph) at the time of such Conversion, would exceed 4.99% (the "**Maximum Percentage**") of the number of shares of Common Stock of the Company outstanding immediately after giving effect to the issuance of Shares of Common Stock issuable upon Conversion of such Preferred Stock set forth in the Notice of Conversion, as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Beneficial Ownership Limitation**"). The provisions of this paragraph shall not be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 5(a)(ii) to correct 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.

(iii) Mechanics of Conversion. In order to effect a Conversion, a Holder shall: (i) fax (or otherwise deliver) a copy of the fully executed Notice of Conversion to the Company (Attention: Corporate Secretary), and (ii) surrender or cause to be surrendered the original Preferred Stock Certificates being converted, duly endorsed, along with a copy of the Notice of Conversion as soon as practicable thereafter to the Company which the Holder desires to convert. Upon receipt by the Company of a facsimile copy of a Notice of Conversion from a Holder, the Company shall promptly send, via facsimile, a confirmation to such Holder stating that the Notice of Conversion has been received, the date upon which the Company expects to deliver the Common Stock issuable upon such conversion and the name and telephone number of a contact person at the Company regarding the conversion and/or any deficiencies that exist in connection with such Notice of Conversion. The Company shall not be obligated to issue shares of Common Stock upon a conversion unless the original Preferred Stock Certificates Converted are delivered to the Company as provided above. In the event the Holder has lost or misplaced the certificates evidencing the Preferred Stock, the Holder shall be required to provide the Company or the Company's Transfer Agent (as applicable) with whatever documentation and fees each may require to re-issue the

Preferred Stock Certificates and shall be required to provide such re-issued Preferred Stock Certificates to the Company in connection with such Notice of Conversion. Unless the Notice of Conversion provided by the Holder includes a valid opinion from an attorney stating that such Shares of Common Stock issuable in connection with the Notice of Conversion can be issued free of restrictive legend, which shall be determined by the Company in its sole discretion, such shares shall be issued as Restricted Shares.

(iv) Surrender of Certificates Upon Conversion. Notwithstanding the foregoing, upon a valid Conversion (as provided above), the Company will promptly issue and deliver the Holder a new Preferred Stock Certificate, registered in the name of Holder, representing in the aggregate the remaining unconverted Preferred Stock held by the Holder remaining from the Preferred Stock Certificate converted, if any.

(v) Delivery of Common Stock Upon Conversion. Upon the surrender of Preferred Stock Certificates accompanied by a Notice of Conversion, the Company (itself, or through its transfer agent) shall, no later than the fifth (5th) Business Day following the date of such surrender (the "**Delivery Period**"), issue and deliver (i.e., deposit with a nationally recognized overnight courier service postage prepaid) to the Holder or its nominee (x) that number of shares of Common Stock issuable upon conversion of such shares of Preferred Stock being converted and (y) a certificate representing the number of shares of Preferred Stock not being converted, if any.

(vi) Failure to Provide Preferred Stock Certificates. In the event the Holder provides the Company with a Notice of Conversion, but fails to provide the Company with the Preferred Stock Certificates subject to the Conversion within ten (10) Business Days of the date the Notice of Conversion is received by the Company, the Notice of Conversion shall be considered void and the Company shall not be required to comply with such Notice of Conversion.

(b) Taxes. The Company shall not be required to pay any tax which may be payable in respect to any transfer involved in the issue and delivery of shares of Common Stock upon conversion in a name other than that in which the shares of the Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Company the amount of any such tax, or has established, to the satisfaction of the Company, that such tax has been paid. The Company shall withhold from any payment due whatsoever in connection with the Preferred Stock any and all required withholdings and/or taxes the Company, in its sole discretion deems reasonable or necessary, absent a opinion from Holder's accountant or legal counsel, acceptable to the Company in its sole determination, that such withholdings and/or taxes are not required to be withheld by the Company.

(c) Adjustments for Subdivisions or Combinations of Common Stock. In the event the outstanding shares of Common Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Common Stock, without a corresponding subdivision of the Preferred Stock, the Conversion Rate of the Preferred Stock in

effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately adjusted. In the event the outstanding shares of Common Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Common Stock, without a corresponding combination of the Preferred Stock, the Conversion Rate in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately adjusted.

(d) Adjustments for Subdivisions or Combinations of Preferred Stock. In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be subdivided (by stock split, by payment of a stock dividend or otherwise), into a greater number of shares of Preferred Stock, the Conversion Rate of the affected series of Preferred Stock in effect immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately adjusted as necessary. In the event the outstanding shares of Preferred Stock or a series of Preferred Stock shall be combined (by reclassification or otherwise) into a lesser number of shares of Preferred Stock, the Conversion Rate of the affected series of Preferred Stock in effect immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately adjusted as necessary. Provided however that the result of any concurrent adjustment in the Common Stock (as provided under Section 5(c)) and Preferred Stock (as provided under Section 5(d)) shall only be to affect the Conversion Rate once.

(e) Adjustments for Reclassification, Exchange and Substitution. If the Common Stock issuable upon conversion of the Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for above), then, in any such event, in lieu of the number of shares of Common Stock which the holders would otherwise have been entitled to receive each Holder of such Preferred Stock shall have the right thereafter to convert such shares of Preferred Stock into a number of shares of such other class or classes of stock which a Holder of the number of shares of Common Stock deliverable upon conversion of such series of Preferred Stock immediately before that change would have been entitled to receive in such reorganization or reclassification, all subject to further adjustment as provided herein with respect to such other shares.

(f) No Impairment. The Company will not through any reorganization, transfer of assets, merger, 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 to be observed or performed hereunder by the Company but will at all times in good faith assist in the carrying out of all the provisions of this Section 5 and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Preferred Stock against impairment. Notwithstanding the foregoing, nothing in this Section 5(g) shall prohibit the Company from amending its Certificate of Incorporation with the requisite consent of its shareholders and the Board of Directors.

(g) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Rate pursuant to this Section 5, the Company at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each Holder of Preferred Stock a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, upon the written request at any time of any Holder of Preferred Stock, furnish or cause to be furnished to such Holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Rate at the time in effect and (iii) the number of shares of Common Stock and the amount, if any, of other property which at the time would be received upon the conversion of Preferred Stock.

(h) Reservation of Stock Issuable Upon Conversion. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the Conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the Conversion of all then outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the Conversion of all then outstanding shares of the Preferred Stock, the Company will within a reasonable time period make a good faith effort to take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(i) Effect of Conversion. On the date of any Conversion, all rights of any Holder with respect to the shares of the Preferred Stock so converted, including the rights, if any, to receive distributions of the Company's assets or notices from the Company, will terminate, except only for the rights of any such Holder to receive certificates (if applicable) for the number of Shares of Common Stock into which such shares of the Preferred Stock have been Converted.

(j) Notices of Record Date. In the event that the Company shall propose at any time:

(i) to effect any reclassification or recapitalization of its Common Stock outstanding involving a change in the Common Stock; or

(ii) to voluntarily liquidate or dissolve or to enter into any transaction deemed to be a liquidation, dissolution or winding up of the Company;

then, in connection with each such event, this Company shall send to the holders of the Preferred Stock at least ten (10) Business Days prior written notice of a record date for determining rights to vote in respect of the matters referred to above.

Such written notice shall be given by first class mail (or express courier), postage prepaid, addressed to the holders of Preferred Stock at the address for each such

Holder as shown on the books of the Company and shall be deemed given on the date such notice is mailed. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the vote or written consent of the holders of a majority of the Preferred Stock, voting together as a single class.

SECTION 6. VOTING. The Preferred Stock shall have no voting rights and shall have no right to vote on any shareholder matters (other than as expressly stated below under Section 7).

SECTION 7. PROTECTIVE PROVISIONS.

Subject to the rights of series of Preferred Stock which may from time to time come into existence, so long as any shares of Series A Convertible Preferred Stock are outstanding, this Company shall not without first obtaining the approval (by written consent, as provided by law) of the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a class:

(a) Increase or decrease (other than by redemption or conversion) the total number of authorized shares of Series A Convertible Preferred Stock;

(b) Effect an exchange, reclassification, or cancellation of all or a part of the Series A Convertible Preferred Stock, but excluding a stock split, forward split or reverse stock split of the Company's Common Stock or Preferred Stock;

(c) Effect an exchange, or create a right of exchange, of all or part of the shares of another class of shares into shares of Series A Convertible Preferred Stock; or

(d) Alter or change the rights, preferences or privileges of the shares of Series A Convertible Preferred Stock so as to affect adversely the shares of such series, including the rights set forth in this Designation.

For clarification, issuances of additional authorized shares of Series A Preferred under the terms herein, shall not require the authorization or approval of the existing shareholders of Preferred Stock.

PROVIDED, HOWEVER, that the Company may, by any means authorized by law and without any vote of the Holders of shares of the Preferred Stock, make technical, corrective, administrative or similar changes in this Statement of Designations that do not, individually or in the aggregate, adversely affect the rights or preferences of the Holders of shares of the Preferred Stock. The Company may also designate and issue additional series of preferred stock from time to time in the sole discretion of the Company's Board of Directors, which such rights, privileges, preferences and limitations shall be determined by the Company's Board of Directors in its sole discretion, and which designations and issuances shall not require the approval of the holders of the Preferred Stock.

SECTION 8. PREEMPTIVE RIGHTS. Holders of Preferred Stock and holders of Common Stock shall not be entitled to any preemptive, subscription or similar rights in respect to any securities of the Company, except as specifically set forth herein or in any other document agreed to by the Company.

SECTION 9. NOTICES. In addition to any other means of notice provided by law or in the Company's Bylaws, any notice required by the provisions of this Designation to be given to the holders of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each Holder of record at such Holder's address appearing on the books of the Company.

SECTION 10. MISCELLANEOUS.

(a) The headings of the various sections and subsections of this Certificate of Designation are for convenience of reference only and shall not affect the interpretation of any of the provisions of this Certificate of Designation.

(b) Whenever possible, each provision of this Certificate of Designation shall be interpreted in a manner as to be effective and valid under applicable law and public policy. If any provision set forth herein is held to be invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions of this Certificate of Designation. No provision herein set forth shall be deemed dependent upon any other provision unless so expressed herein. If a court of competent jurisdiction should determine that a provision of this Certificate of Designation would be valid or enforceable if a period of time were extended or shortened, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

(c) Except as may otherwise be required by law, the shares of the Preferred Stock shall not have any powers, designations, preferences or other special rights, other than those specifically set forth in this Certificate of Designation.

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

IN WITNESS WHEREOF, the Company has caused this statement to be duly executed by its Chief Financial Officer this 10th day of November 2011.

LUCAS ENERGY, INC.

/s/ K. Andrew Lai
K. Andrew Lai,

Chief Financial Officer

EX-31.1
EX-31.1 3 ex31-1.htm
Exhibit 31.1

CERTIFICATION

I, William A. Sawyer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2011, 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: November 14, 2011

/s/ *William A. Sawyer*
William A. Sawyer
Chief Executive Officer (Principal Executive Officer)

EX-31.2
EX-31.2 4 ex31-2.htm
Exhibit 31.2

CERTIFICATION

I, K. Andrew Lai, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2011, 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: November 14, 2011

/s/ *K. Andrew Lai*
K. Andrew Lai
Chief Financial Officer (Principal Financial Officer)

EX-32.1
EX-32.1 5 ex32-1.htm **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 September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William A. Sawyer, Chief 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.

/s/ *William A. Sawyer*
William A. Sawyer
Chief Executive Officer (Principal Executive Officer)
November 14, 2011

EX-32.2
EX-32.2 6 ex32-2.htm
Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, A
S 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 September 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, K. Andrew Lai, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ *K. Andrew Lai*
K. Andrew Lai
Chief Financial Officer (Principal Financial Officer)
November 14, 2011