

8-K - 2016-08-25

Form: 8-K

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8-K

8-K 1 lei-8k_082516.htm CURRENT REPORT

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 25, 2016**

Lucas Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation)

001-32508

(Commission File Number)

20-2660243

(I.R.S. Employer Identification No.)

450 Gears Road, Suite 860, Houston, Texas

(Address of principal executive offices)

77067

(Zip Code)

Registrant's telephone number, including area code (713) 528-1881

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ? Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ? Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ? Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ? Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On August 25, 2016, and effective on August 15, 2016, Lucas Energy, Inc.'s ("our" or the "Company's") wholly-owned subsidiary, CATI Operating, LLC ("CATI") borrowed \$1 million from the Company's senior lender, Louise H. Rogers ("Rogers"). The amount borrowed accrues interest at the rate of 12% per annum (18% upon the occurrence of an event of default) and is due and payable on or before November 9, 2016. The amount borrowed is evidenced by a promissory note (the "August 2016 Note"), which is subject to the same terms and conditions as the August 13, 2013, Letter Loan Agreement between the Company and Rogers, as amended to date (the "Letter Loan") and the security agreement and security interests provided to Rogers in connection therewith, both of which were previously assigned by the Company to CATI.

Pursuant to the terms of the note, a total of 80% of all cash flow generated by CATI is required to first be paid to satisfy amounts owed under the August 2016 Note, and then to amounts owed under the Letter Loan, with the remaining 20% of such cash flow used by CATI for lease and other operating expenses and capital expenditures approved by Rogers' designated representatives. The Note can be prepaid at any time without penalty and includes standard and customary events of default. In connection with our entry into the August 2016 Note, we agreed to pay a loan origination fee of \$50,000 and to pay all fees of Rogers' counsel in connection with the preparation and negotiation of the note.

The repayment of the August 2016 Note is secured by (a) an Ownership Interest Pledge Agreement (the "Pledge Agreement"), whereby we agreed to pledge our ownership in CATI as security for the repayment of the August 2016 Note; and (b) a Loan Guaranty Agreement, which becomes effective at such time as we raise at least \$5 million of equity funding subsequent to the date of the August 2016 Note (the "Funding Date"), pursuant to which we agreed to guaranty the repayment of the August 2016 Note (the "Guaranty"). We have no obligations under the Guaranty until or unless the Funding Date occurs, provided that we agreed to use our best efforts to ensure the Funding Date occurs as soon as possible.

As additional consideration in connection with the loan, CATI issued Robertson Global Credit, LLC ("Robertson"), the administrator of the Letter Loan, a 2% overriding royalty interest in the wellbores of the Cyclone #9H and Cyclone #10H wells, pursuant to an Assignment of Overriding Royalty Interest (the "Assignment").

We plan to use the funds raised in connection with the August 2016 Note, for drilling and completion of certain Eagle Ford wells under a joint operating agreement with Lonestar Resources, Inc. and maintenance capital expenditures on the existing assets of CATI.

The foregoing descriptions of the August 2016 Note, Pledge Agreement, Guaranty and Assignment, do not purport to be complete and are qualified in their entirety by reference to the August 2016 Note, Pledge Agreement, Guaranty and Assignment, copies of which are attached as Exhibit 10.1, Exhibit 10.2, Exhibit 10.3 and Exhibit 10.4, respectively, to this Current Report on Form 8-K and incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information in Item 1.01 regarding the August 2016 Note, Pledge Agreement, Guaranty and Assignment are incorporated by reference in this Item 2.03 in their entirety.

Item 7.01 Regulation FD Disclosure

On August 25, 2016, the Company issued a press release discussing the August 2016 Note, a copy of which is furnished herewith as Exhibit 99.1.

The information responsive to Item 7.01 of this Form 8-K and Exhibit 99.1 attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing. The furnishing of this Report is not intended to constitute a determination by the Company that the information is material or that the dissemination of the information is required by Regulation FD.

Item 9.01 Financial Statements and Exhibits.

<u>Exhibit</u> <u>No.</u>	<u>Description</u>
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10.1*	\$1 million Promissory Note dated August 15, 2016 and effective August 25, 2016, by CATI Operating, LLC in favor of Louise H. Rogers
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- 10.2* Ownership Interest Pledge Agreement dated August 15, 2016 and effective August 25, 2016, by Lucas Energy, Inc. in favor of Louise H. Rogers
- 10.3* Loan Guaranty Agreement dated August 15, 2016 and effective August 25, 2016, by Lucas Energy, Inc. in favor of Louise H. Rogers
- 10.4* Assignment of Overriding Royalty Interest dated August 15, 2016 and effective August 25, 2016, by CATI Operating, LLC in favor of Robertson Global Credit, LLC
- 99.1** Press Release dated August 25, 2016

* Filed herewith.

** Furnished herewith.

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 hereunto duly authorized.

LUCAS ENERGY, INC.

By: /s/ Anthony C. Schnur

Name: Anthony C. Schnur

Title: Chief Executive Officer

August 25, 2016

EXHIBIT INDEX

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99.1**	<u>Press Release dated August 25, 2016</u>

* Filed herewith.

** Furnished herewith/

EX-10.1

EX-10.1 2 ex10-1.htm \$1 MILLION PROMISSORY NOTE

[Lucas Energy, Inc. 8-K](#)

Exhibit 10.1

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

Date: August 15, 2016

Maker: CATI Operating, LLC, a Texas Limited Liability Company ("CATI")

Maker's Mailing Address: 450 Gears Road, Suite 860
Houston, Texas 77067
Attention: Anthony C. Schnur

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

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

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

Place for Payment (including county): 2512 Alta Mira
Tyler, Smith County, Texas 75701-7301
(Paid via wire transfer as set forth below)

Principal Amount: One Million and No/100 Dollars (\$1,000,000.00)

Interest Rate: Twelve Percent (12%) per annum

Maturity Date: The entire principal balance remaining and all accrued interest is due and payable on or before November 9, 2016 (the "Maturity Date").

Letter Loan Agreement: This Note is agreed by all parties to be subject to the terms of that certain Letter Loan Agreement dated as of August 13, 2013, by and between Lucas Energy, Inc. ("LEI"), and CATI as LEI's assignee, and Rogers, together with all amendments and other modifications (including but not limited to the Amended Letter Loan Agreement dated as of March 14, 2014, the Second Amended Letter Loan Agreement dated as of November 13, 2014, and the December 2015 Amendment dated as of December 14, 2015) from time to time made to it (the "Letter Loan Agreement"). Capitalized terms used but not defined in this Note shall have the meaning assigned to them in Schedule A to the Letter Loan Agreement, or in the Security Agreement if not defined in the Letter Loan Agreement.

Terms of Payment (principal and interest):

Payments of principal and interest shall be made monthly as follows:

All cash derived from CATI shall be held in the Cash Flow Lock Box Account (to be established) and shall be applied in payments in the following order (the "Waterfall"):

- (1) 80% of the cash flow shall be applied in the following order:
 - a. payment of fees and interest and then principal to this Term Loan, then
 - b. payment of fees and interest and then principal of the existing Rogers Note dated August 13, 2013 (as amended); and
- (2) 20% of the cash flow shall be applied in the following order:
 - a. payment of CATI lease operating expenses and other direct operating expenses of CATI, then
 - b. payment of CATI maintenance capital expenditure, as reviewed and agreed to by Rogers' designated representatives, acting reasonably; provided that an agreement shall be required for capital expenditures incurred in connection with regulatory or environmental compliance of not more than \$20,000 per occurrence and \$100,000 in the aggregate per annum.

Late Payments: Late payments shall be subject to a fee of three percent of the total amount of the payment (principal and interest) that is late. Each payment must be received on or before its due date. Any payment not received on or before its due date is considered late.

Payments of Principal: All payments of principal shall be made by wire transfer using the following wiring instructions or pursuant to written instructions that may be provided by Rogers from time to time.

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

Payments of Interest: All interest payments shall be made by CATI check on good funds made payable to "Louise H. Rogers, as her separate property," and shall be sent via Federal Express to Mrs. Rogers at her address in Tyler, Texas, set forth above. CATI shall ensure that the Federal Express package delivery date is on or before the due date for the interest payment. If the payment is not received by Rogers on or before the due date, it is considered late.

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

Security for Payment: The Letter Loan Agreement (as amended) describes in detail the security for this Note, and it as well as the Security Agreement between LEI (and now CATI as LEI’s assignee) and Rogers dated August 13, 2013 (the “Security Agreement”), and the Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing issued by LEI in favor of Rogers dated August 13, 2013, and any other security agreements and deeds of trust between Rogers and LEI (and CATI as assignee of LEI) are all incorporated by reference into this Note for all purposes as if fully set forth at length. In addition, LEI shall guarantee this Note pursuant to the terms of a separate Loan Guaranty Agreement dated August 15, 2016, and shall pledge as additional collateral for this Note its ownership interest in CATI.

Prepayment. CATI may prepay this Note without penalty.

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

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

Attorney's Fees and Expenses During Term of Note. CATI understands and agrees that, as a part of the consideration given to Rogers for entering into this Note, it shall be responsible for and shall pay all actual attorney's fees and all expenses incurred by Rogers in preparing this Note and the other Loan Documents, as well as any and all other documents deemed necessary by its legal counsel for this transaction. CATI shall also be responsible for and shall pay any other fees and expenses incurred by Rogers' attorney during the term of this Note (including any extensions of this Note) for verifying compliance, in making any amendments or extensions to any documents related to this transaction, in confirming payment in full of the loan, release of any UCC filings, and any other fees and/or expenses incurred that relate in any way to this transaction, subject to the limitations to these fees set forth in the Letter Loan Agreement (as amended). Rogers' attorney shall invoice these fees and expenses directly to CATI and CATI shall pay these fees and expenses by check on good funds delivered to Rogers' attorney at the address provided for payment on each invoice within fifteen calendar days of the date of the invoice. Invoices sent to CATI for these attorney's fees and expenses that are not promptly paid shall accrue interest at the rate of 18% per annum from the due date until paid in full. ***CATI understands and agrees that any and all UCC-1 filings, the Security Agreement, the Letter Loan Agreement, and all of the other Loan Documents shall remain in full force and effect and shall not be released until all amounts due and owing by CATI under all provisions of this Note; the August 13, 2013, Note (as amended); the Security Agreement; the Letter Loan Agreement (as amended); and any and all other agreements and any amendments to those Loan Documents and agreements between Rogers and CATI are paid in full by CATI.***

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

Additional Terms and Conditions. The Term Loan Financing/Summary of Terms agreement dated August 12, 2016, between CATI and Robertson Global Credit, LLC (the "Summary of Terms"), a true copy of which is attached to this Note as Exhibit A, contains additional terms, conditions, and fees related to this Note. The Summary of Terms is incorporated by reference into this Note for all purposes as if fully set forth at length. If there is any conflict in terms or provisions between this Note and the Summary of Terms, this Note shall control. As to any items included in the Summary of Terms but not in this Note, the Summary of Terms shall control.

Additional Documents. Incorporated by reference into this Note for all purposes as if fully set forth at length are all of the other Loan Documents as defined in the Security Agreement, the Ownership Interest Pledge Agreement between LEI and Rogers dated August 15, 2016, and the Guaranty Agreement by LEI to Rogers dated August 15, 2016, all as amended or restated from time to time.

Venue and Jurisdiction; Waiver of Jury Trial. This Note is fully performable in Montgomery County, Texas. All Parties agree that jurisdiction for any dispute under this Note lies in the state district courts of Montgomery County, Texas. All Parties agree to waive their respective rights to trial by jury of any dispute under this Note and that all disputes will be submitted to the court for determination.

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

Maker:

CATI OPERATING, LLC, a Texas Limited Liability Company

By: /s/ Anthony C. Schnur
ANTHONY C. SCHNUR
Chief Executive Officer

Date of Signature: August 25, 2016

OWNERSHIP INTEREST PLEDGE AGREEMENT

This Ownership Interest Pledge Agreement (the “Agreement”) entered into as of August 15, 2016, by and between LUCAS ENERGY, INC., a Nevada corporation (“LEI”), in favor of LOUISE H. ROGERS (“Rogers”), as follows:

I. Consideration and Terms of Agreement

CATI Operating, LLC, a Texas limited liability company (“CATI”), is wholly-owned by LEI. CATI has executed a Promissory Note dated August 15, 2016, in the original principal amount of ONE MILLION AND NO/100 DOLLARS (\$ 1,000,000.00) (the “Note”) in favor of Rogers, and has, as assignee of LEI, entered into the August 2013 Security Agreement dated August 13, 2013 (the “Security Agreement”), with Rogers to secure the Note. The Security Agreement is incorporated by reference into this Agreement for all purposes. To induce Rogers to make this loan to CATI and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties, LEI and Rogers agree as follows:

A. **Pledge.** As a part of the security for the prompt and complete payment and performance of the obligations of CATI under the Note and the obligations of CATI and LEI under this Agreement (the “Liabilities”), LEI and Rogers agree that the following ownership interest shall serve as security for this Note (also listed in Exhibit A to this Agreement):

LEI’s 100% ownership interest in CATI, which is an uncertificated ownership interest.

LEI represents and warrants that it owns 100% of CATI, and that there are no other owners or persons or entities with options, beneficial rights, or the right to become an owner of CATI. LEI represents and warrants that its ownership interest in CATI is not represented by a certificate. LEI’s ownership interest shall be presented to Rogers in the form of a Ownership Interest Power authorizing and empowering Rogers to take control of the entity in the even of a Default as defined in the Security Agreement, and are included in the definition of the term “Powers” set forth above. The ownership interest and Powers are collectively referred to in this Agreement as the “Collateral.” LEI appoints Rogers as its attorney-in-fact to arrange, at Rogers’s option, for the transfer upon or at any time after the existence or occurrence of an Event of Default of the Collateral on the books of the respective entities to the name of Rogers or to the name of Rogers’s nominee. For purposes of this Agreement, “Default” and “Event of Default” shall have the same meaning, and that meaning is as those terms are defined in the Security Agreement. Any and all events that would constitute “Default” under the Security Agreement shall constitute “Default” or an “Event of Default” under this Agreement.

B. **Voting Rights.** During the term of this Agreement, and so long as no Event of Default occurs or exists, LEI shall have the right to vote its respective ownership interests.

Upon the existence or occurrence of an Event of Default, Rogers shall then, at her option, be entitled to exercise all voting powers pertaining to the Collateral.

C. **Representations of LEI.** LEI warrants, represents, and agrees that:

1. it has full power and authority to enter into this Agreement;
2. it has the right to vote, pledge, and grant a security interest in or otherwise transfer the Collateral free of any liens, claims, and encumbrances, and all necessary board authority has been obtained and granted;
3. there are no liens, claims, or encumbrances upon the Collateral except as created under this Agreement; and
4. the Powers are duly executed and give the legal holder of the Powers the authority they purport to confer.

D. **Limitations on Liens and Dispositions.** LEI agrees that it will not create, permit, or suffer to exist, and it will defend the Collateral against and take all other action that is necessary to remove, any lien, encumbrance, charge, or right (a "Lien") on or against the Collateral and will defend the right, title, and interest of Rogers in and to any of its rights, title, and interest in and to the Collateral against the claims and demands of all other persons. LEI will not sell, assign, exchange, grant a security interest in, transfer, encumber, or otherwise dispose of, any of the Collateral, or attempt or contract to do so.

E. **Power of Attorney.** LEI irrevocably constitutes and appoints Rogers its true and lawful attorney-in-fact, with full power of substitution for it and in LEI's name, place, and stead, to ask, demand, collect, receive, receipt for, sue for, compound, and give acquittance for any and all sums or properties that may be or become due, payable, or distributable on or regarding the Collateral or that constitute a part of the Collateral; with full power to settle, adjust, or compromise any claim regarding the Collateral as fully as LEI could itself do; and to endorse or sign the name of LEI on all commercial paper given in payment or in partial payment of the Note and on all documents of satisfaction, discharge, or receipt required or requested in connection with payment or partial payment of the Note; and in her discretion, to file any claim or take any other action or proceeding, either in her own name or in the name of LEI, or otherwise, that Rogers may deem necessary or appropriate to collect or otherwise realize upon any and all of the Collateral, or effect a transfer of the Collateral, or which may be necessary or appropriate to protect and preserve the right, title, or interest of Rogers in and to the Collateral and the security intended to be afforded by this Agreement. Rogers shall not exercise her rights under this Paragraph unless and until there exists an Event of Default.

F. **Consent.** LEI consents that from time-to-time before or after the occurrence or existence of an Event of Default, with or without notice to or assent from LEI, any other security at any time held by or available to Rogers for any of the Liabilities or any security at any time held by or available to Rogers for any obligation of any other person, firm, or corporation secondarily or otherwise liable for any of the Liabilities, may be changed, altered, renewed, extended, continued, surrendered, compromised, waived, or released, in whole or in part, as Rogers may see fit, and LEI shall remain bound under this Agreement despite the change, alteration, renewal, extension, continuance, surrender, compromise, waiver, release, or inaction, extension of further credit, or other dealing.

G. Remedies.

1. Upon the occurrence or existence of an Event of Default, Rogers may, in her sole discretion, without notice except as specified below, sell or cause the Collateral to be sold, at the price Rogers deems best, for cash and the purchaser of any or all of the Collateral sold by Rogers shall subsequently hold the Collateral, absolutely free from any claim, encumbrance, or right of any kind whatsoever, subject to the restrictions on the transfer of the stock or ownership interest. Upon request of Rogers, LEI shall provide advice and assistance in the sale of the Collateral. LEI expressly waives all of its rights of redemption from any sale or other disposition of the Collateral. LEI will pay to Rogers all expenses, including but not limited to all actual attorney's fees, court costs, and expenses incurred as a result of, or incident to, the enforcement of any provisions of this Agreement. Neither Rogers nor any party acting as her attorney shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law other than their gross negligence or willful misconduct. Rogers agrees to return to LEI any proceeds of the sale of the Collateral that exceed the then-outstanding balance of the Liabilities and the expenses described above. LEI shall be liable for any deficiency following the sale of the Collateral.

2. Rogers will give LEI reasonable notice of the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition is to be made. Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, commercial finance companies, insurance companies, or other financial institution disposing of property similar to the Collateral shall be deemed to be commercially reasonable. Notwithstanding any provisions to the contrary contained in this Agreement, any requirements of reasonable notice shall be met if the notice is received by LEI as provided at least five days before the time of the sale or disposition.

3. In view of the fact that federal and state security laws may impose certain restrictions on the method by which a sale of the Collateral may be effected after an Event of Default, LEI agrees that, upon the occurrence or existence of an Event of Default, Rogers may attempt to sell all or any part of the Collateral by means of a private placement restricting the bidder and prospective purchasers to those who will represent and agree that they are purchasing for investment only and not for distribution. In so doing, Rogers may solicit offers to buy the Collateral, or any part of it, from a limited number of investors deemed by Rogers, in its reasonable judgment, to be respectable parties who might be interested in purchasing the Collateral. If Rogers solicits offers from not less than two investors, then the acceptance by Rogers of the highest offer obtained from the investors shall be deemed to be a commercially reasonable method of disposition of the Collateral.

H. **Waivers and Consents.** Upon the occurrence or existence of an Event of Default, Rogers may enforce this Agreement independently of any other remedy or security Rogers may have or hold in connection with the Liabilities, and it shall not be necessary for Rogers to marshal assets in favor of LEI or any other person or entity or to proceed upon or against and/or exhaust any other security or remedy before proceeding to enforce this Agreement. Rogers may file a separate action against LEI, whether brought or prosecuted with respect to any other security or against any other person or entity, or whether any other person or entity is joined in the action or actions. LEI agrees that Rogers, or any affiliate of Rogers, and LEI, and any affiliate of LEI, may deal with each other in connection with the Liabilities or otherwise, or alter any contracts or agreements now or subsequently existing between any of them, in any manner whatsoever, all without in any way altering or affecting the Liens created or granted in this Agreement. Rogers's rights under this Agreement shall be required to be restored or returned by Rogers (whether as a "voidable preference," "fraudulent conveyance," or otherwise) upon the bankruptcy, insolvency, or reorganization of LEI, or otherwise. The Lien created or granted in this Agreement and the enforceability of this Agreement shall at all times remain effective to secure the full amount of all the Liabilities even though the Liabilities, including any part of them or any other security or guaranty for them, may be or may in the future become invalid or otherwise unenforceable against LEI.

I. **Understanding with Respect to Waivers and Consents.** LEI warrants and agrees that each of the waivers and consents set forth in this Agreement are made after consultation with legal counsel and with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy, or otherwise adversely affect rights that LEI may otherwise have against Rogers or others or against the Collateral, and that, under the circumstances, the waivers and consents given in this Agreement are reasonable and not contrary to public policy or law.

J. **Term.** This Agreement shall remain in full force and effect until (a) all the Liabilities have been paid in full and satisfied, or (b) upon the mutual agreement of Rogers and LEI upon replacement of the collateral on terms that are acceptable to Rogers and LEI, whichever occurs first. This Agreement shall remain in full force and effect and continue to be effective if any petition is filed by or against LEI for liquidation or reorganization, if LEI becomes insolvent or makes an assignment for the benefit of creditors, or if a receiver is appointed for all or any significant part of LEI's assets, or if LEI files for bankruptcy. This Agreement shall continue to be effective or be reinstated, as the case may be, if any payment of the Liabilities, or any part of the Liabilities, pursuant to applicable law, is rescinded or reduced or must otherwise be restored or returned by any obligee of the Liabilities, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though the payment or performance had not been made. In the event that any payment, or any part of a payment, is rescinded, reduced, restored, or returned, the Liabilities shall be reinstated and deemed reduced only by the amount actually paid less any amount rescinded, reduced, restored, or returned. Upon the full and final satisfaction of all of the Obligations (as defined in the Security Agreement) and in the absence of a Default, as determined by Rogers, this Agreement and all stock powers given by LEI to Rogers shall terminate and shall be declared null and void as of the date all of the Obligations are fully and finally satisfied. At that time, Rogers shall release her lien on the Collateral and shall deliver to LEI, at its expense, the Collateral remaining in her possession that has not been sold or otherwise applied pursuant to this Agreement. Rogers shall also provide any other termination statements reasonably required by LEI, also at its expense.

K. **Terms.** The singular shall include the plural and vice versa and any gender shall include any other gender as the text indicates.

L. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of LEI, Rogers, and their respective successors and assigns. LEI's successors and assigns shall include, without limitation, a receiver of or for LEI. Without limiting the generality of the above provision, Rogers may assign or otherwise transfer her rights to receive payment or performance of the Liabilities (or any part of them) to any other person or entity, and the other person or entity shall then become vested with all of the rights granted to Rogers in this Agreement or otherwise.

M. **Applicable Law.** This Agreement shall be governed by and construed under the laws of the State of Texas.

N. **Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but, if any provision of this Agreement is held to be prohibited by or invalid under applicable law, that provision shall be ineffective only to the extent of the prohibition or invalidity, without invalidating the remainder of the provision or the remaining provisions of this Agreement.

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

Notices to LEI:

Anthony Schnur, Chief Executive Officer
LUCAS ENERGY, INC.
450 Gears Road, Suite 780
Houston, Texas 77067
E-mail: TSchnurr@LucasEnergy.com
*Notice may be delivered by facsimile or
e-mail with proof of receipt.*

Notices to Rogers:

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

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

P. **Section Headings.** The section headings in this Agreement are for convenience of reference only, and shall not affect in any way the interpretation of any of the provisions contained in this Agreement.

Q. **Miscellaneous.** No failure or delay on the part of Rogers in the exercise of any power or right, and no course of dealing between LEI and Rogers shall operate as a waiver of any power or right, nor shall any single or partial exercise of any power or right preclude any further or other exercise of that power or right or the exercise of any other power or right. The remedies provided for in this Agreement are cumulative and not exclusive of any remedies that may be available to Rogers at law or in equity. Any waiver of any provision of this Agreement, and any consent to any departure by LEI from the terms of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which the waiver or consent was given.

LEI has executed and delivered this Pledge Agreement as of August 15, 2016

Pledgors:

LUCAS ENERGY, INC.

By: /s/ Anthony Schnur
ANTHONY SCHNUR, Chief Executive Officer

Date of Signature: August 25, 2016

Approved and accepted this the _____ day of August, 2016:

/s/ Louise H. Rogers
LOUISE H. ROGERS, as her separate property

EXHIBIT A

<u>Company Name</u>	<u>Owner Name</u>	<u>Certificate Number</u>	<u>Percent Ownership</u>
CATI Operating, LLC	Lucas Energy, Inc.	n/a	100%

LOAN GUARANTY AGREEMENT

FOR VALUABLE CONSIDERATION, and to induce LOUISE H. ROGERS, a resident of the State of Texas ("Rogers"), to enter into the Promissory Note dated August 15, 2016, in the principal amount of ONE MILLION AND NO/100 DOLLARS (\$1,000,000.00) in favor of CATI OPERATING, LLC, a Texas limited liability company ("CATI"), CATI's parent company, LUCAS ENERGY, INC., a Nevada corporation ("LEI"), enters into this Loan Guaranty Agreement (the "Guaranty") with Rogers as follows:

1. The terms "Obligation" and "Obligations" are used interchangeably throughout this Guaranty in their broadest and most comprehensive sense and shall include, but are not limited to, payment of all amounts payable by CATI to Rogers and performance of all covenants to be performed by CATI in connection with that certain Promissory Note (the "Note") executed by CATI in favor of Rogers and dated August 15, 2016, and any and all subsequent modifications, amendments, extensions, renewals, accommodations, or substitutions of the Note, and all documents related or ancillary to the Note. The following documents are incorporated by reference in this Guaranty, and any and all definitions and provisions in them apply to this Guaranty: (a) the Note; (b) the Letter Loan Agreement between LEI (and CATI as LEI's assignee) dated August 13, 2013 (as subsequently amended and restated); (c) the Security Agreement between LEI (and CATI as LEI's assignee) and Rogers dated August 13, 2013 (the "Security Agreement"); and (d) the Mortgage, Deed of Trust, Assignment, Security Agreement, Financing Statement, and Fixture Filing issued by LEI in favor of Rogers dated August 13, 2013, including but not limited to the definition of the terms "Obligation" and "Obligations."

2. Effective on the date that LEI has raised at least \$5 million of equity (the "Funding Date"), LEI irrevocably and unconditionally guarantees and warrants to Rogers, as long as this Guaranty is in effect, the full and faithful payment, satisfaction, and completion by CATI of each and every Obligation. The terms and conditions of the Note are incorporated by reference in this Guaranty for all purposes as if fully set forth at length, and they shall be binding upon LEI to the same extent as they are binding on CATI. LEI irrevocably and unconditionally promises and guarantees to pay to Rogers the entire principal amount borrowed under the Note and all accrued, unpaid interest, and any and all other sums due under the Note, including but not limited to actual attorney's fees, expenses, and court costs incurred by Rogers that relate in any way to the Note or to collection efforts under the Note and this Guaranty, without notice or demand, immediately upon any acceleration of the Note, regardless of whether Rogers will have a right of recovery under the Note against CATI following any acceleration only after the Funding Date. This Guaranty become effective on the Funding Date and shall remain in full force and effect until all the Obligations have been fully paid and satisfied. For the sake of clarity and in an abundance of caution, LEI shall have no obligation under this Guaranty unless or until the Funding Date occurs. LEI represents and warrants that it will use its best efforts to ensure the Funding Date occurs at the earliest possible date.

3. The Obligations may be amended, modified, or waived, further agreements may be entered into, and further credit may be granted from time to time at the request of CATI and without further authorization from or notice to LEI, all of which are expressly waived by LEI. None of these actions shall terminate, release, reduce, diminish, or in any way affect any of the obligations of LEI under this Guaranty or give LEI any recourse or defense against Rogers. Rogers need not inquire into the power of CATI or the authority of its officers, partners, members, or agents acting or purporting to act on its behalf. Any amendments granted to CATI shall be deemed to have been granted also at the request of LEI and in consideration of and in reliance upon this Guaranty.

4. Rogers may alter, compromise, accelerate, extend, or change the time or manner for the payment of any Obligation guaranteed by this Guaranty; accept any additional indebtedness from CATI; add interest to the Note and increase or reduce the rate of interest; release CATI by a deed or other transfer or assignment in lieu of foreclosure; or otherwise as to all or any portion of the Obligations guaranteed waive any default by CATI; fail to assert any rights against CATI; grant to CATI any other indulgence or concession with respect to all or any part of any of the Obligations; release, substitute, or add any one or more guarantors or endorsers; accept additional or substituted security; or release or subordinate any security; and may generally deal with CATI, any guarantor, endorser, or any other person, regarding any indebtedness of CATI to Rogers, or any security for the indebtedness, as Rogers sees fit. None of these actions and no change, impairment, or suspension of any right or remedy of Rogers shall terminate, release, reduce, diminish, or in any way affect any of the obligations of LEI under this Guaranty or give LEI or any other guarantor any recourse or defense against Rogers.

5. This is a Guaranty of payment and performance under the Note and this Guaranty and not of collection, and LEI waives and agrees not to assert or take advantage of:

a. the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any Obligation guaranteed in this Guaranty;

b. any defense that may arise by reason of the incapacity, lack of authority, death or disability of, or revocation of this Guaranty by CATI or LEI or any other person or entity, or the failure of Rogers to file or enforce a claim against the estate (either in administration, bankruptcy, or any other proceeding) of CATI or any other person or persons;

c. demand, presentment, protest, and notice of any kind including, but not limited to notice under the laws of the State of Texas and notice of the existence, creation, or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of CATI or any other person, in connection with any Obligation or evidence of indebtedness held by Rogers as collateral or in connection with any Obligation guaranteed by this Guaranty;

d. except as may be provided for in this Guaranty, any defense based upon an election of remedies by Rogers, including without limitation an election to proceed by non-judicial rather than judicial foreclosure, that destroys or otherwise impairs the subrogation rights of LEI or any endorser of the Note to proceed against CATI for reimbursement, or both; and

e. any duty on the part of Rogers to disclose to LEI any facts she may now or subsequently learn about CATI, regardless of whether Rogers has reason to believe that the facts materially increase the risk beyond that which LEI intend to assume, or has reason to believe that the facts are unknown to LEI, or has a reasonable opportunity to communicate the facts to LEI. LEI understands and agrees that it is fully responsible for being informed and keeping itself informed of the financial condition of CATI and of all circumstances bearing on the risk of payment of any Obligations guaranteed by this Guaranty.

6. Notwithstanding any contrary provision of this Guaranty, beginning on the Funding Date and until all Obligations have been paid in full, even though the Obligations may be in excess of the liability of LEI under this Guaranty, LEI waives any claims or other rights that it may now have or subsequently acquire against CATI or any other guarantor of all or any of the Obligations that arise from the existence or performance of LEI's obligations under this Guaranty or any other instrument (all of these claims and rights are referred to as the "LEI's Conditional Rights"), including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, or indemnification, or any benefit of, right to participate in, or right to enforce any claim that Rogers now has or subsequently acquires, regardless of whether the claim, remedy, benefit, or right arises in equity, under contract, statute, or common law, by any payment made under this Guaranty or otherwise, including without limitation, the right to take or receive from CATI, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of the claim or other rights. If, notwithstanding these provisions, any amount is paid to any guarantor on account of LEI's Conditional Rights and the amount is paid to LEI at any time when the Obligations have not been paid or performed in full, then the amount paid to LEI shall be held in trust by LEI for the benefit of Rogers and shall immediately be paid to Rogers to be credited and applied upon the Obligations, whether matured or unmatured, in the order that Rogers, in her sole and absolute discretion, shall determine.

7. The amount of liability of LEI and all rights, powers, and remedies of Rogers under this Guaranty and under any other agreements now or at any time subsequently in force between Rogers and LEI, including any other guaranty executed by LEI relating to any indebtedness of CATI to Rogers, shall be cumulative and not alternative and shall be deemed to include all rights, powers, and remedies given to Rogers by law. This Guaranty is in addition to and exclusive of the guaranty of any other guarantor of any indebtedness of CATI to Rogers.

8. LEI shall be liable for, and agrees to pay on demand, all actual attorneys' fees and all costs and other expenses incurred by Rogers that relate in any way to the Note, this Guaranty, or to enforcing, collecting, or compromising any Obligations guaranteed by this Guaranty or in enforcing or collecting upon this Guaranty against LEI, regardless of whether suit is filed.

9. If any one or more provisions of this Guaranty shall be determined to be illegal or unenforceable, all other provisions of this Guaranty shall nevertheless be effective and enforceable and this Guaranty shall be interpreted as if the illegal or unenforceable provision was not included.

10. This Guaranty shall inure to the benefit of Rogers and her successors and assigns, including the assigns of any Obligations guaranteed by this Guaranty, and binds the officers, shareholders, representatives, successors, and assigns of LEI. This Guaranty is assignable by Rogers with respect to all or any portion of the Obligations, and if and when this Guaranty is assigned, LEI shall be liable to the assignees under this Guaranty without in any way affecting the liability of LEI under this Guaranty regarding any Obligations that may be retained by Rogers.

11. No provision of this Guaranty or right of Rogers under this Guaranty can be amended, modified, or waived, nor can LEI be released from any of its Obligations under this Guaranty, except upon the express written consent of Rogers.

12. This Guaranty shall be governed and construed in accordance with laws of the State of Texas. Venue for any action brought to enforce this Guaranty shall be and is agreed to be proper in Montgomery County, Texas.

13. LEI represents and warrants and shall be estopped from denying that this Guaranty is made directly to Rogers and is independent collateral, separate and distinct from any Obligations. This Guaranty is not intended as a guaranty of LEI's own obligations.

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

Notices to LEI:

Anthony Schnur, Chief Executive Officer
LUCAS ENERGY, INC.
450 Gears Road, Suite 780
Houston, Texas 77067
E-mail: TSchnurr@LucasEnergy.com
*Notice may be delivered by facsimile or
e-mail with proof of receipt.*

[Remainder of page left blank intentionally. Document continues on next page.]

Notices to Rogers:

Louise H, Rogers

c/o Sharon E. Conway

Attorney at Law

2441 High Timbers, Suite 410

The Woodlands, Texas 77380-1052

E-mail address: SConway@SConwayLaw.com

Notice may be delivered by facsimile or

e-mail with proof of receipt.

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

Executed as of August 15, 2016.

Guarantor:

LUCAS ENERGY, INC.

By: /s/ Anthony Schnur
ANTHONY SCHNUR, Chief Executive Officer

Date of Signature: August 25, 2016

Lender:

/s/ Louise H. Rogers
LOUISE H. ROGERS, as her separate property

EX-10.4

EX-10.4 5 ex10-4.htm ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

[Lucas Energy, Inc. 8-K](#)

Exhibit 10.4

ASSIGNMENT OF OVERRIDING ROYALTY INTEREST

STATE OF TEXAS

COUNTY OF GONZALES

KNOW ALL MEN BY THESE PRESENTS:

CATI OPERATING, LLC, whose address is 450 Gears Road, Suite 860, Houston, Texas 77067, hereinafter referred to as "Assignor", for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby convey, transfer, assign and set over unto ROBERTSON GLOBAL CREDIT, LLC, whose address is 3525 Sage Road, Suite 914, Houston, Texas 77056, hereinafter referred to as "Assignee", an overriding royalty interest, free and clear of all cost and expense of development and operation, in the amount of 2% of 8/8ths of all oil, gas and casinghead gas, and other hydrocarbon substances produced, saved and marketed from the following described land pursuant to those certain oil and gas leases, whether one or more, described on **EXHIBIT "A"** attached hereto and made a part hereof, and situated in the aforesaid County and State.

TO HAVE AND TO HOLD the interest herein transferred and assigned unto Assignee, its successors and assigns, forever, subject only to the following terms and provisions: that

- A. The overriding royalty interest herein transferred is payable out of and only out of the oil and gas produced, saved and marketed, pursuant to the terms and provisions of the above-described oil and gas leases; limited, however, only to the wellbores of the Cyclone #9H, API No. 42-177-33698 and the Cyclone #10H, API No. 42-177-33699.
- B. The overriding royalty interest herein provided for shall not, in any event, be paid or accrued upon any oil, gas, casinghead gas, and other hydrocarbon substances used for operating, development or production purposes upon the above described lands or unavoidably lost; and no overriding royalty shall be paid upon gas used for repressuring or recycling operations benefitting said lands.
- C. This Assignment of Overriding Royalty Interest is made without warranty of title, express or implied, except as to parties claiming by, through or under Assignor, but not otherwise.
- D. If Assignor's interest in the above-described oil and gas leases, lands or units is less than the entire interest, or if said oil and gas leases cover less than the entire fee title, then the above overriding royalty interest shall be reduced proportionately.
- E. It is understood and agreed that Assignor shall have the right to pool the oil and gas leases and lands covered hereby, or any portion thereof, with other lands and leases into voluntary units, or into units as established by any governmental authority having jurisdiction, and if the leases, and the lands covered thereby, or any part thereof are pooled accordingly, then the overriding royalty interest herein conveyed shall be reduced in proportion that the acreage burdened by the overriding royalty interest bears to all the acreage included in any pooled unit.

IN WITNESS WHEREOF, Assignor has executed and delivered this assignment of overriding royalty interest this 15th day of August, 2016.

ASSIGNOR:

CATI Operating, LLC

By /s/ Anthony C. Schnur

Anthony C. Schnur, Managing Member

ASSIGNEE:

ROBERTSON GLOBAL CREDIT, LLC

By /s/ Chase M. Robertson

Chase M. Robertson

STATE OF TEXAS

COUNTY OF HARRIS

Before me, the undersigned Notary Public, in and for said County and State, on this 25th day of August, 2016, personally appeared Anthony C. Schnur to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as Managing Member of CATI Operating, LLC and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of CATI Operating, LLC.

Given under my hand and seal the day and year first above written.

My Commission Expires: 1/22/2018

/s/ Stephen Ganske

Notary Public

Address: 202 N. Camp St.

Sequin, TX 78155

STATE OF TEXAS

COUNTY OF HARRIS

Before me, the undersigned Notary Public, in and for said County and State, on this 15th day of August, 2016, personally appeared Anthony C. Schnur to me known to be the identical person who subscribed the name of the maker thereof to the foregoing instrument as Managing Member of CATI Operating, LLC and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of CATI Operating, LLC.

Given under my hand and seal the day and year first above written.

My Commission Expires:

/s/ Rhonda Shuman

Notary Public

Address: 5120 Woodway, Suite 9029

Houston, TX 77056

EXHIBIT "A"

LESSOR/LESSEE:

DATE:

RECORDING DATA:

Byron Keith Pagel/ Eagleford Gas 8, LLC

11/9/2015

Volume 1216, Page 310

Ruddock Vaccinating Services, Inc./
Eagleford Gas 8, LLC

12/22/2015

Volume 1216, Page 316

Upton Ruddock/ Eagleford Gas 8, LLC

12/22/2015

Volume 1216, Page 319

Ruddock Vaccinating Services, Inc./
Eagleford Gas 8, LLC

1/1/2016

Upton Ruddock/ Eagleford Gas 8, LLC

1/1/2016

Ruddock Vaccinating Services, Inc./
Eagleford Gas 8, LLC

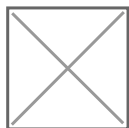
1/21/20 16

Kenneth Plowman Whiddon &
Mary Jane Whiddon/ Eagleford Gas 8, LLC

2/5/2016

Kenneth Plowman Whiddon &
Mary Jane Whiddon/ Eagleford Gas 8, LLC

2/5/2016



Contacts:

Carol Coale / Ken Dennard
Dennard ? Lascar Associates LLC
(713) 529-6600

FOR IMMEDIATE RELEASE

LUCAS ENERGY ENTERS INTO AGREEMENT TO FUND DEVELOPMENT OF EAGLE FORD SHALE ASSETS

HOUSTON, TEXAS – August 25, 2016-- Lucas Energy, Inc. (NYSE MKT: LEI) (“Lucas” or the “Company”), an independent oil and gas company with its operations in central Texas, today announced that its wholly-owned subsidiary, CATI Operating, LLC (“CATI”), entered into an agreement with its senior lender, as evidenced by a promissory note, to borrow \$1 million, effective August 15, 2016. The Company plans to use the funds to participate in the drilling and completion of certain Eagle Ford wells under a joint operating agreement with Lonestar Resources US, Inc. (“Lonestar”) and conduct improvement maintenance operations on the existing assets of CATI. The agreement with Lonestar covers over 1,450 gross acres and Lucas’ participation will vary from an 8% to a 14% working interest in the units.

“We are pleased to partner with Lonestar, a known and successful operator in the Eagle Ford by initially participating in the Cyclone #9H and #10H wells in which CATI has a working interest of 8%,” said Anthony C. Schnur, Chief Executive Officer of Lucas Energy. “This represents another step in the growth and expansion of our assets and our company. It is anticipated that the wells will enhance our reserve portfolio and production in addition to securing the leaseholds of the locations.”

Under the terms of the note, a total of 80% of all cash flow generated by the wells is required to first be paid to satisfy amounts owed under the new and existing notes with the lender with the remaining 20% to be used by CATI for lease and other operating expenses and capital expenditures. Please refer to the Company’s Current Report on Form 8-K, filed with the SEC on August 25, 2016, for more information regarding the terms and conditions of the note and funding.

About Lucas Energy, Inc.

Based in Houston, Texas, Lucas Energy (NYSE MKT: LEI) is a growth-oriented, independent oil and gas company engaged in the development of crude oil, natural gas and natural gas liquids in the Hunton formation in Central Oklahoma and the Austin Chalk and Eagle Ford formations in South Texas.

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

Safe Harbor Statement and Disclaimer

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

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