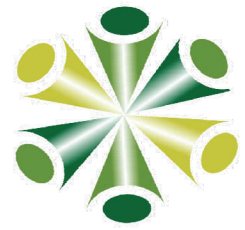


# Princeton Research

*Incorporated*



LUCAS ENERGY

## Lucas Energy oil producing trends continue to improve

Lucas Energy, Inc (NYSE Amex: **LEI**) is an emerging oil and gas company based out of Houston, Texas. *LEI* has been producing barrels of oil in Southern Texas and has approximately 15,000 acres of land stretched over 4 counties. *LEI* has an executive team with over 110 years collective experience in the energy sector. They have an excellent ability to acquire and improve under-producing, shut-in, plugged or abandoned wells in the **Austin Chalk formation**. *LEI* has 22 active wells that produce 100-150 BOPD with a low finding cost of \$6 bbl. In addition, *LEI* controls another 16 shut-in or plugged well bores. Oil production has increased successfully since the implementation of new lateral drilling over the past 3 years. In their 2008-2009 fiscal year, *LEI* produced 52,585 barrels of oil from its operating wells in the Austin Chalk trend, thus increasing production of the previous year by 7%. *LEI* owns 100% working interest in every operating well other than one. It is advantageous to Lucas that they have low lifting costs (\$8-12 bbl of oil), which does not adversely affect their reserves by falling oil and gas prices.

### Company Highlights

- **LEI:** American Stock Exchange
- **Market Capitalization:** \$8.84 million (US)
- **Shares Outstanding:** 10.35 million
- **Book Value (NBV):** 18.10 (\$1.75/share)
- **PV10%:** 47.799 million \$ 4.488/share
- Positive cash flow
- Profitability since inception
- Low operating costs
- Low environmental risks

## Financial Outlook



The energy sector of oil and gas looks financially promising. Since the U.S. economy is striving to bring jobs back to America, companies like *LEI* have already established roots on U.S. soil. *LEI* has had steady growth over the past two years. Revenues increased by over \$302,000 between 2008 and 2009. Production of oil and gas have also improved from 37,013 in 2008 to 42,560 (boe) in 2009. There has also been \$9,749,471 in capital expenditures ending 3/31/08 and then \$3.96 million the following fiscal year ending 3/31/09. *LEI's* moving forward business plan consists of the acquisition and the re-entry of 7 shut-in wells, cleaning and testing

of 19 old laterals and the drilling of 21 new lateral wells in the **Austin Chalk formation**. Oil production is steadily on the rise. The quantity of proven reserves has accumulated from 1,797,230 in 2008 to 2,238,860 barrels of oil in 2009—a 24% increase over the prior year. With the advent of horizontal drilling, *LEI* has a significant advantage over corporate oil giants who do not utilize the technology, therefore having the advantage of producing more oil faster and efficiently.

## BENEFITS OF HORIZONTAL DRILLING TECHNOLOGY

### HIGHER PRODUCTION RATES

- Produces more oil than drilling vertical
- Rate 15-20x greater than vertical
- Production ratio 3.2:1 vs. vertical

### ACCESSABILITY

- Can remove oil from under lakes and oceans
- Can remove oil from under towns and structures
- One drilling pad can service multiple portals

### ECO-FRIENDLY

- No offshore drilling
- Less drilling needed
- Less disruption of the earth's surface
- Less wells needed

## Corporate Background

### Fred J. Hofheinz (Chairman of the Board):

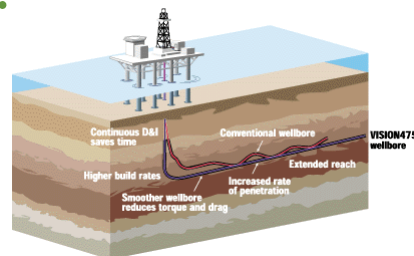
- ◆ Former Mayor of the City of Houston 1974-1978
- ◆ His late father, was Roy Hofheinz, Sr. (Built the Houston Astrodome)
- ◆ He played a key role in the family real estate development projects surrounding the Astrodome, including an amusement park -*Astroworld* and four hotels
- ◆ He has served as President of the *Texas Municipal League* and served on the boards of numerous other state and national organizations for municipal government elected officials.
- ◆ Mr. Hofheinz owns several direct interests in oil and gas companies.
- ◆ He has also dealt extensively with business interests, primarily oil and gas related, in the *People's Republic of China* and in the *Ukraine*.
- ◆ He has been actively engaged in successful exploration and production ventures, both domestic and international.
- ◆ Holds a PhD in economics, from the *University of Texas*.

### William A. Sawyer (President and CEO):

- ◆ 30 yrs of diversified experience in energy industry.
- ◆ Previously on executive teams of *ARCO*, *Mobil*, *Erco* and *Houston Oil & Minerals*.
- ◆ Founder of *Exploitation Engineers Inc.* that has served the oil & gas industry for 18 yrs.
- ◆ Has manages 100's of producing and non-producing oil & gas properties.
- ◆ Has client list of private investors, oil companies, U.S. government agencies, banking institutions and major chemical/energy companies.

### Donald L. Sytsma (CFO):

- ◆ 25 years in upstream, midstream and commodity trading energy sectors.
- ◆ Certified Public Accountant in the state of Texas
- ◆ Has direct experience with finance/accounting/auditing.
- ◆ Former Executive Committee member of *NAESB*.
- ◆ Helped develop U.S. Energy market standards.
- ◆ Former CFO of *Gulf Western Petroleum*.



### Lucas Oil and Energy

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Mike King is the President and chief economist of Princeton Research, Inc. of Nevada. He has over 45 years of cumulative experience beginning as a broker/trader to consulting corporations on financial matters. Mike later evolved into investment banking and corporate finance for private and public companies. His propensity over the years has been specializing in economic analysis of public companies, equities, derivatives, and physicals or cash market trends throughout the world.

Mike's experience, reputation and expertise behind all of us here at Princeton Research, it is our policy and our promise to you to do our best to provide services of excellence and dedication so that your business will succeed and prosper.