



# Texas-based Lucas Energy Building a Different Kind of Public Oil & Gas Company

*Avoids Exploration Risk by Acquiring Properties, Abandoned and Shut-in Wells in Proven and Producing Oil Fields*

Lucas Energy, Inc. (NYSEAmex: LEI) is producing oil – and significant revenues – not by exploring for new sources of oil, but rather by extracting oil from refurbished oil wells that were previously under-performing, shut-in or plugged and abandoned due to low commodity prices in the early 1990s.

This Texas-based independent oil and gas company's management team has created a business strategy that minimizes risk and investor capital in a business usually fraught with risk.

"Lucas Energy avoids most of the typical exploration risk inherent in the oil industry by acquiring properties in proven areas where management has prior experience," says Lucas Energy President and CEO William A. Sawyer.

In 2004, Lucas Energy began identifying, evaluating and acquiring leasehold property interests in the Austin Chalk formation located along the mid-Texas Gulf Coast – an area of the U.S. that remains one of the world's richest oil plays, with an estimated 6 billion barrels of oil reserves.

To date, the company has acquired 61 properties encompassing over 15,000 acres. Lucas Energy's property portfolio is focused on Gonzales, Wilson, and Karnes Counties, Texas.

The company utilizes production enhancement technologies, and stringent management controls to increase its reserve base, production rates and cash flow. The result of this effort is a proven oil reserve of more than 2.25 million barrels in 26 producing wells – all on the Austin Chalk Trend – and from 21 Proven

Undeveloped Reserve (PUD) new laterals in existing wells.

## **Eagleford Shale Formation on Austin Chalk Trend Holds Billions of Barrels of Oil**

Lucas Energy is among the first of a growing group of oil and gas companies now operating in the Eagleford Shale Formation, an oil-rich area within the larger Austin Chalk Trend which extends from Mexico through Central Texas and into northwest Louisiana.

"We are in the middle of something that is really developing as a major new trend," says Sawyer.

The Austin Chalk is the largest, onshore domestic unconventional, continuous-type oil resource in the U.S., according to the United States Geological Service. The area also has potential as an oil and gas play.

Most oil and gas produced from the Austin Chalk comes from an extensive network of fractures within the larger carbonate reservoir created when very fine calcium carbonate debris settled to the Cretaceous-era sea floor. The Austin Chalk encompasses over one million acres and is believed to hold more than a billion barrels of oil and a trillion cubic feet of gas yet to be developed.

The Eagleford Shale Formation has long been known as a source rock, supplying hydrocarbons to the Austin Chalk formation. Now the Eagleford Shale is recognized as a significant self-sourced reservoir in its own right. The carbon-rich layers of the Eagleford Shale lie between the Austin Chalk and underlying deeper Buda and Georgetown Formations, all of which are now the focus of renewed exploration.

During the first oil boom in the



Lucas Energy's broad understanding of the Austin Chalk Trend and tight field and operating management controls, puts the company on a solid path to increase reserves, improve production and maximize cash flow from oil revenues.

### **LUCAS ENERGY GROWTH STRATEGY: RECLAIM, PUMP AND SELL AT MARKET PRICE**



Austin Chalk, vertical wellbores were used to extract oil and gas mostly from small areas close to the base of the well. Today, significantly larger areas are accessed through new horizontal drilling techniques that can penetrate multiple fractures to drain a much larger area with just one wellbore – often increasing extraction rates and sharply reducing drilling costs.

### Business Plan Minimizes Risk, Maximizes Profits

Lucas Energy’s business plan is actually quite simple: 1) identify and acquire under-performing and shut-in oil and gas assets, primarily in Gonzales County, Texas; 2) revitalize the wells through stimulation and lateral clean outs; and, 3) drill new laterals.

The company revitalizes its oil properties by performing extensive re-entry and workovers, including clean-up, repair and treatment of existing well bores and lateral extensions, as well as drilling new laterals into previously non-producing areas of the formation.

By strictly adhering to this process, the company is steadily increasing its reserve base, production and cash flow while significantly reducing risks common in traditional exploration projects. In fact, Lucas Energy’s financial structure allows it to significantly minimize the high overhead experienced by conventional exploration and production companies.

### — LUCAS ENERGY MANAGEMENT TEAM —

- **Fred Hofheinz – Chairman of the Board**  
Co-founder and CEO of several successful E&P companies.  
Former Mayor of Houston
- **William A. Sawyer – President and CEO**  
Co-founder and thirty+ years of experience in oil and gas operations.  
Highly experienced field operator, petroleum engineer.  
Previous firms: ARCO, Houston Oil & Minerals, The Superior Oil Company.
- **Don Sytsma – Treasurer and CFO**  
Certified Public Accountant.  
Twenty-five+ years experience in energy.
- **Peter K. Grunebaum – Board Member**  
Forty years of experience as an independent energy investment banker.  
CFA, Director of Equity Research, Merriman, Curhan & Ford.
- **W. Andrew Krusen, Jr. – Board Member**  
Chairman and Director of Florida Capital Group, Inc.
- **James J. Cerna, Jr. – Advisor to Board**  
Co-founder and prior Chairman of Board  
Twelve years of experience in buy side research (primarily at GT Global/AIM)  
Chief Oil and Gas Analyst and CFO, Petroleum partners Inc.

### Savvy, Proven Management Team

Lucas Energy President William A. Sawyer, a proven, hands-on energy executive, has over 30 years of diversified energy industry experience with such firms as ARCO, Houston Oil & Minerals, The Superior Oil Co., and ERCO. He founded Exploitation Engineers, Inc., a petroleum consulting firm with a client list that included

private investors, independent oil companies, banking institutions, major energy and chemical companies, and the US government.

Lucas Energy Chairman Fred Hofheinz, a former mayor of Houston, was cofounder and CEO of several oil and gas companies. He also dealt extensively with oil and gas interests in the People’s Republic of China and in the Ukraine. He has been actively engaged in successful oil and gas exploration and production ventures, both domestic and international.

Don L. Sytsma, the company’s CFO, has over 25 years of experience in both domestic and international energy companies with responsibility for the full range of finance, accounting and audit related functions. Previously, he served as the CFO for Gulf Western Petroleum Corporation in Houston, Controller for the Polaris Pipeline Company and Manager of Financial Planning & Forecasting for Plains Resources, Inc.

### Investment Considerations

Lucas Energy has a proven ability to find reserves

Typical Emerging Oil Company		Lucas Energy
Yes	1. Exploration Failure Risk	No
Yes	2. Lease Acquisition Risk	No
Yes	3. Political Risk: Geopolitical/Legislative	No
Yes	4. Environmental Risk: Permitting	No
Yes	5. High Finding and Operating costs	No
Yes	6. Implementation Risk	Yes

overlooked by larger companies or wells that are shut-in or abandoned by other operators. It also proved earlier this year when oil prices plunged to about \$30 a barrel that it can weather a severely depressed market.

The company's land package includes acreage in the middle of the new Eagleford Shale Trend with undeveloped lateral potential from existing wells in both the Buda and Eagleford formations. Oil production has increased steadily since 2005, rising from 10,000 to 50,000 barrels annually. Currently, the company is targeting wells expected to increase monthly production rate by 20-30%.

Lucas Energy kicked off a capital program several months ago that has raised \$2.5 million from joint venture partners who have committed to fund 80% of the re-entry and other capital expenditures required to restore production to six wells. The company is in negotiations to raise an additional \$7 million on joint venture well reclamations.

By applying strict fiscal controls, Lucas Energy's management team has achieved and maintained positive cash flow since inception. The company's target payback timeline for each well is less than 12 months. In fact, the company's first two wells paid out in 90 days. The company's goal is to reach a daily oil production rate of 500 barrels.



The Austin Chalk Trend is concentrated on the Texas Gulf Coast and is one of the world's richest oil plays with an estimated 6 billion barrels of oil reserves.

The company seeks properties that will significantly increase the size of the company by growing reserves, production and cash flow accretive to shareholders, according to Sawyer.

"We are looking for economies of scale. We have identified over 100 wells with existing laterals. There is other acreage in other counties that is interesting, as well. There are thousands of available wells in Texas," he says.

Once the company's wells are in production, there is little additional cost, since the oil is sold directly at the wellhead with revenues flowing back to company coffers within 20 days. It is significant that Lucas Energy's business plan has enabled the company to make money even when prices collapsed to \$30 a barrel earlier this year. As production increases and as oil prices, which are still well below the \$147 a barrel high reached in June 2008, continue to rise with improving economic news, Lucas Energy's revenues will rise as well.

"We don't have to do any marketing. People just call us up to buy our oil," says Lucas Energy President and CEO William A. Sawyer. "We can sell as much oil as we want at world market prices."



*William A. Sawyer  
President and CEO,  
Lucas Energy*

**"We can sell as much oil as we want at world market prices."**



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# Lucas Energy Inc.



## LUCAS ENERGY, INC.

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Web Site:  
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Shares Outstanding:  
11.9 million

52 Week Trading Range:  
U.S.: Hi: \$3.39 • Low: \$0.44



## Quick **FACTS**

### Lucas Energy Business Strategy / Highlights:

- Build a different kind of public oil & gas company.
- Avoid most of typical exploration risk by acquiring properties in proven areas where management has prior experience.
- Acquire previously producing wells which were abandoned or shut in due to low commodity prices in the early 1990's and put back on production.
- Seek producing property acquisitions that will significantly increase the size of the company by growing reserves, production and cash flow accretive to shareholders.
- Operates/owns 100% working interest in all but four wells.
- Nearly 15,000 acres under lease, most held by production from wells in the Austin Chalk.
- Holds acreage in the middle of the new Eagleford Trend with undeveloped lateral potential from existing wells in both the Buda and Eagleford formations.
- Lucas Energy announced the closing of the 2<sup>nd</sup> part of the Eagle Ford joint venture with Hilcorp Energy I, L.P., an affiliate of Hilcorp Energy Company.
- A 3<sup>rd</sup> closing expected to take place at the end of July 2010.
- To date Lucas Energy has received 8.9 million in cash and is now debt free.

Lucas Energy, Inc. is an independent oil and gas company based in Houston, Texas, that is building a diversified portfolio of valuable oil and gas assets in the U.S. The company is focused on identifying under performing and shut-in oil and gas assets in Gonzales County, Texas, primarily in the Austin Chalk formation – one of the world's richest oil plays, with an estimated 6 billion barrels of oil reserves. Lucas Energy revitalizes these assets through a carefully designed process of evaluation, application of production enhancement technologies, and stringent management controls. This process allows Lucas Energy to increase its reserve base, production and cash flow while significantly reducing the risk of traditional exploration projects. Lucas Energy's financial structure allows it to minimize the high overhead of conventional E&P companies.