

MORGAN CREEK ENERGY CORP

Form 10-K

April 12, 2012

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Mark One

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NO. 000-52139

MORGAN CREEK ENERGY CORP.

(Name of small business issuer in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

201777817

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

6060 NORTH CENTRAL EXPRESSWAY SUITE 560
DALLAS, TEXAS 75206

(Address of principal executive offices)

(214) 800-2851

(Issuer's telephone number)

Securities registered pursuant to
Section 12(b) of the Act:
NONE

Name of each exchange on which
registered:

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$0.001

(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Indicate by check mark if the registration is a well-known seasoned issuer as defined in Rule 403 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant has (i) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this form, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/> o	Accelerated filer	<input type="checkbox"/> o
Non-accelerated filer	<input type="checkbox"/> o	Smaller reporting company	<input checked="" type="checkbox"/> x

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business of the registrant's most recently completed second fiscal quarter: June 30, 2011 \$3,985,080.

ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

N/A

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 and 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court . Yes o No o

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class Outstanding as of March 31, 2012: Common Stock, \$0.001

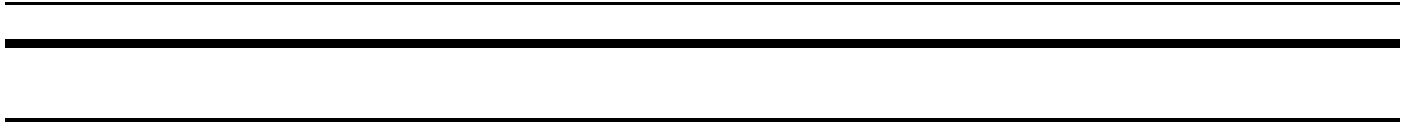
Outstanding as of March 31, 2012: 52,612,392

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (i) any annual report to security holders; (ii) any proxy or information statement; and (iii) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 (the "Securities Act"). The listed documents should be clearly described for identification purposes (e.g. annual reports to security holders for fiscal year ended December 24, 1990).

N/A

Transitional Small Business Disclosure Format (Check one): Yes o No x



MORGAN CREEK ENERGY CORP.
Form 10-K

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Statements made in this Form 10-K that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Available Information

Morgan Creek Energy Corp. files annual, quarterly, current reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy documents referred to in this Annual Report on Form 10-K that have been filed with the Commission at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also obtain copies of our Commission filings by going to the Commission's website at <http://www.sec.gov>

PART I

ITEM 1. BUSINESS

BUSINESS DEVELOPMENT

Morgan Creek Energy Corp. was incorporated under the laws of the State of Nevada on October 19, 2004 and has been engaged in the business of exploration of oil and gas bearing properties in the United States since its inception. After the effective date of our registration statement filed with the Securities and Exchange Commission (February 14, 2006), we commenced trading on the Over-the-Counter Bulletin Board under the symbol "MCKE:OB". Our shares are also traded on the Frankfurt Stock Exchange in Germany under the symbol "M6C".

Please note that throughout this Annual Report, and unless otherwise noted, the words "we," "our," "us," the "Company," or "Morgan Creek," refers to Morgan Creek Energy Corp.

TRANSFER AGENT

Our transfer agent is Transfer Online, Inc., 512 S.E. Salmon Street, Portland, Oregon 97214.

CURRENT BUSINESS OPERATIONS

We are an exploration stage company that was organized to enter into the oil and gas industry. We intend to locate, explore, acquire and develop oil and gas properties in the United States and within North America. Our primary activity and focus is our leases in New Mexico (“New Mexico Prospect”) and Mississippi (“Mississippi Prospect”). The leases are unproven. To date we have leased approximately 7,576 net acres within the State of New Mexico and 21,000 net acres within the State of Mississippi. We have also acquired approximately an additional 5,763 net acres in New Mexico. We have entered into an Option Agreement to participate in approximately 8,000 net acres in Oklahoma. In addition, we acquired leases in Texas (the “Quachita Prospect”). As of the date of this Annual Report, we have acquired approximately 1,971 net acres. During the production testing and evaluation period on the first well on the property, the Boggs #1, four of the five tested zones produced significant volumes of natural gas. Analysis of the gas indicates a “sweet” condensate rich gas with BTU values of 1,000. This quality will yield a premium price over the current U.S. average natural gas price. As formation water was also produced with the natural gas in the tested zones, the Boggs #1 has been impaired as of the date of this Annual Report.

OIL GAS PROPERTIES

The acreage and location of our oil and gas properties is summarized as follows:

	Net Acres(*)
Mississippi	21,000
New Mexico	13,339
Total:	34,339

(*)Certain of our interests in our oil and gas properties may be less than 100%. Accordingly, we have presented the acreage of our oil and gas properties on a net acre basis.

Quachita Prospect

As of the date of this Annual Report, we lease approximately 1,971 net acres within the Quachita Trend in the State of Texas for a three-year term in consideration of approximately \$338,000. We have a 100% working interest and a 77% net revenue interest in the Quachita Prospect leases. During 2009, the balances of the leases within the Quachita trend were allowed to lapse without renewal by us. Accordingly, during the year ended December 31, 2009, we wrote off the original cost of these leases totaling \$338,353. As allowed for under the lease, which included the Boggs #1 well, we have paid a nominal fee to maintain our rights and access to the Boggs #1 well.

Boggs #1 Well. We completed the drilling portion of the Boggs #1 well on July 13, 2007. Subsequently, we began production testing and evaluation of the well. Of the five tested zones, four produced significant volumes of natural gas. As formation water was also produced with the natural gas in the tested zones, the Boggs #1 is currently under evaluation.

The Boggs #1 had been privately funded with the funding investors receiving a 75% working interest and a 54% net revenue interest in exchange for providing 100% of all drilling and completion costs. Therefore, we initially retained a 25% working interest and a 23% net revenue interest in the Boggs #1 well. As of June 30, 2009, we incurred \$1,336,679 in drilling and completion costs. As of June 30, 2009, we had received a total of \$759,000 in funding from private investors. On March 24, 2008, we negotiated with the funding investors to acquire their interest in the Boggs #1 for \$759,000 (which amount is equal to the total amount of the funding investors' initial investment) and forgiveness of any additional amounts owing. Effective on March 24, 2008, we completed the acquisition and settlement of related party advances totaling \$962,980 through the issuance of 3,057,076 shares of our restricted common stock at \$0.315 per share. The difference between the estimated fair value of the common shares at issuance and the amount of the debt settled totaling \$45,857 was recorded as a finance cost.

As formation water was also produced with the natural gas in the tested zones, the Boggs #1 was partially impaired as of December 31, 2010. While there is potential to exploit lower zones or to recomple the well under an improved gas pricing environment, an impairment charge of \$891,119 was recorded against the well in 2010 and a further impairment charge of \$445,560 was recorded against the well in fiscal 2011. We follow the full cost method of accounting for our oil and gas properties whereby all costs related to the acquisition of methane, petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Certain of these costs are reviewed by management periodically for impairment regarding our unproved oil and gas properties. Management's assessment of these costs and results of exploration activities, potential commodity price outlooks or expiration of all or a portion of leaseholds resulted in its decision to impair the Boggs #1 and may further impact the timing and amount of other impairments on our properties. See "Item 1A. Risk Factors".

New Mexico Prospect

As of the date of this Annual Report, we have leased various properties in the New Mexico Prospect totaling approximately 7,576 net acres within the State of New Mexico for a five year term expiring in 2013, in consideration for \$112,883. We have a 100% working interest and an 84.5% net revenue interest in the leases comprising the New Mexico Prospect.

Westrock Land Corp. Option Agreement. Effective on October 31, 2008, our Board of Directors authorized the execution of an option agreement (the "Option Agreement") with Westrock Land Corp, a private Texas corporation ("Westrock"), as the mineral leaseholder. In accordance with the terms and provisions of the Option Agreement: (i) Westrock owns certain right, title and interest in and to approximately 7,576 net acres of property within the State of New Mexico with a 100% working interest in approximately 5,763 net acres and a net revenue interest of 81.5% pertaining to 5,763 of the net acres (the "New Mexico Leases"); (ii) we desire to acquire a 100% working interest in the New Mexico Leases for a total purchase price of approximately \$388,150; and (iv) we had until April 16, 2009 to complete our due diligence (the "Option Period").

The Option Agreement was subsequently extended on March 31, 2009 and June 1, 2009 whereby the option period was extended to September 15, 2009. We exercised our option with Westrock and acquired the approximate 5,763 net acres in New Mexico.

Formcap Corporation Option Agreement. Effective on July 14, 2009, our Board of Directors, pursuant to unanimous vote at a special meeting of the Board, authorized the execution of a letter agreement dated July 9, 2009 (the "Option Agreement") with Formcap Corporation ("Formcap"), to purchase a 50% working interest (40.75% net revenue interest) of our 81.5% leasehold interest in and to certain leases located in Curry County, State of New Mexico (the "Frio Draw Prospect Interest").

In accordance with the terms and provisions of the Option Agreement: (i) Formcap agreed to pay us a \$100,000 initial payment (the "Initial Payment") within five business days from the completion of its due diligence; (ii) the balance of funds for the initial well would be advanced by FormCap to us within five business days from receipt of a mutually agreed upon approval for expenditure, which balance of such funds for the initial well were to be received by us no later than September 8, 2009; and (iii) the Initial Payment would be applied towards the total consideration to be paid by FormCap to us, which would include the cost of drilling and completing two wells at a total estimated cost of approximately \$1,300,000.

In accordance with the further terms and provisions of the Option Agreement: (i) FormCap would provide to us the dry hole and completion costs estimated at \$650,000 in advance of drilling the first well; (ii) upon drilling and completion of the first well, we would assign to FormCap a 25% working interest (20.375% net revenue interest) in the Frio Draw Prospect Interest; and (iii) upon receipt by us of the funds from Formcap in advance of drilling the second well, we would assign to FormCap the additional 25% working interest (20.375% net revenue interest). Costs associated with the drilling of all subsequent wells were to be shared on an equal basis between us and FormCap.

We granted to FormCap the time period between the date of execution of the Option Agreement and August 15, 2009 to complete its due diligence (the "Option Period"). During the period FormCap advanced a non-refundable \$100,000 deposit under the terms of the Option to secure the project in connection with which we paid a finders' fee of \$20,000. On September 24, 2009, we announced that FormCap could not meet the requirements of the Option Agreement and thus forfeited its rights to the project. We retained the \$100,000 non-refundable deposit and recorded it as a gain on expired option during 2009. Due to current market conditions, management decided to fully impair the Frio Draw Prospect in 2011 and, thus, an impairment charge of \$541,646 was recorded. See "Item 1A. Risk Factors".

Oklahoma Prospect

Effective on June 2, 2009, our Board of Directors, pursuant to unanimous vote at a special meeting of the Board, authorized the execution of a letter agreement dated May 28, 2009, as amended (the "Option Agreement") with Bonanza Resources (Texas) Inc., the wholly owned subsidiary of Bonanza Resources Corporation ("Bonanza Resources"), to purchase a certain percentage of Bonanza Resources' eighty-five percent (85%) leasehold interest (the "Bonanza Resources Interest") in and to certain leases located in Beaver County, State of Oklahoma, known as the North Fork 3-D Prospect (the "Prospect"). In accordance with the terms and provisions of the Option Agreement: (i) we agreed to make a non-refundable payment to Bonanza Resources of \$150,000 within sixty (60) days from the date of the Option Agreement; and (ii) Bonanza Resources agreed to grant to us an option having an exercise period of one year (the "Option Period") to purchase a sixty percent (60%) partial interest (the "Partial Interest") in the Bonanza Resources Prospect. In further accordance with the terms and provisions of the Option Agreement, in the event we do not pay the \$150,000 to Bonanza Resources within sixty days from the date of the Option Agreement, the Option Agreement will terminate.

The Bonanza Resources Interest is held by Bonanza Resources pursuant to that certain letter agreement between Bonanza Resources, Ryan Petroleum LLC and Radian Energy L.C. dated February 25, 2009 (the "Original Agreement"). In accordance with the terms and provisions of the Original Agreement, Bonanza Resources acquired the Bonanza Resources Interest and subsequently represented to us that the acreage of the Bonanza Resources Interest consisted of 8,555 acres. Therefore, the Option Agreement reflected the acreage of the Bonanza Resources Interest to consist of 8,555 acres, which has been subsequently disclosed by us in numerous filings with the Securities and Exchange Commission.

Furthermore, in the event we pay the \$150,000 to Bonanza Resources within the sixty day period from the date of the Option Agreement, and in accordance with the further terms and provisions of the Option Agreement: (i) we shall assume that amount of Bonanza Resources' right, title and interest and obligations under the Original Agreement as is proportionate to the Partial Interest; and (ii) we must incur \$2,400,000 in exploration and drilling expenditures (the "Exploration Expenditures") during the Option Period. In the event that we do not exercise the Option Agreement, Bonanza Resources shall retain the \$150,000 as liquidated damages for our failure to incur the Exploration Expenditures.

During the course of our due diligence, we discovered that the size of the Bonanza Resources Interest is not the original represented 8,555 acres but approximately 5,600 acres, which we alleged was materially less than represented by Bonanza Resources and contracted for under the Option Agreement. Bonanza Resources has stated to us that the actual lesser amount of acreage forming the Bonanza Resources Interest was due to certain leases not being renewed by the operator of the Prospect, thus expiring prior to the date of the Option Agreement, without first advising Bonanza Resources either orally or in writing of the operator's intention to allow those leases to expire. Bonanza Resources further stated to us that it discovered the facts regarding the acreage on approximately November 26, 2009. We in good faith relied on the representations of Bonanza Resources when we entered into the Option Agreement and now know that such representations were not correct.

Therefore, as of November 30, 2009, we entered into an amendment of the Option Agreement with Bonanza Resources (the "Amendment"). In accordance with the terms and provisions of the Amendment, Bonanza Resources granted to us an option to acquire a 75% interest in the Bonanza Resources Interest (a 59.50% working interest) by incurring the full costs of drilling one well to completion on the Prospect, which will deem us as having earned an interest in that well and in the balance of the Prospect. In the event we incur the full cost of drilling the first well which results in a dry hole, we will then have the exclusive right and option to participate in any and all further drilling programs on the Prospect and to incur the full costs of drilling a second well to completion on the Prospect. This will deem us as having earned its option to acquire the 75% interest of the Bonanza Resources Interest in both that well and the balance of the Prospect.

Therefore, in light of the fact that the Bonanza Resources Interest is actually comprised of a number of acres materially less than originally represented by Bonanza Resources, we: (i) advised the public that we believed the accurate number of acres forming the Bonanza Resources Interest is approximately 5,600 acres and that our website has been amended accordingly; and (ii) advised the public of the Amendment.

During fiscal year ended December 31, 2009, we paid to Bonanza \$115,000. The balance of \$35,000 was due by December 31, 2009. Subsequently on January 12, 2010, the non-refundable payment was amended from \$150,000 to \$125,000. On January 15, 2010, we made the final payment of \$10,000.

On January 15, 2010, we entered into a participation agreement to finance drilling and completion costs with two partners who will pay 67% of the costs of the first well in the Prospect. We will pay 33% of the drilling and completion costs. To December 31, 2009, we had accrued the entire estimated cost of the first well of \$475,065, of which \$316,690 was paid to us during fiscal year ended December 31, 2009 by the new participants. Also during fiscal year ended December 31, 2009, we received a reduction in the well cost from the operator totaling \$189,413, which resulted in amounts payable by the new participants being reduced to \$190,530. Of the excess paid during fiscal year ended December 31, 2009 by the new participants, \$63,022 remains payable as of December 31, 2010 and has been included in accounts payable and accrued liabilities.

Our management decided to prioritize the exploration drilling program on the North Fork 3D prospect in Beaver County. We completed a multi-component interpretive 3-D survey on approximately 8,500 acres to image the Morrow A and B sands. Management believed that the 3-D interpretive survey identified approximately forty drill ready target locations. On February 1, 2010, we were informed by our operator that it had drilled the Nowlin #1-19 well to a depth of 8,836 feet. After review of the drilling logs, we have determined that oil is not producible in the targeted Morrow A and B sand formations. As of the date of this Annual Report, the well has been plugged and abandoned and we have written off our share of the dry hole costs of the well totaling \$230,524.

Mississippi Prospect

Effective on August 26, 2010, our Board of Directors authorized the execution of an option agreement dated August 26, 2010 (the "Option Agreement") with Westrock Land Corp. ("Westrock"), to purchase approximately 21,000 net acres of mineral oil and gas leases on lands located in Lamar, Jones and Forrest counties in the State of Mississippi (the "Acquired Properties"). The Company has entered into the Option Agreement with Westrock, as the mineral leaseholder, and has received representations that Westrock owns all right, title and interest to all depths, including the Haynesville Shale Formation pursuant to the oil and gas leases with a minimum 75% net revenue interest.

In accordance with the terms and provisions of the Option Agreement: (i) we agreed to issue to Westrock an aggregate of 15,000,000 restricted shares of our common stock by November 30, 2010; (ii) Westrock grants to us a period to conduct due diligence to October 31, 2010; and (iii) at closing, Westrock shall convey to us the Acquired Properties by assignment and bill of sale and other associated documentation.

We subsequently completed due diligence on the Acquired Properties and issued 15,000,000 restricted common shares to Westrock on October 21, 2010 with an estimated fair value of \$3,000,000. Due to current market conditions, management decided to fully impair these properties in 2011 and, thus, an impairment charge of \$3,000,000 was recorded. See "Item 1A. Risk Factors."

DRILLING ACTIVITY

As of the date of this Annual Report, we have not commenced drilling on any of our wells.

GROSS WELLS			NET WELLS		
Total	Producing	Dry	Total	Producing	Dry
-0-	-0-	-0-	-0-	-0-	-0-

PRODUCTION INFORMATION

During fiscal year ended December 31, 2011 and previously, we had no oil and gas production.

GROSS AND NET PRODUCTIVE GAS WELLS, DEVELOPED ACREAGE

PRODUCTIVE WELLS AND DEVELOPED ACRES

As of the date of this Annual Report, the tables below set forth our leasehold interest in productive and shut-in gas wells, and in developed acres:

PROSPECT	GROSS (1)	NET (2)
New Mexico Prospect	-0-	-0-
Oklahoma Prospect	-0-	-0-
Total	-0-	-0-

(1) A gross well is a well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned.

(2) A net well is deemed to exist when the sum of fractional ownership working interest in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.

DEVELOPED ACREAGE TABLE(1)

PROSPECT	GROSS (2)	NET (3)
New Mexico Prospect	-0-	-0-
Oklahoma Prospect	-0-	-0-
Total	-0-	-0-

(1) Consists of acres spaced or assignable to productive wells.

(2) A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.

(3) A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

PROPOSED FUTURE BUSINESS OPERATIONS

Our strategy is to complete the further acquisition of additional oil and gas opportunities that fall within the criteria of providing a geological basis for development of drilling initiatives that can provide near term revenue potential and fast drilling capital repatriation from production cash flows to create expanding reserves. We anticipate that our ongoing efforts, subject to adequate funding being available, will continue to be focused on successfully concluding negotiations for additional tracts of prime acreage in the coal bed methane and other gas producing domains, and to implement the drilling of new wells to develop reserves and to provide revenues. We plan to build a strategic base of proven reserves and production.

Our ability to continue to complete planned exploration activities and expand land acquisitions and explore drilling opportunities is dependent on adequate capital resources being available and further sources of debt and equity being obtained. The two following alternatives provide the basis for business development options:

Development of Current Leases

The requirement to raise further funding for oil and gas exploration beyond that obtained for the next six month period continues to depend on the outcome of geological and engineering testing occurring over this interval. Based upon the completion of current property evaluations on the Quachita Prospect, the Oklahoma Prospect and the Mississippi Prospect, and if results provide the basis to continue development and geological studies indicate high probabilities of sufficient production quantities, we will attempt to raise capital to further our drilling program to establish up to six wells on leases in hand, build production infrastructure and pipeline, and raise additional capital for drilling on the New Mexico Prospect, the Oklahoma Prospect and the Mississippi Prospect and further land acquisitions. This has included the following activity:

- Site preparation for entry into current wellbores including roadway upgrade and operations site, design, review, and finalize testing procedures, book zone fracture and testing consultants, arrange equipment required.
 - Pull old well tubing, run test tools in wellbore, cut well casing, test target gas zones with acid and water.
- If gas content conducive to production, complete well by inserting downhole pump and rods, set pumping unit, wellhead, and gas line.
 - Complete pipeline.
- Create well development model and investment documents to develop wells on subject leases including funding plan.
 - Create investor communications materials, corporate identity.
 - Raise funding for well development.
 - Drill, complete, and produce from well drilling program and selective re-entry programs.
- Target further leases for exploration potential and obtain further funding to acquire new development targets.

New Lease Acquisition and Development

If gas quality and quantities are not deemed sufficient from work to be conducted on our current leases during the first six months of operation, additional land acquisitions will be assessed and obtained subject to adequate capital resources being available and further sources of debt and equity being obtained. The following outlines anticipated activities pursuant to this business option.

- Site preparation for entry into current wellbores including roadway upgrade and operations site, design, review, and finalize testing procedures, book zone fracture and testing consultants, arrange equipment required.
 - Pull old well tubing, run test tools in wellbore, cut well casing, test target gas zones with acid and water,
- If gas content not deemed conducive to production, target further leases for exploration potential and obtain further funding to acquire new development targets.

We will require additional funding to implement our proposed future business activities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation."

We do not expect to purchase any significant equipment or increase significantly the number of our employees during the next twelve months. Our current business strategy is to obtain resources under contract where possible because management believes that this strategy, at its current level of development, provides the best services available in the circumstances, leads to lower overall costs, and provides the best flexibility for our business operations.

COMPETITION

We operate in a highly competitive industry, competing with major oil and gas companies, independent producers and institutional and individual investors, which are actively seeking oil and gas properties throughout the world together with the equipment, labor and materials required to operate properties. Most of our competitors have financial resources, staff and facilities substantially greater than ours. The principal area of competition is encountered in the financial ability to acquire good acreage positions and drill wells to explore for oil and gas, then, if warranted, drill production wells and install production equipment. Competition for the acquisition of oil and gas wells is intense with many oil and gas properties and/or leases or concessions available in a competitive bidding process in which we may lack technological information or expertise available to other bidders. Therefore, we may not be successful in acquiring and developing profitable properties in the face of this competition. No assurance can be given that a sufficient number of suitable oil and gas wells will be available for acquisition and development.

GOVERNMENT REGULATION

The production and sale of oil and gas are subject to various federal, state and local governmental regulations, which may be changed from time to time in response to economic or political conditions and can have a significant impact upon overall operations. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties, taxation, abandonment and restoration and environmental protection. These laws and regulations are under constant review for amendment or expansion. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and gas wells below actual production capacity in order to conserve supplies of oil and gas. Changes in these regulations could require us to expend significant resources to comply with new laws or regulations or changes to current requirements and could have a material adverse effect on our business operations.

Regulation of Oil and Natural Gas Production

Our oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local authorities and agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry increases our cost of doing business and affects our profitability. Although we believe we are in substantial compliance with all applicable laws and regulations, because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws.

Many states require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration and production of oil and natural gas. Such states also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells.

Federal Regulation of Natural Gas

The Federal Energy Regulatory Commission ("FERC") regulates interstate natural gas transportation rates and service conditions, which affect the marketing of natural gas produced by us, as well as the revenues received by us for sales of such production. Since the mid-1980's, FERC has issued a series of orders that have significantly altered the marketing and transportation of natural gas. These orders mandate a fundamental restructuring of interstate pipeline sales and transportation service, including the unbundling by interstate pipelines of the sale, transportation, storage and other components of the city-gate sales services such pipelines previously performed. One of FERC's purposes in issuing the orders was to increase competition within all phases of the natural gas industry. Certain aspects of these orders may be modified as a result of various appeals and related proceedings and it is difficult to predict the ultimate impact of the orders on us and others. Generally, the orders eliminate or substantially reduce the interstate pipelines' traditional role as wholesalers of natural gas in favor of providing only storage and transportation service, and have substantially increased competition and volatility in natural gas markets.

The price, which we may receive for the sale of oil and natural gas liquids, would be affected by the cost of transporting products to markets. FERC has implemented regulations establishing an indexing system for transportation rates for oil pipelines, which, generally, would index such rates to inflation, subject to certain conditions and limitations. We are not able to predict with certainty the effect, if any, of these regulations on any future operations. However, the regulations may increase transportation costs or reduce wellhead prices for oil and natural gas liquids.

Environmental Matters

Our operations and properties will be subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue. These laws and regulations may (i) require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities; (ii) limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and (iii) impose substantial liabilities for pollution resulting from our operations. The permits required for several of our operations are subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, we are in substantial compliance with current applicable environmental law and regulations, and we have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on our business operations, as well as the oil and natural gas industry in general.

The Comprehensive Environmental, Response, Compensation, and Liability Act ("CERCLA") and comparable state statutes impose strict, joint and several liabilities on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes govern the disposal of "solid waste" and "hazardous waste" and authorize the imposition of substantial fines and penalties for noncompliance. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations impose clean-up liability relating to petroleum and petroleum related products. In addition, although RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as a hazardous wastes, thereby making such wastes subject to more stringent handling and disposal requirements.

We intend to acquire leasehold interests in properties that for many years have produced oil and natural gas. Although the previous owners of these interests may have used operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties. In addition, some of our properties may be operated in the future by third parties over which we have no control. Notwithstanding our lack of control over properties operated by others, the failure of the operator to comply with applicable environmental regulations may, in certain circumstances, adversely impact our business operations.

The National Environmental Policy Act ("NEPA") is applicable to many of our planned activities and operations. NEPA is a broad procedural statute intended to ensure that federal agencies consider the environmental impact of their actions by requiring such agencies to prepare environmental impact statements ("EIS") in connection with all federal activities that significantly affect the environment. Although NEPA is a procedural statute only applicable to the federal government, a portion of our properties may be acreage located on federal land. The Bureau of Land Management's issuance of drilling permits and the Secretary of the Interior's approval of plans of operation and lease agreements all constitute federal action within the scope of NEPA. Consequently, unless the responsible agency determines that our drilling activities will not materially impact the environment, the responsible agency will be required to prepare an EIS in conjunction with the issuance of any permit or approval.

The Endangered Species Act ("ESA") seeks to ensure that activities do not jeopardize endangered or threatened animals, fish and plant species, nor destroy or modify the critical habitat of such species. Under ESA, exploration and production operation, as well as actions by federal agencies, may not significantly impair or jeopardize the species or their habitat. ESA provides for criminal penalties for willful violations of the Act. Other statutes that provide protection to animal and plant species and that may apply to our operations include, but are not necessarily limited to, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. Although we believe that our operations are in substantial compliance with such statutes, any change in these statutes or any reclassification of a species as endangered could subject us to significant expense to modify our operations or could force us to discontinue certain operations altogether.

Management believes that we are in substantial compliance with current applicable environmental laws and regulations.

RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development expenditures have been incurred, either on our account or sponsored by customers, to the date of our inception.

EMPLOYEES

We do not employ any persons on a full-time or on a part-time basis. Peter Wilson is our President/Chief Executive Officer and William Thomas is our Chief Financial Officer/Treasurer. These individuals are primarily responsible for all of our day-to-day operations. Other services are provided by outsourcing and consultant and special purpose contracts.

ITEM 1A. RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below are all of the material risks that we are currently aware of that are facing our company. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

RISKS RELATED TO OUR BUSINESS

We Will Need to Raise Additional Financing to Complete Further Exploration.

We will require significant additional financing in order to continue our exploration activities and our assessment of the commercial viability of our oil and gas properties. Furthermore, if the costs of our planned exploration programs are greater than anticipated, we may have to seek additional funds through public or private share offerings or arrangements with corporate partners. There can be no assurance that we will be successful in our efforts to raise these required funds, or on terms satisfactory to us. The continued exploration of our oil and gas properties and the development of our business will depend upon our ability to establish the commercial viability of our oil and gas properties and to ultimately develop cash flow from operations and reach profitable operations. We currently are in the exploration stage and we have no revenue from operations and we are experiencing significant negative cash flow. Accordingly, the only other sources of funds presently available to us are through the sale of equity. We presently believe that debt financing will not be an alternative to us as all of our properties are in the exploration stage. Alternatively, we may finance our business by offering an interest in our oil and gas properties to be earned by another party or parties carrying out further exploration and development thereof or to obtain project or operating financing from financial institutions, neither of which is presently intended. If we are unable to obtain this additional financing, we will not be able to continue our exploration activities and our assessment of the commercial viability of our oil and gas properties. Further, if we are able to establish that development of our oil and gas properties is commercially viable, our inability to raise additional financing at this stage would result in our inability to place our oil and gas properties into production and recover our investment.

As our oil and gas properties do not contain any reserves, we may not discover commercially exploitable quantities of oil or gas on our properties that would enable us to enter into commercial production, achieve revenues and recover the money we spend on exploration.

Our properties do not contain reserves in accordance with the definitions adopted by the SEC and there is no assurance that any exploration programs that we carry out will establish reserves. All of our oil and gas properties are in the exploration stage as opposed to the development stage and have no known body of reserves. The known reserves at these projects have not yet been determined to be economic, and may never be determined to be economic. We plan to conduct further exploration activities on our oil and gas properties should market conditions improve, which future exploration may include the completion of feasibility studies necessary to evaluate whether commercial reserves exist on any of our mineral properties. There is a substantial risk that these exploration activities will not result in discoveries of commercially recoverable reserves of oil or gas. Any determination that our properties contain commercially recoverable quantities of oil or gas may not be reached until such time that final comprehensive feasibility studies have been concluded that establish that a potential reserve is likely to be economic. There is a substantial risk that any preliminary or final feasibility studies carried out by us will not result in a positive determination that our oil and gas properties can be commercially developed.

Our Exploration Activities on Our Oil and Gas Properties May Not Be Commercially Successful, Which Could Lead Us to Abandon Our Plans to Develop the Property and Our Investments in Exploration.

Our long-term success depends on our ability to establish commercially recoverable quantities of oil and natural gas on our properties that can then be developed into commercially viable operations. Oil and gas exploration is highly speculative in nature, involves many risks and is frequently non-productive. These risks include unusual or unexpected geologic formations, and the inability to obtain suitable or adequate machinery, equipment or labor. The success of oil and gas exploration is determined in part by the following factors:

- identification of potential oil and natural gas reserves based on superficial analysis;
- availability of government-granted exploration permits;
- the quality of management and geological and technical expertise; and
- the capital available for exploration.

Substantial expenditures are required to establish proven and probable reserves through drilling and analysis, to develop processes to extract oil and gas, and to develop the drilling and processing facilities and infrastructure at any chosen site. Whether an oil and gas reserve will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the reserve; oil and natural gas prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of oil and gas and environmental protection. We may invest significant capital and resources in exploration activities and abandon such investments if we are unable to identify commercially exploitable reserves. The decision to abandon a project may reduce the trading price of our common stock and impair our ability to raise future financing. We cannot provide any assurance to investors that we will discover or acquire any oil or gas reserves in sufficient quantities on any of our properties to justify commercial operations. Further, we will not be able to recover the funds that we spend on exploration if we are not able to establish commercially recoverable reserves of oil or natural gas on our properties.

Based Upon Results of Management's Analysis of Certain Capitalized Costs, Exploration Activities and Potential Commodity Price Outlooks, We Have Impaired the Carrying Value of Our Oil and Gas Properties.

Management has assessed certain capitalized costs including, but not limited to, results of exploration activities and potential commodity price outlooks, resulting in an early impairment charge to the carrying value of our properties and thus may negatively impact the trading value of our securities. We account for our crude oil and natural gas exploration and development activities using the full cost method of accounting whereby all costs related to the acquisition of methane, petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Certain of these costs require managerial judgment for impairment. The analysis of these factors regarding our oil and gas properties and operations can take considerable time to analyze and the determination for impairment requires both judgment and industry experience. Wells may be completed that are assumed to be productive but may actually deliver oil and gas in quantities insufficient to be economic, which may result in the abandonment of the wells at a later date. Future wells are drilled that target geological structures that are both developmental and exploratory in nature. A subsequent allocation of costs is then required to properly account for the results. The evaluation of certain of these capitalized costs requires judgment to estimate the fair value of these costs with reference to drilling activity in a given area.

We incurred impairment charges related to our properties. Impairment of unproved oil and gas properties was calculated on a field by field basis under the full cost method of accounting. We review our oil and gas properties for impairment annually or whenever events and circumstances indicate a decline in the recoverability of their carrying value. Once incurred, a write-down of oil and gas properties is not reversible at a later date. Given the complexities associated with oil and gas exploration and development, events may arise that will require us to record further impairments of the book values associated with our oil and gas properties.

Our Business is Difficult to Evaluate Because We Have a Limited Operating History.

In considering whether to invest in our common stock, you should consider that there is only limited historical financial and operating information available on which to base your evaluation of our performance. Our inception was October 19, 2004 and, as a result, we have a limited operating history.

We Have a History of Operating Losses and There Can Be No Assurance We Will Be Profitable in the Future.

We have a history of operating losses, expect to continue to incur losses, and may never be profitable, and we must be considered to be in the exploration stage. Further, we have been dependent on sales of our equity securities and debt financing to meet our cash requirements. We have incurred losses totaling approximately \$14,652,537 from October 19, 2004 (inception) to December 31, 2011 and had incurred losses of approximately \$4,278,352 during fiscal year ended December 31, 2011. Further, we do not expect positive cash flow from operations in the near term. There is no assurance that actual cash requirements will not exceed our estimates. In particular, additional capital may be required in the event that: (i) the costs to acquire additional leases are more than we currently anticipate; (ii) drilling and completion costs for additional wells increase beyond our expectations; or (iii) we encounter greater costs associated with general and administrative expenses or offering costs.

Our development of and participation in what could evolve into an increasing number of oil and gas prospects may require substantial capital expenditures. The uncertainty and factors described throughout this section may impede our ability to economically find, develop, produce, and acquire natural gas and oil reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows from operating activities in the future.

We Have Received a Going Concern Opinion From Our Independent Auditors' Report Accompanying Our December 31, 2011 and December 31, 2010 Financial Statements.

The independent auditor's report accompanying our December 31, 2011 and 2010 audited financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that the Company will continue as a going concern." Our ability to continue as a going concern is dependent on raising additional capital to fund our operations and ultimately on generating future profitable operations. There can be no assurance that we will be able to raise sufficient additional capital or eventually have positive cash flow from operations to address all of our cash flow needs. If we are not able to find alternative sources of cash or generate positive cash flow from operations, our business and shareholders will be materially and adversely affected.

We Will Require Additional Funding in the Future.

Based upon our historical losses from operations, we will require additional funding in the future. If we cannot obtain capital through financings or otherwise, our ability to execute our development plans and achieve production levels will be greatly limited. Our current development plans require us to make capital expenditures for the exploration and development of our oil and natural gas properties. Historically, we have funded our operations through the issuance of equity. We may not be able to obtain additional financing on favorable terms, if at all. Our future cash flows and the availability of financing will be subject to a number of variables, including potential production and the market prices of oil and natural gas. Further, debt financing, if utilized, could lead to a diversion of cash flow to satisfy debt-servicing obligations and create restrictions on business operations. If we are unable to raise additional funds, it would have a material adverse effect upon our operations.

As Part of Our Growth Strategy, We Intend to Acquire Additional Oil and Gas Properties.

As part of our growth strategy, we intend to acquire additional oil and gas production properties. Current and subsequent acquisitions may pose substantial risks to our business, financial condition, and results of operations. In pursuing acquisitions, we will compete with other companies, many of which have greater financial and other resources to acquire attractive properties. Even if we are successful in acquiring additional properties, some of the properties may not produce revenues at anticipated levels or failure to conduct drilling on prospects within specified time periods may cause the forfeiture of the lease in that prospect. There can be no assurance that we will be able to successfully integrate acquired properties, which could result in substantial costs and delays or other operational, technical, or financial problems. Further, acquisitions could disrupt ongoing business operations. If any of these events occur, it would have a material adverse effect upon our operations and results from operations.

We Are a New Entrant Into the Oil and Gas Exploration and Development Industry Without Profitable Operating History.

Since inception, our activities have been limited to organizational efforts, obtaining working capital and acquiring and developing a very limited number of properties. As a result, there is limited information regarding property related production potential or revenue generation potential. Further, our Leases have no probable, proved or developed producing reserves. As a result, our future revenues may be limited or non-existent.

The business of oil and gas exploration and development is subject to many risks and if oil and natural gas is found in economic production quantities, the potential profitability of future possible oil and gas ventures depends upon factors beyond our control. The potential profitability of oil and natural gas properties if economic quantities are found is dependent upon many factors and risks beyond our control, including, but not limited to: (i) unanticipated ground conditions; (ii) geological problems; (iii) drilling and other processing problems; (iv) the occurrence of unusual weather or operating conditions and other force majeure events; (v) lower than expected reserve quantities; (vi) accidents; (vii) delays in the receipt of or failure to receive necessary government permits; (viii) delays in transportation; (ix) labor disputes; (x) government permit restrictions and regulation restrictions; (xi) unavailability of materials and equipment; and (xii) the failure of equipment or drilling to operate in accordance with specifications or expectations.

Our Drilling Operations May Not Be Successful.

We intend to test certain zones in wellbores already drilled on certain of the properties and if results are positive and capital is available, drill additional wells and begin production operations from existing and new wells. There can be no assurance that our current well re-completion activities or future drilling activities will be successful, and we cannot be sure that our overall drilling success rate or our production operations within a particular area will ever come to fruition, and if it does, will not decline over time. We may not recover all or any portion of our capital investment in the wells or the underlying leaseholds. Unsuccessful drilling activities would have a material adverse effect upon our results of operations and financial condition. The cost of drilling, completing, and operating wells is often uncertain, and a number of factors can delay or prevent drilling operations including: (i) unexpected drilling conditions; (ii) pressure or irregularities in geological formations; (iii) equipment failures or accidents; (iv) adverse weather conditions; and (v) shortages or delays in availability of drilling rigs and delivery of equipment.

Our Production Initiatives May Not Prove Successful.

The coal beds from which we intend to produce natural gas frequently contain water, which may hamper our ability to produce gas in commercial quantities. The amount of natural gas that can be commercially produced depends upon the coal quality, the original gas content of the coal seam, the thickness of the seam, the reservoir pressure, the rate at which gas is released from the coal, and the existence of any natural fractures through which the gas can flow to the well bore. However, coal beds frequently contain water that must be removed in order for the gas to detach from the coal and flow to the well bore. The average life of a coal bed well is only five to six years. Our ability to remove and dispose of sufficient quantities of water from the coal seam will determine whether or not we can produce coal bed methane in commercial quantities.

There is no guarantee that the potential drilling locations we have or acquire in the future will ever produce natural gas or oil, which could have a material adverse effect upon our results of operations.

Prospects That We Decide to Drill May Not Yield Natural Gas or Oil in Commercially Viable Quantities.

We describe some of our current prospects in this Annual Report. Our prospects are in various stages of preliminary evaluation and assessment and we have not reached the point where we will decide to drill at all on the subject prospects. However, the use of seismic data, historical drilling logs, offsetting well information, and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling and testing whether natural gas or oil will be present or, if present, whether natural gas or oil will be present in sufficient quantities or quality to recover drilling or completion costs or to be economically viable. In sum, the cost of drilling, completing and operating any wells is often uncertain and new wells may not be productive.

We May Be Unable to Identify Liabilities Associated With the Properties or Obtain Protection From Sellers Against Them.

One of our growth strategies is to capitalize on opportunistic acquisitions of oil and natural gas reserves. However, our reviews of acquired properties are inherently incomplete because it generally is not feasible to review in depth every individual property involved in each acquisition. A detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Further, environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken. We may not be able to obtain indemnification or other protections from the sellers against such potential liabilities, which would have a material adverse effect upon our results of operations.

The Potential Profitability of Oil and Gas Ventures Depends Upon Global Political and Market Related Factors Beyond Our Control.

World prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These and other changes and events may materially affect our financial performance. The potential profitability of oil and gas properties is dependent on these and other factors beyond our control.

Production of Oil and Gas Resources if Found Are Dependent on Numerous Operational Uncertainties Specific to the Area of the Resource That Affects its Profitability.

Production area specifics affect profitability. Adverse weather conditions can hinder drilling operations and ongoing production work. A productive well may become uneconomic in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. Production and treatments on other wells in the area can have either a positive or negative effect on our production and wells. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. The content of hydrocarbons is subject to change over the life of producing wells. The marketability of oil and gas from any specific reserve which may be acquired or discovered will be affected by numerous factors beyond our control. These factors include, but are not limited to, the proximity and capacity of oil and gas pipelines, availability of room in the pipelines to accommodate additional production, processing and production equipment operating costs and equipment efficiency, market fluctuations of prices and oil and gas marketing relationships, local and state taxes, mineral owner and other royalties, land tenure, lease bonus costs and lease damage costs, allowable production, and environmental protection. These factors cannot be accurately predicted and the combination of these factors may result in us not receiving an adequate return on our invested capital.

If Production Results From Operations, We are Dependent Upon Transportation and Storage Services Provided by Third Parties.

We will be dependent on the transportation and storage services offered by various interstate and intrastate pipeline companies for the delivery and sale of our gas supplies. Both the performance of transportation and storage services by interstate pipelines and the rates charged for such services are subject to the jurisdiction of the Federal Energy Regulatory Commission or state regulatory agencies. An inability to obtain transportation and/or storage services at competitive rates could hinder our processing and marketing operations and/or affect our sales margins.

Our Results of Operations are Dependent Upon Market Prices for Oil and Gas, Which Fluctuate Widely and are Beyond Our Control.

If and when production from oil and gas properties is reached, our revenue, profitability, and cash flow depend upon the prices and demand for oil and natural gas. The markets for these commodities are very volatile and even relatively modest drops in prices can significantly affect our financial results and impede our growth. Prices received also will affect the amount of future cash flow available for capital expenditures and may affect our ability to raise additional capital. Lower prices may also affect the amount of natural gas and oil that can be economically produced from reserves either discovered or acquired. Factors that can cause price fluctuations include: (i) the level of consumer product demand; (ii) domestic and foreign governmental regulations; (iii) the price and availability of alternative fuels; (iv) technical advances affecting energy consumption; (v) proximity and capacity of oil and gas pipelines and other transportation facilities; (vi) political conditions in natural gas and oil producing regions; (vii) the domestic and foreign supply of natural gas and oil; (viii) the ability of members of Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls; (ix) the price of foreign imports; and (x) overall domestic and global economic conditions.

The availability of a ready market for our oil and gas depends upon numerous factors beyond our control, including the extent of domestic production and importation of oil and gas, the relative status of the domestic and international economies, the proximity of our properties to gas gathering systems, the capacity of those systems, the marketing of other competitive fuels, fluctuations in seasonal demand and governmental regulation of production, refining, transportation and pricing of oil, natural gas and other fuels.

The Oil and Gas Industry in Which We Operate Involves Many Industry Related Operating and Implementation Risks That Can Cause Substantial Losses Including, But not Limited to, Unproductive Wells, Natural Disasters, Facility and Equipment Problems and Environmental Hazards.

Our drilling activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for oil and natural gas can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenues to return a profit. In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of other drilling and production, weather and natural disaster, equipment and service failure, environmental and regulatory, and site specific related factors, including but not limited to: (i) fires; (ii) explosions; (iii) blow-outs and surface cratering; (iv) uncontrollable flows of underground natural gas, oil, or formation water; (v) natural disasters; (vi) facility and equipment failures; (vii) title problems; (viii) shortages or delivery delays of equipment and services; (ix) abnormal pressure formations; and (x) environmental hazards such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases.

If any of these events occur, we could incur substantial losses as a result of: (i) injury or loss of life; (ii) severe damage to and destruction of property, natural resources or equipment; (iii) pollution and other environmental damage; (iv) clean-up responsibilities; (v) regulatory investigation and penalties; (vi) suspension of our operations; or (vii) repairs necessary to resume operations.

If we were to experience any of these problems, it could affect well bores, gathering systems and processing facilities, any one of which could adversely affect our ability to conduct operations. We may be affected by any of these events more than larger companies, since we have limited working capital.

The Oil and Gas Industry is Highly Competitive and There is No Assurance That We Will Be Successful in Acquiring Leases.

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Our larger competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing oil and natural gas properties.

The Marketability of Natural Resources Will be Affected by Numerous Factors Beyond Our Control, Which May Result in Us not Receiving an Adequate Return on Invested Capital to be Profitable or Viable.

The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and gas and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

Oil and Gas Operations are Subject to Comprehensive Regulation Which May Cause Substantial Delays or Require Capital Outlays in Excess of Those Anticipated Causing an Adverse Effect on Our Business Operations.

Oil and gas operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages which we may elect not to insure against due to prohibitive premium costs and other reasons. To date we have not been required to spend material amounts on compliance with environmental regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations.

In general, our exploration and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry.

We believe that our operations comply, in all material respects, with all applicable environmental regulations. We need insurance to protect our self against risks associated with the leases obtained. The leases allow for entry onto the properties for the purposes of oil and gas exploration. The insurance we require relates solely to developments on the properties for the purposes of oil and gas exploration.

When and if we are convinced that our current leases or those subsequently acquired are capable of hydrocarbon production and sales, and we plan to drill more than one well, we intend to maintain a \$2,000,000 per year limit policy on bodily injury and general liability with regard to risks incurred for the drilling of up to 25 wells. This will allow for our growth to contain non contract labor that would require us to carry such additional insurance for risks pertaining to oil and gas exploration conducted directly by us. Such a policy would include coverage for numerous locations for pollution, environmental damage, chemical spills and commercial general liability, fire, and personal injury. Such a policy will not be required until such time and date as we believe that we will begin a sustained drilling and operating program, and that at least one well has been drilled and is producing to justify and warrant further drilling and a sustained drilling and operating program.

Any Change to Government Regulation/Administrative Practices May Have a Negative Impact on Our Ability to Operate and Our Profitability.

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States or any other jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter our ability to carry on business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitability.

We May be Unable to Retain Key Employees or Consultants or Recruit Additional Qualified Personnel.

Our extremely limited personnel means that we would be required to spend significant sums of money to locate and train new employees in the event any of our employees resign or terminate their employment with us for any reason. Due to our limited operating history and financial resources, we are entirely dependent on the continued service of Peter Wilson, our Chief Executive Officer, and William Thomas, our Chief Financial Officer. Further, we do not have key man life insurance on either of these individuals. We may not have the financial resources to hire a replacement if one or both of our officers were to die. The loss of service of either of these employees could therefore significantly and adversely affect our operations.

Our Officers and Directors May be Subject to Conflicts of Interest.

Our officers and directors serve only part time and are subject to conflicts of interest. Each devotes part of his working time to other business endeavors, including consulting relationships with other entities, and has responsibilities to these other entities. Such conflicts include deciding how much time to devote to our affairs, as well as what business opportunities should be presented to us. Because of these relationships, our officers and directors will be subject to conflicts of interest. Currently, we have no policy in place to address such conflicts of interest.

Nevada Law and Our Articles of Incorporation May Protect our Directors From Certain Types of Lawsuits.

Nevada law provides that our officers and directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as officers and directors. Our Bylaws permit us broad indemnification powers to all persons against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our officers and directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our officers and directors against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

RISKS RELATED TO OUR COMMON STOCK

Sales of a Substantial Number of Shares of Our Common Stock Into the Public Market by Certain Stockholders May Result in Significant Downward Pressure on the Price of Our Common Stock and Could Affect Your Ability to Realize the Current Trading Price of Our Common Stock.

Sales of a substantial number of shares of our common stock in the public market by certain stockholders could cause a reduction in the market price of our common stock. As of the date of this Annual Report, we have 52,612,392 shares of common stock issued and outstanding. Of the total number of issued and outstanding shares of common stock, certain stockholders are able to resell up to 2,778,466 shares of our common stock pursuant to the Registration Statement declared effective on February 14, 2006. As a result of the Registration Statement, 2,778,466 shares of our common stock were issued and are available for immediate resale which could have an adverse effect on the price of our common stock.

As of the date of this Annual Report, there are 18,763,388 outstanding shares of our common stock that are restricted securities as that term is defined in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). Although the Securities Act and Rule 144 place certain prohibitions on the sale of restricted securities, restricted securities may be sold into the public market under certain conditions. Further, as of the date of this Annual Report, there are an aggregate of 3,400,000 Stock Options outstanding. See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Any significant downward pressure on the price of our common stock as the selling stockholders sell their shares of our common stock could encourage short sales by the selling stockholders or others. Any such short sales could place further downward pressure on the price of our common stock.

The Trading Price of Our Common Stock on the OTC Bulletin Board Will Fluctuate Significantly and Stockholders May Have Difficulty Reselling Their Shares.

As of the date of this Annual Report, our common stock trades on the Over-the-Counter Bulletin Board. There is a volatility associated with Bulletin Board securities in general and the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock: (i) disappointing results from our discovery or development efforts; (ii) failure to meet our revenue or profit goals or operating budget; (iii) decline in demand for our common stock; (iv) downward revisions in securities analysts' estimates or changes in general market conditions; (v) technological innovations by competitors or in competing technologies; (vi) lack of funding generated for operations; (vii) investor perception of our industry or our prospects; and (viii) general economic trends.

In addition, stock markets have experienced price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to sell their shares at a fair price and you may lose all or part of your investment.

Additional Issuance of Equity Securities May Result in Dilution to Our Existing Stockholders.

Our Articles of Incorporation, as amended, authorize the issuance of 66,666,666 shares of common stock, which authorized capital was reduced simultaneously in accordance with the Reverse Stock Split. Common stock is our only authorized class of stock. The board of directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and the issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, your proportionate ownership interest and voting power will be decreased accordingly. Further, any such issuance could result in a change of control.

Our Common Stock is Classified as a "Penny Stock" Under SEC Rules Which Limits the Market for Our Common Stock.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. A broker-dealer must also provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer, and sales person in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for stock that becomes subject to those penny stock rules. If a trading market for our common stock develops, our common stock will probably become subject to the penny stock rules, and shareholders may have difficulty in selling their shares.

A Majority of Our Directors and Officers are Outside the United States With the Result That it May Be Difficult for Investors to Enforce Within the United States Any Judgments Obtained Against Us or Any of Our Directors or Officers.

A majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on our directors or officers, or enforce within the United States or Canada any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal securities laws against them. In addition, investors may not be able to commence an action in a Canadian court predicated upon the civil liability provisions of the securities laws of the United States.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of the date of this Annual Report, there are no unresolved comments pending from the Securities and Exchange Commission.

ITEM 2. PROPERTIES

We lease our principal office space located at 6060 North Central Expressway, Suite 560, Dallas, Texas 75206. The office costs us approximately \$180 monthly. The office and services related thereto are on a one year lease basis with the office lease renewed for another one year period due on September 5, 2012 .

ITEM 3. LEGAL PROCEEDINGS

Management is not aware of any legal proceedings other than disclosed below contemplated by any governmental authority or any other party involving us or our properties. As of the date of this Annual Report, no director, officer or affiliate is (i) a party adverse to us in any legal proceeding, or (ii) has an adverse interest to us in any legal proceedings. Other than discussed below, management is not aware of any other legal proceedings pending or that have been threatened against us or our properties.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON EQUITY

Shares of our common stock commenced trading on the OTC Bulletin Board under the symbol “MCKE:OB” on approximately May 24, 2006. The market for our common stock is limited, and can be volatile. The following table sets forth the high and low bid prices relating to our common stock on a quarterly basis for the periods indicated as quoted by the NASDAQ stock market. These quotations reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not reflect actual transactions.

Quarter Ended	High Bid	Low Bid
December 31, 2011	\$ 0.13	\$ 0.01
September 30, 2011	\$ 0.16	\$ 0.09
June 30, 2011	\$ 0.16	\$ 0.12
March 31, 2011	\$ 0.20	\$ 0.12
December 31, 2010	\$ 0.25	\$ 0.12
September 30, 2010	\$ 0.30	\$ 0.15
June 30, 2010	\$ 0.30	\$ 0.20
March 31, 2010	\$ 0.58	\$ 0.24

As of March 1, 2012, we had 38 shareholders of record, which does not include shareholders whose shares are held in street or nominee names.

DIVIDEND POLICY

No dividends have ever been declared by the Board of Directors on our common stock. Our losses do not currently indicate the ability to pay any cash dividends, and we do not indicate the intention of paying cash dividends on our common stock in the foreseeable future.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATION PLANS

We have one equity compensation plan, the Morgan Creek Energy Corp. 2006 Stock Option Plan (the “2006 Plan”). The table set forth below presents information relating to our equity compensation plans as of the date of this Annual Report:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding column (a))
Equity Compensation Plans Approved by Security Holders (2006 Stock Option Plan)	3,400,000	\$ 0.27	3,400,000
Equity Compensation Plans Not Approved by Security Holders Warrants	-0-	-0-	-0-
Total	3,400,000		

2006 Stock Option Plan

On April 3, 2006, our Board of Directors authorized and approved the adoption of the 2006 Plan effective April 3, 2006, under which an aggregate of 5,000,000 of our shares may be issued. On April 22, 2008, we effected the reverse stock split, which decreased the number of shares issuable under the Stock Option Plan from 5,000,000 shares to 1,666,666 shares. On April 28, 2008, our Board of Directors approved an amendment to the Stock Option Plan to increase the number of shares issuable under the Stock Option Plan to an aggregate of 5,000,000 shares. On August 3, 2009, we effected the Forward Stock Split, which increased the number of shares issuable under the Stock Option Plan from 5,000,000 shares to 10,000,000 shares.

The purpose of the 2006 Plan is to enhance our long-term stockholder value by offering opportunities to our directors, officers, employees and eligible consultants to acquire and maintain stock ownership in order to give these persons the opportunity to participate in our growth and success, and to encourage them to remain in our service.

The 2006 Plan is to be administered by our Board of Directors or a committee appointed by and consisting of one or more members of the Board of Directors, which shall determine (i) the persons to be granted Stock Options under the 2006 Plan; (ii) the number of shares subject to each option, the exercise price of each Stock Option; and (iii) whether the Stock Option shall be exercisable at any time during the option period up to ten (10) years or whether the Stock Option shall be exercisable in installments or by vesting only. The 2006 Plan provides authorization to the Board of Directors to grant Stock Options to purchase a total number of shares of Common Stock of the Company, not to exceed 5,000,000 shares as at the date of adoption by the Board of Directors of the 2006 Plan (as increased to 10,000,000 shares in accordance with the Forward Stock Split). At the time a Stock Option is granted under the 2006 Plan, the Board of Directors shall fix and determine the exercise price at which shares of our common stock may be acquired.

In the event an optionee ceases to be employed by or to provide services to us for reasons other than cause, retirement, disability or death, any Stock Option that is vested and held by such optionee generally may be exercisable within up to ninety (90) calendar days after the effective date that his position ceases, and after such 90-day period any unexercised Stock Option shall expire. In the event an optionee ceases to be employed by or to provide services to us for reasons of retirement, disability or death, any Stock Option that is vested and held by such optionee generally may be exercisable within up to one-year after the effective date that his position ceases, and after such one-year period any unexercised Stock Option shall expire.

No Stock Options granted under the Stock Option Plan will be transferable by the optionee, and each Stock Option will be exercisable during the lifetime of the optionee subject to the option period up to ten (10) years or limitations described above. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one (1) year of his death or such longer period as the Board of Directors may determine.

The exercise price of a Stock Option granted pursuant to the 2006 Plan shall be paid in full to us by delivery of consideration equal to the product of the Stock Option in accordance with the requirements of the Nevada Revised Statutes. Any Stock Option settlement, including payment deferrals or payments deemed made by way of settlement of pre-existing indebtedness may be subject to such conditions, restrictions and contingencies as may be determined.

Grant of Stock Options During Fiscal Years Ended December 31, 2008 and December 31, 2009

We had adopted the Stock Option Plan pursuant to which there was an aggregate of 5,000,000 shares available for issuance under the Stock Option Plan, reduced to 3,333,334 shares in accordance with a reverse stock split effective April 22, 2008, and subsequently increased to 5,000,000 shares by Board of Director approval and resolution on April 28, 2008. On December 12, 2006 our Board of Directors authorized the grant of an aggregate 1,233,336 Stock Options under the Stock Option Plan to certain officers, directors and consultants, at an exercise price of \$1.65 per share expiring on December 12, 2016, taking into effect the reverse stock split (collectively, the "2006 Stock Options"). On April 30, 2008, our Board of Directors authorized the grant of an aggregate 2,500,000 Stock Options under the Stock Option Plan to certain officers, directors and consultants, at an exercise price of \$0.50 per share expiring on April 30, 2018 (collectively, the "2008 Stock Options").

On July 14, 2009, our Board of Directors approved the cancellation of certain of the 2006 Stock Options and the 2008 Stock Options, which aggregated 3,566,670 Stock Options thus leaving a balance of 166,666 Stock Options. Effective July 14, 2009, our Board of Directors then approved the re-issuance of 3,000,000 Stock Options (the "2009 Stock Options") to certain of our officers, directors and consultants at an exercise price of \$0.25 for a period of ten years.

On September 1, 2009, our Board of Directors approved the further grant of 200,000 stock options to one of our directors exercisable at \$0.39 for a period of ten years;

On December 8, 2009, our Board of Directors approved the further grant of 200,000 Stock Options to one of our directors exercisable at \$0.58 per share for a period of ten years.

During fiscal year ended December 31, 2011, an aggregate 166,666 Stock Options expired. Thus, as of the date of this Annual Report, an aggregate 3,400,000 Stock Options are outstanding.

Incentive Stock Options

The 2006 Plan further provides that, subject to the provisions of the Stock Option Plan and prior shareholder approval, the Board of Directors may grant to any key individuals who are our employees eligible to receive options one or more incentive stock options to purchase the number of shares of common stock allotted by the Board of Directors (the "Incentive Stock Options"). The option price per share of common stock deliverable upon the exercise of an Incentive Stock Option shall be at least 100% of the fair market value of the common shares of the Company, and in the case of an Incentive Stock Option granted to an optionee who owns more than 10% of the total combined voting power of all classes of our stock, shall not be less than 100% of the fair market value of our common shares. The option term of each Incentive Stock Option shall be determined by the Board of Directors, which shall not commence sooner than from the date of grant and shall terminate no later than ten (10) years from the date of grant of the Incentive Stock Option, subject to possible early termination as described above.

Common Stock Purchase Warrants

During fiscal year ended December 31, 2009, we issued 3,600,000 warrants and an aggregate of 2,448,000 warrants expired. The 3,600,000 warrants to purchase shares of common stock and the shares of common stock underlying the warrants were issued in a private placement by us during fiscal year 2009 at an exercise price of \$0.25 per share exercisable for a period of twelve months from the date of share issuance, which expiration date is July 20, 2010. This left a balance of 3,600,000 warrants as of December 31, 2009.

During fiscal year ended December 31, 2010, we issued a further 1,790,000 Warrants and an aggregate 3,600,000 warrants expired. The 1,790,000 warrants to purchase shares of common stock underlying the warrants were issued in a private placement by us during fiscal year 2010 at an exercise price of \$0.50 per share exercisable for a period of twelve months from the date of share issuance which expiration date is June 11, 2011. This left a balance of 1,790,000 warrants as of December 31, 2010.

During fiscal year ended December 31, 2011, an aggregate 1,790,000 warrants expired. Thus, as of the date of this Annual Report, there are no warrants issued and outstanding (the "Warrants").

RECENT SALES OF UNREGISTERED SECURITIES

As of the date of this Annual Report and during fiscal year ended December 31, 2011, we did not issue any shares of stock.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - SPECIAL MEETING OF SHAREHOLDERS

There were no matters submitted to a vote of the security holders during the year ended December 31, 2011.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial information is qualified by reference to, and should be read in conjunction with our financial statements and the notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” contained elsewhere herein. The selected income statement data for fiscal years ended December 31, 2011 and 2010 and the selected balance sheet data as of December 31, 2011 and 2010 are derived from our audited financial statements which are included elsewhere herein.

	Fiscal Years Ended December 31, 2011 and 2010		For the Period from inception (October 19, 2004) to December 31, 2011
STATEMENT OF OPERATIONS DATA			
General and Administrative Expenses			
Investor relations expenses	\$-	\$15,000	\$921,268
Consulting expenses	12,000	6,965	880,537
Management fees – related party	106,080	108,680	1,296,443
Management fees – stock based compensation	-	-	2,430,595
Impairment of oil and gas properties	3,987,206	1,109,993	6,708,952
Office and general	84,990	139,134	885,280
Professional fees	74,333	145,651	1,066,573
Net Operating Loss	\$(4,264,609)	\$(1,525,423)	\$(14,189,648)
Other Income (Expenses)			
Gain on expired option	-	-	100,000
Financing costs	-	-	(424,660)
Interest expense	(13,743)	(3,459)	(138,229)
Total Other Income (Expenses)	(13,743)	(3,459)	(462,889)
Net Loss	\$(4,278,352)	\$(1,528,882)	\$(14,652,357)
BALANCE SHEET DATA			
Total Assets	\$5,672	\$4,024,917	
Total Liabilities	794,021	534,914	
Stockholders’ Equity (deficit)	\$(788,349)	\$3,490,003	

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The summarized financial data set forth in the table above is derived from and should be read in conjunction with our audited financial statements for the period from inception (October 19, 2004) to fiscal year ended December 31, 2011, including the notes to those financial statements which are included in this Annual Report. The following discussion should be read in conjunction with our audited financial statements and the related notes that appear elsewhere in this Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and elsewhere in this Annual Report, particularly in the section entitled "Risk Factors". Our audited financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

We are an exploration stage company and have not generated any revenue to date. The above table sets forth selected financial information for the periods indicated. We have incurred recurring losses to date. Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

We expect we will require additional capital to meet our long term operating requirements. We expect to raise additional capital through, among other things, the sale of equity or debt securities.

RESULTS OF OPERATION

Fiscal Year Ended December 31, 2011 Compared to Fiscal Year Ended December 31, 2010.

Our net loss for fiscal year ended December 31, 2011 was (\$4,278,352) compared to a net loss of (\$1,528,882) during fiscal year ended December 31, 2010 (an increase of \$2,749,470). During fiscal years ended December 31, 2011 and 2010, we did not generate any revenue.

During fiscal year ended December 31, 2011, we incurred general and administrative expenses of approximately \$4,264,609 compared to \$1,525,423 incurred during fiscal year ended December 31, 2010 (an increase of \$2,739,186). These general and administrative expenses incurred during fiscal year ended December 31, 2011 consisted of: (i) investor relations of \$0- (2010: \$15,000); (ii) consulting fees of \$12,000 (2010: \$6,965); (iii) management fees – related party of \$106,080 (2010: \$108,680); (iv) impairment of oil and gas properties \$3,987,206 (2010: \$1,109,993); (v) office and general of \$84,990 (2010: \$139,134); and (vi) professional fees of \$74,333 (2010: \$145,651).

General and administrative expenses incurred during fiscal year ended December 31, 2011 compared to fiscal year ended December 31, 2010 increased primarily due to the recording of impairment charge against oil and gas properties of \$3,987,206. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Of the \$4,264,609 incurred as general and administrative expenses during fiscal year ended December 31, 2011, we incurred management fees of \$106,080 payable to our officers and directors.

During fiscal year ended December 31, 2011, we recorded total other expenses consisting of interest expense of \$13,743 compared to interest expense of \$3,459 recorded during fiscal year ended December 31, 2010.

Thus, our net loss during fiscal year ended December 31, 2011 was (\$4,278,352) or (\$0.08) per share compared to a net loss of (\$1,528,882) or (\$0.04) per share during fiscal year ended December 31, 2010. The weighted average number of shares outstanding was 52,612,392 for fiscal year ended December 31, 2011 compared to 41,262,447 for fiscal year ended December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Fiscal Year Ended December 31, 2011

As at fiscal year ended December 31, 2011, our current assets were \$5,672 and our current liabilities were \$794,021, which resulted in a working capital deficit of \$788,349. As at fiscal year ended December 31, 2011, current assets were comprised of: (i) \$4,119 in cash; and (ii) \$1,553 in prepaid expense. As at fiscal year ended December 31, 2011, current liabilities were comprised of: (i) \$346,384 in accounts payable and accrued liabilities; (ii) \$272,637 in amounts due to related parties; and (iii) \$175,000 in loan payable.

As at December 31, 2011, our total assets were \$5,672 comprised of current assets. The decrease in total assets during fiscal year ended December 31, 2011 from fiscal year ended December 31, 2010 was primarily due to impairment charge to our unproved oil and gas properties thus resulting in a \$0 valuation compared to a valuation of \$3,987,206 of unproved oil and gas properties for fiscal year ended December 31, 2010.

As at December 31, 2011, our total liabilities were \$794,021 comprised entirely of current liabilities. The increase in liabilities during fiscal year ended December 31, 2011 from fiscal year ended December 31, 2010 was primarily due to the recording of the loan payable of \$175,000.

Stockholders' Equity/Deficit decreased from equity of \$3,490,003 for fiscal year ended December 31, 2010 to Stockholders' deficit of (\$788,349) for fiscal year ended December 31, 2011.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For fiscal year ended December 31, 2011, net cash flows used in operating activities was (\$92,050), consisting primarily of a net loss of (\$4,278,352). Net cash flows used in operating activities was adjusted by \$3,987,206 in impairment of oil and gas properties. Net cash flows used in operating activities was further changed by an increase of \$8,522 in accrued interest, \$35,822 in prepaid expenses, decrease of \$102,885 in accounts payable and accrued liabilities and increase of \$257,637 due to related parties. For fiscal year ended December 31, 2010, net cash flows used in operating activities was (\$835,967), consisting primarily of a net loss of (\$1,528,882). Net cash flows used in operating activities was adjusted by \$1,109,993 in impairment of oil and gas properties. Net cash flows used in operating activities was further changed by a decrease of (\$39,707) in accrued interest and (\$394,236) in accounts payable and accrued liabilities and decrease of \$16,865 in prepaid expenses and deposits.

Cash Flows from Investing Activities

For fiscal year ended December 31, 2011, net cash flows from investing activities was \$0. For fiscal year ended December 31, 2010, net cash flows from investing activities was \$415,027 consisting of \$161,475 in oil and gas property expenditures and deposits and \$253,552 in proceeds from sale of partial equity interest in oil and gas property.

Cash Flows from Financing Activities

We have financed our operations primarily from either advancements or the issuance of equity and debt instruments. For fiscal year ended December 31, 2011, net cash flows provided from financing activities was \$95,833 compared to \$228,167 for fiscal year ended December 31, 2010. Cash flows from financing activities for fiscal year ended December 31, 2011 consisted of \$175,000 in loans payable and \$80,000 in advances from related parties, which was offset by (\$159,167) in payments to related parties. Cash flows from financing activities for fiscal year ended December 31, 2010 consisted of \$228,167 consisting of \$290,000 in proceeds on sale and subscriptions of common stock and \$100,000 in advances from related parties, which was offset by (\$161,833) in payments to related parties.

We expect that working capital requirements will continue to be funded through a combination of our existing funds and further issuances of securities. Our working capital requirements are expected to increase in line with the growth of our business.

PLAN OF OPERATION AND FUNDING

Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund our operations over the next six months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our business plan, management anticipates additional increases in operating expenses and capital expenditures relating to: (i) oil and gas operating properties; (ii) possible drilling initiatives on current properties and future properties; and (iii) future property acquisitions. We intend to finance these expenses with further issuances of securities, and debt issuances. Thereafter, we expect we will need to raise additional capital and generate revenues to meet long-term operating requirements. Additional issuances of equity or convertible debt securities will result in dilution to our current shareholders. Further, such securities might have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of prospective new business endeavors or opportunities, which could significantly and materially restrict our business operations.

MATERIAL COMMITMENTS

As of December 31, 2007, \$1,365,500 was owed to a shareholder for advances made to the Company. During fiscal year ended December 31, 2008, we repaid \$500,000 to this shareholder. Further, the shareholder assigned the amount of \$1,940,500 to various assignees and settled the \$1,515,214 pursuant to the issuance of 5,050,712 shares of our restricted common stock at \$0.375 per share. During 2009, this shareholder made further advances of \$170,000 and was repaid \$124,000. On July 20, 2009 the Company issued 1,600,000 units at \$0.125 per unit on settlement of shareholder advances of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.25 per share for a period of 12 months from the date of issuance. During 2010, this shareholder was repaid a total of \$156,000 for prior advances and \$49,000 of accrued interest. During 2010, another shareholder made advances of \$94,167 which were due and owing as of December 31, 2010, which bears interest at 8% per annum and has no specific repayment terms. During 2011, this shareholder made further advances of \$80,000 which bears interest at 8% per annum and has no specific repayment terms. The balance owing of \$159,167 and \$5,220 in principal and interest respectively was repaid on May 16, 2011. As of December 31, 2011, total accrued interest was \$302 leaving a total of \$15,302 owing to this shareholder.

During fiscal year ended December 31, 2011, we received loan proceeds of \$175,000 from an unrelated third party. The loan was evidenced in a promissory note dated May 15, 2011 and maturing November 15, 2011. The promissory note bears interest at the rate of 10% per annum of which a total of \$10,979 has accrued as at December 31, 2011. This note is due on demand.

PURCHASE OF SIGNIFICANT EQUIPMENT

We do not intend to purchase any significant equipment during the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Annual Report, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

GOING CONCERN

The independent auditors' report accompanying our December 31, 2011 and December 31, 2010 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The financial statements have been prepared "assuming that we will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

DECEMBER 31, 2011 and 2010

(AUDITED)

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Report of Independent Registered Public Accounting Firm

To The Board of Directors and Stockholders
Morgan Creek Energy Corp.

We have audited the accompanying balance sheets of Morgan Creek Energy Corp. (An Exploration Stage Company) as of December 31, 2011 and 2010, and the related statements of operations, stockholders' equity (deficit), and cash flows for the years then ended and from inception (October 19, 2004) to December 31, 2011. Morgan Creek Energy Corp.'s management is responsible for these financial statements. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan Creek Energy Corp. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended and from inception (October 19, 2004) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

De Joya Griffith & Company, LLC

/s/ De Joya Griffith & Company, LLC
Henderson, NV
April 5, 2012

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MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

BALANCE SHEETS

	December 31, 2011 (Audited)	December 31, 2010 (Audited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,119	\$ 336
Prepaid expense	1,553	37,375
TOTAL CURRENT ASSETS	5,672	37,711
OIL AND GAS PROPERTIES, unproven (Note 3)	-	3,987,206
TOTAL ASSETS	\$ 5,672	\$ 4,024,917
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 346,384	\$ 437,987
Due to related parties (Note 6)	272,637	96,927
Loan payable (Note 7)	175,000	-
TOTAL CURRENT LIABILITIES	794,021	534,914
GOING CONCERN (Note 1)		
STOCKHOLDERS' EQUITY (DEFICIT) (Note 4)		
Common stock, 66,666,666 shares authorized with \$0.001 par value		
Issued and outstanding		
52,612,392 common shares (December 31, 2010		
-52,612,392)	52,612	52,612
Additional paid-in-capital	13,811,576	13,811,576
Deficit accumulated during exploration stage	(14,652,537)	(10,374,185)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(788,349)	3,490,003
TOTAL LIABILITIES & STOCK HOLDERS' EQUITY	\$ 5,672	\$ 4,024,917

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF OPERATIONS

	Year ended December 31, 2011 (Audited)	Year ended December 31, 2010 (Audited)	In (Oc 2 De 3 (A
GENERAL AND ADMINISTRATIVE EXPENSES			
Investor relations	\$-	\$15,000	\$92
Consulting fees	12,000	6,965	88
Management fees – related party	106,080	108,680	1,2
Management fees - stock based compensation	-	-	2,4
Impairment of oil and gas properties (Note 3)	3,987,206	1,109,993	6,7
Office and general	84,990	139,134	88
Professional fees	74,333	145,651	1,0
NET OPERATING LOSS	(4,264,609)	(1,525,423)	(14
OTHER INCOME (EXPENSES)			
Gain on expired oil and gas lease option	-	-	10
Financing costs	-	-	(42
Interest expense	(13,743)	(3,459)	(13
TOTAL OTHER EXPENSES	(13,743)	(3,459)	(40
NET LOSS FOR THE YEAR	\$(4,278,352)	\$(1,528,882)	\$(14
BASIC LOSS PER COMMON SHARE	\$(0.08)	\$(0.04)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC	52,612,392	41,262,447	

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD FROM INCEPTION (OCTOBER 19, 2004) TO DECEMBER 31, 2011
(Audited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid in Capital	Private Placement Subscriptions	Deficit accumulated during exploration stage	Total Stockholders' Equity
Balance, October 19, 2004	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock issued for oil and gas property at \$0.0375 per share – November 19, 2004	16,000,000	16,000	584,000	-	-	600,000
Capital distribution to founding share holder on acquisition of oil and gas property (Note 3)	-	-	(600,000)	-	-	(600,000)
Common stock issued for cash at \$0.0375 per share – November 26, 2004 and December 15, 2004	9,166,666	9,166	334,584	-	-	343,750
Common stock issued for cash at \$0.1875 per share – December 15, 2004	1,760,534	1,791	328,339	-	-	330,100
Net loss for the period	-	-	-	-	(23,729)	(23,729)
Balance, December 31, 2004	26,927,200	26,927	646,923	-	(23,729)	650,121
Common stock issued for cash at \$0.1875 per share – March 9, 2005	186,666	187	34,813	-	-	35,000
Net loss for the year	-	-	-	-	(204,026)	(204,026)
Balance, December 31, 2005	27,113,866	27,114	681,736	-	(227,755)	481,095
Common stock issued for cash at \$2.25 per share – October 16, 2006	629,404	629	1,415,529	-	-	1,416,158
Common stock issued for oil and gas property at \$2.625 per share – October 17, 2006 (Note 3)	133,334	133	349,867	-	-	350,000
Stock-based compensation	-	-	1,527,170	-	-	1,527,170

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Restricted common shares cancelled						
– December 19, 2006	(8,000,000)	(8,000)	8,000	-	-	-
Net loss for the year	-	-	-	-	(3,918,002)	(3,918,002)
Balance, December 31, 2006	19,876,604	19,876	3,982,302	-	(4,145,757)	(143,579)
Net loss for the year	-	-	-	-	(817,021)	(817,021)
Balance, December 31, 2007	19,876,604	19,876	3,982,302	-	(4,962,778)	(960,600)
Shares for debt at \$0.375 per share – February 13, 2008	5,050,712	5,051	1,888,966	-	-	1,894,017
Shares for debt at \$0.315 per share – March 24, 2008	3,057,076	3,057	959,923	-	-	962,980
Common stock issued for cash at \$0.375 per share – July 3, 2008 and October 23, 2008, net of finder’s fees	2,448,000	2,448	894,639	-	-	897,087
Stock based compensation – options	-	-	436,955	-	-	436,955
Net loss for the year	-	-	-	-	(2,021,930)	(2,021,930)
Balance, December 31, 2008	30,432,392	\$ 30,432	\$ 8,162,785	\$ -	\$ (6,984,708)	\$ 1,208,509

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM INCEPTION (OCTOBER 19, 2004) TO DECEMBER 31, 2011
(Audited)

	Common Stock Number of Shares	Amount	Additional Paid in Capital	Private Placement Subscriptions	Deficit accumulated during exploration stage	Total Stockholders' Equity
Balance forward, December 31, 2008	30,432,392	\$ 30,432	\$ 8,162,786	\$ -	\$ (6,984,708)	\$ 1,208,510
Shares for debt at \$0.125 per share – July 20, 2009	1,640,000	1,640	203,360	-	-	205,000
Common stock issued for cash at \$0.125 per share:						
- September 30, 2009, net of finder's fees	1,960,000	1,960	239,540	-	-	241,500
Stock based compensation – options	-	-	466,470	-	-	466,470
Subscription proceeds received (Note 4)	-	-	-	1,468,000	-	1,468,000
Net loss for the year	-	-	-	-	(1,860,595)	(1,860,595)
Balance, December 31, 2009	34,032,392	34,032	9,072,156	1,468,000	(8,845,303)	1,728,885
Common stock issued for cash at \$0.50 per share:						
- June 11, 2010, net of \$7,000 finder's fees	3,480,000	3,480	1,729,520	(1,468,000)	-	265,000
Common stock issued for cash at \$0.25 per share:						
- June 11, 2010	100,000	100	24,900	-	-	25,000
Common stock issued for property at \$0.20 per share:						
- October 21, 2010	15,000,000	15,000	2,985,000	-	-	3,000,000
Net loss for the year	-	-	-	-	(1,528,882)	(1,528,882)
Balance December 31, 2010	52,612,392	52,612	13,811,576	-	(10,374,185)	3,490,003
Net loss for the year	-	-	-	-	(4,278,352)	(4,278,352)

Balance, December 31, 2011 (audited)	52,612,392	\$ 52,612	\$ 13,811,576	\$ -	\$ (14,652,537)	\$ (788,349)
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The accompanying notes are an integral part of these financial statements.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Year ended December 31, 2011 (Audited)	Year ended December 31, 2010 (Audited)	Inception (October 19, 2004) to December 31, 2011 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	\$(4,278,352)	\$(1,528,882)	\$(14,652,537)
Adjustments to reconcile net loss to net cash used in operating activities:			
- Stock based compensation	-	-	2,430,595
- Impairment of oil and gas properties	3,987,206	1,109,993	6,708,952
- Financing costs	-	-	424,660
CHANGES IN OPERATING ASSETS AND LIABILITIES			
- Interest accrued	8,522	(39,707)	11,282
- Prepaid expenses and deposits	35,822	16,865	(26,553)
- Due to related parties accrued	257,637	-	525,065
- Accounts payable and accrued liabilities	(102,885)	(394,236)	263,011
NET CASH USED IN OPERATING ACTIVITIES	(92,050)	(835,967)	(4,315,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Oil and gas property expenditures and deposits	-	161,473	(3,610,003)
Proceeds from sale of partial equity interest in oil and gas property, net	-	253,552	253,552
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	-	415,027	(3,356,451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on sale and subscriptions of common stock	-	290,000	5,021,595
Drilling advances	-	-	759,000
Loan payable	175,000	-	175,000
Payments to related parties	(159,167)	(161,833)	(1,815,000)
Advances from related parties	80,000	100,000	3,535,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	95,833	228,167	7,676,095
INCREASE (DECREASE) IN CASH	3,783	(192,773)	4,119
CASH, BEGINNING OF PERIOD	336	193,109	-
CASH, END OF PERIOD	\$4,119	\$336	\$4,119

SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:

Cash paid for interest	\$5,220	\$43,167	\$48,387
Cash paid for income taxes	\$-	\$-	\$-
Common stock issued for acquisition of oil and gas property	\$-	\$3,000,000	\$3,950,000
Transfer of bond against settlement of debt	\$-	\$-	\$25,000
Non-cash sale of oil and gas property	\$-	\$-	\$65,000
Common stock issued for settlement of debts (Note 4)	\$-	\$-	\$3,061,997

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

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Audited)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Morgan Creek Energy Corp. (the “Company”) is an exploration stage company that was organized to enter into the oil and gas industry. The Company intends to locate, explore, acquire and develop oil and gas properties in the United States and within North America. The primary activity and focus of the Company is its leases in New Mexico (“New Mexico Prospect”). The leases are unproven. To date we have leased approximately 7,576 net acres within the State of New Mexico. The Company has also acquired approximately an additional 5,763 net acres in New Mexico. (Refer to Note 3). The Company has entered into an Option Agreement to participate in approximately 5,600 net acres in Oklahoma (Refer to Note 3). In addition, we acquired leases in Texas (the “Quachita Prospect”). To date the Company has acquired approximately 1,971 net acres. During the production testing and evaluation period on the first well on the property, the Boggs #1, four of the five tested zones produced significant volumes of natural gas. Analysis of the gas indicates a “sweet” condensate rich gas with BTU values of 1,000. This quality will yield a premium price over the current U.S. average natural gas price. As formation water was also produced with the natural gas in the tested zones, the Boggs #1 was partially impaired as of December 31, 2010 and fully impaired as of December 31, 2011 (Refer to Note 3).

Going concern

The Company commenced operations on October 19, 2004 and has not realized any revenues since inception. As of December 31, 2011, the Company has an accumulated deficit of \$14,652,537. The ability of the Company to continue as a going concern is dependent on raising capital to fund ongoing operations and carry out its business plan and ultimately to attain profitable operations. Accordingly, these factors raise substantial doubt as to the Company’s ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence. To date the Company has funded its initial operations by way of private placements of common stock, advances from related parties, and loans.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Company was incorporated on October 19, 2004 in the State of Nevada. The Company’s fiscal year end is December 31.

Basis of presentation

These financial statements are presented in United States dollars and have been prepared in accordance with United States generally accepted accounting principles.

Oil and gas properties

The Company follows the full cost method of accounting for its oil and gas operations whereby all costs related to the acquisition of methane, petroleum, and natural gas interests are capitalized. Under this method, all productive and non-productive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties,

geological and geophysical costs, costs of drilling and equipping productive and non-productive wells, and direct exploration salaries and related benefits. Proceeds from the disposal of oil and gas properties are recorded as a reduction of the related capitalized costs without recognition of a gain or loss unless the disposal would result in a change of 20 percent or more in the depletion rate. The Company currently operates solely in the U.S.

Depreciation and depletion of proved oil and gas properties is computed on the units-of-production method based upon estimates of proved reserves, as determined by independent consultants, with oil and gas being converted to a common unit of measure based on their relative energy content.

The costs of acquisition and exploration of unproved oil and gas properties, including any related capitalized interest expense, are not subject to depletion, but are assessed for impairment either individually or on an aggregated basis. The costs of certain unevaluated leasehold acreage are also not subject to depletion. Costs not subject to depletion are periodically assessed for

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Audited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas properties (continued)

possible impairment or reductions in recoverable value. If a reduction in recoverable value has occurred, costs subject to depletion are increased or a charge is made against earnings for those operations where a reserve base is not yet established.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a units-of-production basis. Costs, which include production equipment removal and environmental remediation, are estimated each period by management based on current regulations, actual expenses incurred, and technology and industry standards. The charge is included in the provision for depletion and depreciation and the actual restoration expenditures are charged to the accumulated provision amounts as incurred.

The Company applies a ceiling test to capitalized costs which limits such costs to the aggregate of the estimated present value, using a ten percent discount rate of the estimated future net revenues from production of proven reserves at year end at market prices less future production, administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated market value of unproved properties. If capitalized costs are determined to exceed estimated future net revenues, a write-down of carrying value is charged to depletion in the period.

Asset retirement obligations

The Company has adopted the provisions of FASB ASC 410-20 "Asset Retirement and Environmental Obligations," which requires the fair value of a liability for an asset retirement obligation to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the related oil and gas properties. As of December 31, 2011, there has been no asset retirement obligations recorded.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 period. Actual results could differ from those estimates. Significant areas requiring management's estimates and assumptions are the determination of the fair value of transactions involving common stock and financial instruments. Other areas requiring estimates include deferred tax balances and asset impairment tests.

Cash and cash equivalents

For the statements of cash flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. There were no cash equivalents as of December 31, 2011 and 2010 that exceeded federally insured limits.

Financial instruments

The fair value of the Company's financial assets and financial liabilities approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

Earnings (loss) per common share

Basic earnings (loss) per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Dilutive earnings (loss) per share reflects the potential dilution of securities that could share in the earnings of the Company. Dilutive earnings (loss) per share is equal to that of basic earnings (loss) per share as the effects of stock options and warrants have been excluded as they are anti-dilutive.

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Audited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at December 31, 2011, the Company had net operating loss carryforwards, however, due to the uncertainty of realization, the Company has provided a full valuation allowance for the deferred tax assets resulting from these loss carryforwards.

Stock-based compensation

On June 1, 2006, the Company adopted FASB ASC 718-10, "Compensation-Stock Compensation", under this method, compensation cost recognized for the year ended May 31, 2007 includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of May 31, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all share-based payments granted subsequent to May 31, 2006, based on the grant-date fair value estimated in accordance with the provisions of FASB ASC 718-10. In addition, deferred stock compensation related to non-vested options is required to be eliminated against additional paid-in capital upon adoption of FASB ASC 718-10. The results for the prior periods were not restated.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with FASB ASC 718-10 and the conclusions reached by the FASB ASC 505-50. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by FASB ASC 505-50.

NOTE 3 – OIL AND GAS PROPERTIES

(a) Quachita Prospect

The Company has leased various properties totalling approximately 1,971 net acres within the Quachita Trend within the state of Texas for a three year term, all expiring during the year ended 2009, in consideration for \$338,353. The Company has a 100% Working Interest and a 77% N.R.I. in the leases. During 2009 the balances of the leases within the Quachita trend were allowed to lapse without renewal by the Company. Accordingly, during 2009 the Company wrote off the original cost of these leases totaling \$338,353. As allowed for under the lease which included the Boggs #1 well, the Company has paid a nominal fee to maintain its rights and access to the Boggs #1 well.

Boggs #1

On June 7, 2007, the Company began drilling its first well on the Quachita Prospect (Boggs #1). During 2007 the Company began production testing and evaluation of the well. Of the five tested zones, four produced significant volumes of natural gas. As formation water was also produced with the natural gas in the tested zones, the Boggs # 1 is currently under evaluation. To date, \$1,336,679 has been incurred on drilling and completion expenditures on the Boggs #1. The Boggs #1 was initially privately funded with the funding investors receiving a 75% Working Interest and a 54% Net Revenue Interest in exchange for providing 100% of all drilling and completion costs. To December 31, 2007, the Company had incurred \$1,335,780 of costs on Boggs #1 and had received \$759,000 in funding from the private investors. On March 24, 2008, the Company negotiated with the funding investors to acquire their interest in the well for an amount equal to the total amount of their initial investment being \$759,000 and forgiveness of any additional amounts owing. Effective March 24, 2008, the Company completed this acquisition and settlement through the issuance of 2,530,000 shares of common stock at \$0.315 per share (refer to Note 4).

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
(Audited)

NOTE 3 – OIL AND GAS PROPERTIES (continued)

As formation water was also produced with the natural gas in the tested zones, the Boggs #1 was fully impaired as of December 31, 2011. While there is potential to exploit lower zones or to recomplete the well under an improved gas pricing environment, an impairment charge of \$891,119 was recorded against the well in 2010 and a further impairment charge of \$445,560 was recorded against the well in fiscal 2011.

(b) New Mexico Prospect

The Company to date has leased various properties totalling approximately 7,576 net acres within the state of New Mexico for a five year term in consideration for \$112,883. The Company has a 100% Working Interest and an 84.5% N.R.I. in the leases. On October 31, 2008, the Company entered into an agreement to acquire from Westrock Land Corp. approximately 5,763 additional net acres of property within the State of New Mexico for a five year term in consideration for \$388,150. The Company acquired a 100% working interest in approximately 5,763 net acres; and an 81.5% N.R.I. in the leases in approximately 5,763 net acres.

On July 9, 2009, the Company entered into a Letter Agreement with FormCap Corp. (“FormCap”), for joint drilling on the Company’s New Mexico prospect whereby FormCap was required to drill and complete two mutually defined targets on the Company’s leases in return for an earned 50% Working Interest in the entire New Mexico Prospect. During the period FormCap advanced a non-refundable \$100,000 deposit under the terms of the Option to secure the project in connection with which the Company paid a finders’ fee of \$20,000. On September 24, 2009, the Company announced that FormCap could not meet the requirements of the Option Agreement and thus forfeited its rights to the project. The Company retained the \$100,000 non-refundable deposit and recorded it as a gain on expired oil and gas lease option during 2009. Due to current market conditions, the Company decided to fully impair these properties in fiscal 2011. An impairment charge of \$541,646 was recorded against these properties in fiscal 2011.

(c) Oklahoma Prospect

On May 28, 2009, the Company entered into a Letter Agreement with Bonanza Resources Corporation (“Bonanza”) for an option to earn a 60% interest of Bonanza’s 85% interest in the North Fork 3-D prospect in Beaver County, Oklahoma in approximately 5,600 net acres. The parties intended to enter into a definitive agreement regarding the option and purchase of the 60% interest within 60 days. A non-refundable payment of \$150,000 was paid to Bonanza, whereby Bonanza would grant the Company an exercise period of one year. As per a verbal agreement, the 60 day period was extended to August 17, 2009 and subsequently extended to October 28, 2009. On November 30, 2009 an amendment to the original agreement was made whereby the Company increased its option to acquire from 60% to 70% interest of Bonanza’s 85% interest. The Company paid \$50,000 during August 2009 and on October 23, 2009 paid an additional \$65,000. The balance of \$35,000 was due by December 31, 2009. Subsequently on January 12, 2010 the cumulative non-refundable payment was amended from \$150,000 to \$125,000. On January 15, 2010 the Company made the final payment of \$10,000.

In order to exercise the option, the Company would be required to incur \$2,400,000 in exploration and drilling expenditures during the Option Period which will be one year. In the event that the Company does not do so the option would terminate, the Company would cease to have any interest in the prospect and Bonanza would retain the

benefit of any drilling or exploration expenditures made by the Company during the Option Period. On November 30, 2009 the Agreement between Bonanza and the Company was amended whereby the Company agreed to incur the full cost of drilling one well to completion on the prospect and would have exercised its option to earn its interest in the well and the balance of the Prospect. In the event that the first well is a dry hole, the Company would have the exclusive right and option to participate in any and all further drilling programs on the Prospect and to incur the full cost of drilling a second well to acquire a 75% interest of Bonanza's 85% interest (59.50% working interest) in both that well and the balance of the Prospect.

On January 15, 2010, the Company entered into a Participation Agreement to finance drilling and completion costs with two partners who would pay 67% of the costs of the first well in the Prospect. The Company would pay 33% of the drilling and completion costs. To December 31, 2009, the Company accrued the entire estimated cost of the first well of \$475,065 of which \$316,690 was paid to the Company during the period by the new participants. Also during the period, the Company received a reduction in the well cost from the operator totalling \$189,413 which resulted in amounts payable by the new participants being reduced to \$190,530. Of the excess paid during the period by the new participants, \$63,022 remains payable as of December 30, 2011 and has been included in accounts payable and accrued liabilities.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011
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NOTE 3 – OIL AND GAS PROPERTIES (continued)

(c) Oklahoma Prospect (continued)

On February 1, 2010, the Company was informed by its operator that it had drilled the Nowlin #1-19 well to a depth of 8,836 feet. After review of the drilling logs, the Company has determined that oil is not producible in the targeted Morrow A and B sand formations. The well has been plugged and the Company wrote off the net cost of the well of \$230,524 during 2010

(d) Mississippi Prospect

Effective on August 26, 2010, the Board of Directors of the Company authorized the execution of an option agreement dated August 26, 2010 (the “Option Agreement”) with Westrock Land Corp. (“Westrock”), to purchase approximately 21,000 net acres of mineral oil and gas leases on lands located in Lamar, Jones and Forrest counties in the State of Mississippi (the “Acquired Properties”). The Company entered into the Option Agreement with Westrock, as the mineral leaseholder, and received representations that Westrock owned all right, title and interest to all depths, including the Haynesville Shale Formation pursuant to the oil and gas leases with a minimum 75% net revenue interest.

In accordance with the terms and provisions of the Option Agreement: (i) the Company agreed to issue to Westrock an aggregate of 15,000,000 restricted shares of its common stock by November 30, 2010; (ii) Westrock granted to the Company a period to conduct due diligence to October 31, 2010; and (iii) at closing, Westrock conveyed to the Company the Acquired

Properties by assignment and bill of sale and other associated documentation. The Company and Westrock anticipated that the closing would occur no later than November 1, 2010.

The Company completed due diligence on the Acquired Properties and issued 15,000,000 restricted common shares, with an estimated fair value of \$3,000,000, to Westrock on October 21, 2010.

Due to current market conditions, the Company decided to fully impair these properties in fiscal 2011. An impairment charge of \$3,000,000 was recorded against these properties in fiscal 2011.

NOTE 4 – STOCKHOLDERS’ EQUITY (DEFICIT)

(a) Share Capital

The Company’s capitalization is 66,666,666 common shares with a par value of \$0.001 per share.

On April 22, 2008, the directors of the Company approved a special resolution to undertake a reverse split of the common stock of the Company on a basis of 1 new share for 3 old shares. On July 26, 2006, the directors of the Company approved a special resolution to undertake a forward split of the common stock of the Company on a basis of 2 new shares for 1 old share. On May 10, 2006, the directors of the Company approved a special resolution to

undertake a forward split of the common stock of the Company on a basis of 2 new shares for 1 old share. On July 14, 2009, the directors of the Company approved a special resolution to undertake a forward split of the common stock of the Company on a basis of 2 new shares for 1 old share.

All references in these financial statements to number of common shares, price per share and weighted average number of common shares outstanding prior to the 2:1 forward stock split on May 10, 2006, the 2:1 forward split on August 8, 2006, the 3:1 reverse stock split on April 22, 2008 and the 2:1 forward split on August 3, 2009, have been adjusted to reflect these stock splits on a retroactive basis, unless otherwise noted.

On December 19, 2006, a founding shareholder of the Company returned 8,000,000 restricted shares of common stock to treasury and the shares were subsequently cancelled by the Company. The shares were returned to treasury for no consideration to the shareholder.

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MORGAN CREEK ENERGY CORP.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – STOCKHOLDERS' EQUITY (DEFICIT) (continued)

(b) Private Placements

On November 26, 2004, the Company issued 4,133,332 shares of common stock at \$0.0375 per share for proceeds of \$155,000.

On December 15, 2004, the Company issued 5,033,334 shares of common stock at \$0.0375 per share for proceeds of \$188,750 and 1,760,534 shares of common stock at \$0.1875 per share for proceeds of \$330,100.

On March 9, 2005, the Company issued 186,666 shares of common stock at a price of \$0.1875 per share for proceeds of \$35,000.

On October 16, 2006, the Company completed a private placement consisting of 629,404 units at \$2.25 per unit for proceeds of \$1,416,158. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$4.50 per share for the period commencing on October 16, 2006 and ending on October 16, 2008, being the day which is the earlier of 24 months from the date of issuance of the units or 18 months from the effective date of a planned registration statement. Of this private placement, 375,556 of the units issued were in exchange for \$845,000 previously advanced to the Company by a shareholder. The estimated fair value of the warrants at the date of grant of \$592,210, which has been included in additional paid

in capital, was determined using the Black-Scholes option pricing model with an expected life of 2 years, risk free interest rate of 4.49%, a dividend yield of 0% and an expected volatility of 153%.

During 2008, the Company completed a private placement consisting of 2,448,000 units at \$0.375 per unit for total gross proceeds of \$918,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.75 per share for a period of 12 months from the date of share issuance. A finders fee of 3.5% (\$20,913) was paid on \$597,500 of the private placement proceeds received.

During 2009, the Company completed a private placement consisting of 1,960,000 units at \$0.125 per unit for total proceeds of \$245,000. Each unit consists of one common share and one-half non-transferable share purchase warrant exercisable at \$0.50 per share for a period of 12 months from the date of issuance. A finder's fee of 7% (\$3,500) was paid on \$50,000 of the private placement proceeds received.

During 2010, the Company completed a private placement consisting of 3,480,000 units at \$0.50 per unit for total proceeds of \$1,740,000. Each unit consists of one common share and one-half non-transferable share purchase warrant exercisable at \$1.00 per share for a period of 12 months from the date of issuance. A finder's fee of 7% (\$7,000) was paid on \$100,000 of the private placement proceeds received. Of the total proceeds, \$1,468,000 (net of finder's fee) was received during 2009.

During 2010, the Company completed a private placement consisting of 100,000 units at \$0.25 per unit for total proceeds of \$25,000. Each unit consists of one common share and one-half non-transferable share purchase warrant exercisable at \$0.50 per share for a period of 12 months from the date of issuance.

(c) Other issuances

On February 13, 2008, the Company issued 5,050,712 shares of common stock at a price of \$0.375 per share on settlement of related party advances and accrued interest totaling \$1,515,214. The difference between the estimated fair value of the common shares issued at issuance and the amount of debt settled totaling \$378,803 was recorded as a finance cost during 2008.

On March 24, 2008, the Company issued 3,057,076 shares of common stock at a price of \$0.315 per share on settlement of related party advances and the acquisition of the interest in the Boggs #1 well totalling \$962,980. The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totaling \$45,857 was recorded as a finance cost during 2008.

On July 20, 2009, the Company issued 1,640,000 units at \$0.125 per unit on settlement of related party advances of \$200,000 and accounts payable of \$5,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.25 per share for a period of 12 months from the date of issuance.

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NOTE 4 – STOCKHOLDERS’ EQUITY (DEFICIT) (continued)

(c) Other issuances (continued)

On October 21, 2010, the Company issued 15,000,000 shares of restricted common stock at a price of \$0.20 per share totalling \$3,000,000, pursuant to an Option Agreement with Westrock Land Corp to purchase 21,000 net acres in the Mississippi Prospect.

(d) Share Purchase Warrants

There are no share purchase warrants issued and outstanding as of December 31, 2011.

The Company’s share purchase warrants activity for the period ended December 31, 2011 is summarized as follows:

	Number of Warrants	Weighted average exercise Price per share	Weighted average remaining In contractual life (in years)
Balance, December 31, 2009	3,600,000	\$0.25	0.55
Issued	1,790,000	0.99	-
Expired	(3,600,000)	0.25	-
Exercised	-	-	-
Balance, December 31, 2010	1,790,000	0.99	0.44
Issued	-	-	-
Expired	(1,790,000)	0.99	-
Exercised	-	-	-
Balance, December 31, 2011	-	\$-	-

NOTE 5 – STOCK OPTION PLAN

On April 3, 2006, the Board of Directors of the Company ratified, approved and adopted a Stock Option Plan for the Company in the amount of 3,333,334 shares with an exercisable period up to 10 years. In the event an optionee ceases to be employed by or to provide services to the Company for reasons other than cause, any Stock Option that is vested and held by such optionee may be exercisable within up to ninety calendar days after the effective date that his position ceases. No Stock Option granted under the Stock Option Plan is transferable. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one year of his death or such longer period as the Board of Directors may determine. On April 28, 2008, the Board of Directors deemed it necessary to approve an

amendment to the Stock Option Plan to an aggregate of 5,000,000 shares.

As approved by the Board of Directors, on December 12, 2006, the Company granted 1,233,336 stock options to certain officers, directors and management of the Company at \$1.65 per share. The term of these options are five years. The total fair value of these options at the date of grant was estimated to be \$1,527,170 and was recorded as a stock based compensation expense during 2006. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 3 years; risk free interest rate of 4.49%; dividend yield of 0% and expected volatility of 187%.

As approved by the Board of Directors on April 30, 2008, the Company granted 2,500,000 stock options to certain officers, directors and management of the Company at \$0.50 per share. The term of these options are ten years. The total fair value of these options at the date of grant was estimated to be \$436,955 and was recorded as a stock based compensation expense during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 10 years; risk free interest rate of 3.77%; dividend yield of 0% and expected volatility of 210%.

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NOTE 5 – STOCK OPTION PLAN (continued)

On July 14, 2009, the Company cancelled 3,566,670 stock options to certain officers, directors and management of the Company and authorized the issuance of 3,000,000 new stock options to certain officers, directors and management of the Company at \$0.25 per share. The term of the new options is ten years.

As approved by the Board of Directors on July 14, 2009, the Company granted 3,000,000 stock options to certain officers, directors and management of the Company at \$0.25 per share of which 1,300,000 options were cancelled and re-issued to certain individuals and 1,700,000 were new options issued. The term of these options are ten years. The total fair value of these options at the date of grant was estimated to be \$236,810 and was recorded as a stock based compensation expense during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 10 years; risk free interest rate of 3.50%; dividend yield of 0% and expected volatility of 180%.

As approved by the Board of Directors on September 1, 2009, the Company granted 200,000 stock options to a director of the Company at \$0.39 per share. The term of these options are ten years. The total fair value of these options at the date of grant was estimated to be \$99,860 and was recorded as a stock based compensation expense during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 10 years; risk free interest rate of 3.38%; dividend yield of 0% and expected volatility of 198%.

As approved by the Board of Directors on December 8, 2009, the Company granted 200,000 stock options to a director of the Company at \$0.58 per share. The term of these options are ten years. The total fair value of these options at the date of grant was estimated to be \$129,800 and was recorded as a stock based compensation expense during the period. The fair value of these options was estimated using the Black-Scholes option pricing model with the following assumptions: expected life of 10 years; risk free interest rate of 3.40%; dividend yield of 0% and expected volatility of 196%.

The Company's stock option activity for the period ended December 31, 2011 is summarized as follows:

	Number of Options	Weighted average exercise Price per share	Weighted average remaining In contractual life (in years)
Balance, December 31, 2009	3,566,666	\$0.33	9.21
Granted	-	-	-
Expired / cancelled	-	-	-

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Exercised	-	-	-
Balance, December 31, 2010	3,566,666	0.33	8.21
Granted	-	-	-
Expired / cancelled	(166,666)	-	-
Exercised	-	-	-
Balance, December 31, 2011	3,400,000	\$0.33	7.21

All options are exercisable as at December 31, 2011.

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MORGAN CREEK ENERGY CORP.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – RELATED PARTY TRANSACTIONS

As of December 31, 2007, \$1,365,500 was owed to a shareholder for advances made to the Company. During fiscal year ended December 31, 2008, we repaid \$500,000 to this shareholder. Further, the shareholder assigned the amount of \$1,940,500 to various assignees and settled the \$1,515,214 pursuant to the issuance of 5,050,712 shares of our restricted common stock at \$0.375 per share. During 2009, this shareholder made further advances of \$170,000 and was repaid \$124,000. On July 20, 2009 the Company issued 1,600,000 units at \$0.125 per unit on settlement of shareholder advances of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.25 per share for a period of 12 months from the date of issuance. During 2010, this shareholder was repaid a total of \$156,000 for prior advances and \$49,000 of accrued interest. During 2010, another shareholder made advances of \$94,167 which was due and owing as of December 31, 2010, which bears interest at 8% per annum and has no specific repayment terms. During 2011, this shareholder made further advances of \$80,000 and was repaid \$159,167 and \$5,220 in principal and interest respectively. As of December 31, 2011, total accrued interest was \$302 leaving a total of \$15,302 owing to this shareholder.

During the period ended December 31, 2011, the Company received an advance of \$6,000 from Sono Resources., a company with certain directors in common with the Company. These advances are non-interest bearing, unsecured and without specific terms or repayment.

The Company owes \$68,005 to an officer and director of the Company to provide office space and office services for the period ended December 31, 2011.

Management Fees

During 2011, the Company incurred \$106,080 (December 31, 2010 - \$108,680) for management fees to officers and directors. As of December 31, 2011, total amount owing in accrued and unpaid management fees and expenses was \$206,742 (December 31, 2010 - \$92,150) which has been included in accounts payable and accrued liabilities.

NOTE 7- LOAN PAYABLE

During the period the Company received loan proceeds of \$175,000 from an unrelated third party pursuant to a promissory note agreement effective May 15, 2011 and maturing November 15, 2011. The promissory note bears interest at a rate of 10% per annum of which a total of \$10,979 has been accrued for interest as of December 31, 2011. This note is now due on demand.

NOTE 8 – INCOME TAXES

The Company has adopted FASB ASC 740-10, “Income Taxes”. As of December 31, 2011, and 2010 the Company had net operating loss carry forwards of approximately \$6,700,083 and \$6,408,937, respectively that may be available to reduce future years’ taxable income through 2031. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss

carryforwards.

At December 31, 2011 and 2010, the Company had a federal operating loss carry forward of \$6,700,083 and \$6,408,937, respectively.

Components of net deferred tax assets, including a valuation allowance, are as follows at December 31:

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – INCOME TAXES (continued)

	2011	2010
Deferred tax assets:		
Net operating loss carryforward	\$ 6,700,083	\$ 6,408,937
Total deferred tax assets	2,345,029	2,243,128
Less: Valuation Allowance	(2,345,029)	(2,243,128)
Net Deferred Tax Assets	\$ -	\$ -

The valuation allowance for deferred tax assets as of December 31, 2011 and 2010 was \$2,345,029 and \$2,243,128, respectively. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. As a result, management determined it was more likely than not the deferred tax assets would be realized as of December 31, 2011 and 2010.

Reconciliation between the statutory rate and the effective tax rate is as follows at December 31:

	2011	2010
Federal statutory tax rate	(35.0)%	(35.0)%
Change in valuation allowance	35.0 %	35.0 %
Effective tax rate	0.0 %	0.0 %

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Effective July 31, 2007, our Board of Directors appointed De Joya Griffith & Company, LLC (De Joya Griffith) as our principal independent registered public accounting firm.

The reports of De Joya Griffith on our financial statements for each of the fiscal years ended December 31, 2011 and 2010 did not contain an adverse opinion or disclaimer of opinion, nor were they modified as to uncertainty, audit scope or accounting principles, other than to state that there is substantial doubt as to our ability to continue as a going concern. During our fiscal years ended December 31, 2011 and 2010, there were no disagreements between us and De Joya Griffith, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of De Joya Griffith, would have caused De Joya Griffith to make reference thereto in their reports on our audited financial statements.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were not effective as of December 31, 2011 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Annual Report on Internal Control Over Financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of the Company's management, including the chief executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

This Annual Report does not include an attestation report of our registered public accounting firm De Joya Griffith & Company, LLC regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Inherent Limitations on Effectiveness of Controls

We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, and our CEO and our CFO have concluded that these controls and procedures are not effective at the “reasonable assurance” level.

Changes in internal controls

There were no changes in internal controls for the fiscal year ended December 31, 2011.

AUDIT COMMITTEE REPORT

The Board of Directors has established an audit committee. The members of the audit committee are Mr. Peter Carpenter and Mr. Clay Weldy. All of the members of the audit committee are “independent” within the meaning of Rule 10A-3 under the Exchange Act. The current audit committee was organized on December 18, 2008 and operates under a written charter adopted by our Board of Directors.

The audit committee has received and reviewed the written disclosures and the letter from De Joya Griffith & Company, LLC required by PCOAB Rule 3526, Communication with Audit Committees Concerning Independence.

Based on the reviews and discussions referred to above, the audit committee has recommended to the Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission.

ITEM 9B. OTHER INFORMATION

Not applicable.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

Our directors and executive officers, their ages and positions held are as follows:

Name	Age	Position with the Company
Peter Wilson	44	President, Chief Executive Officer/Principal Executive Officer, a Director and Compensation Committee member and Nominating Committee chairman
William D. Thomas	60	Secretary/Treasurer, Chief Financial Officer, and Principal Accounting Officer
John C. Weldy Jr.	49	Director and Compensation Committee member
Peter Carpenter	71	Director and Nominating Committee member and Audit Committee member

Business Experience

The following is a brief account of the education and business experience of each director, executive officer and key employee during at least the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he or she was employed, and including other directorships held in reporting companies.

Peter Wilson. Mr. Wilson has been our President/Chief Executive Officer and a member of our Board of Directors since September 29, 2008. During the past fifteen years, Mr. Wilson has been involved in the senior level management of public companies. His experience spans a wide range of project development and contract negotiations within the mining, energy and real estate industries. Mr. Wilson has focused on the creation and implementation of market strategies, contract negotiations and financing options for maximum return on investments. His business experience includes diverse international assignments in the United Kingdom, Canada, the United States, Switzerland and Norway. Mr. Wilson has worked extensively with overseas investor groups and within the E&P market in Louisiana and Texas.

From approximately 2007 through the current date, Mr. Wilson is the president of Hana Mining Ltd., a publicly listed exploration company seeking to develop a copper-silver project in Botswana, Africa. During approximately 2005 to 2006, Mr. Wilson served as the president and chief executive officer of Sun Oil and Gas Corp. During approximately 1997 to 2005, Mr. Wilson was a director and the vice president of International Operations for Petroreal Oil Corp., a small oil producer engaged in energy asset purchases aggregating more than \$130,000,000. During approximately 1993 to 1999, Mr. Wilson was the vice president of Samoth Equity Corporation (now Sterling Center Corp.), where he began his involvement with capital markets and finance. Samoth Equity Corporation gained prominence through the 1990s and grew to a \$150,000,000 TSX-listed real estate merchant banking organization involved in lending throughout the southwestern United States and Canada.

Mr. Wilson continues to serve as an advisor to several public and private Houston-based E&P companies, and serves as a director of Offset Energy Corporation operating in the GOM and Houston, Texas.

William Thomas. Mr. Thomas has been our Chief Financial Officer/Secretary/Treasurer since January 8, 2009. Mr. Thomas has thirty years of experience in the finance and accounting areas for the natural resource sector. Currently, Mr. Thomas is also the chief financial officer and a director of Mainland Resources, Inc., a Nevada corporation that trades on the OTC Bulletin Board, and the chief financial officer and a director of Tresoro Mining Corp., a Nevada corporation that trades on the OTC Bulletin Board. Mr. Thomas has held various successive management positions with Kerr McGee Corporation's China operations based in Beijing, China, ending in 2004 with his final position as Director of Business Services. For a brief period after leaving Kerr McGee, Mr. Thomas acted as a self-practitioner in the accounting and finance field. In July 2007, he took on the role of chief financial officer for two public resource companies; Hana Mining Inc. and NWT Uranium Corp. Mr. Thomas resigned from NWT Uranium Corp. in 2009 and from Hana Mining in March, 2010. Mr. Thomas was previously general manager (1999-2002), and finance and administration manager (1996-1999) of Kerr McGee's China operations. While in China, Mr. Thomas was responsible for finance including Sarbanes Oxley reporting, budgeting, treasury, procurement, taxation, marketing, insurance and business development, including commercial negotiations with the Chinese partner, China National Offshore Oil Co (CNOOC) and other Chinese and joint venture partners. Mr. Thomas focused heavily on supporting exploration and development operations for three operated blocks in Bohai Bay, as well as evaluation and negotiation of new venture blocks in East China Sea and the South China Sea. He was also responsible for the liaison with CNOOC and other Chinese oil companies, Kerr McGee US management and joint venture partners, where his main focus was to ensure cost effective and timely achievement of various approved work programs and budgets. He was also Chief Representative for Kerr McGee on the Joint Management Committee (JMC). Mr. Thomas previously worked as manager of fixed asset accounting for Kerr McGee Corporation's US operations (1996), as finance director of Kerr McGee's UK operations based in London/Aberdeen (1992-1996), and Kerr McGee's Canadian operations in Calgary, Alberta, Canada (1984-1992), including the predecessor company, Maxus Canada Ltd, which was acquired by Kerr McGee Ltd. Over the course of his career, he has been involved in all aspects of managing accounting, budgeting, human resources, administration, insurance, taxation and other business support aspects surrounding gas properties for Kerr McGee. Mr. Thomas was responsible to ensure compliance with COPAS, SEC, FASB and international accounting regulations. He participated on a team that developed the Oracle accounting system application to the Kerr McGee's worldwide operations. He was most notably involved in the company's initial entry into both China and the UK North Sea – start ups of local and expatriate personnel that eventually developed into core areas (over \$1 Billion) for Kerr McGee, including the company's first operated offshore oil fields in China (CFD 1-1) and the UK (Gryphon). In his early career, Mr. Thomas also held senior management positions in the finance divisions of Norcen Energy Ltd of Calgary, Alberta (1981-1984), Denison Mines Ltd of Ontario Canada (1978-1981) and Algoma Steel Corporation of Sault Ste Marie, Ontario, Canada (1977). He was also a Senior Auditor for the accounting firm, Coopers & Lybrand in Toronto, Canada (1975-1977). Mr. Thomas attained his Chartered Accountant (CA) designation from the Canadian Institute of Chartered Accountants in 1977. He holds an Honors Bachelor of Commerce and Finance from the University of Toronto, Ontario, Canada.

John Clayton Weldy Jr. Mr. Weldy has been a member of our Board of Directors since December 8, 2009. Mr. Weldy has eighteen years of diversified experience as a petroleum, mechanical and environmental engineer. His areas of specialized knowledge extend from personnel management, completions, operations and production engineering to project engineering and management. Mr. Weldy's expertise also includes conceptualization, design, planning and managing people and projects to achieve goals efficiently. From February 2009 to current date, Mr. Weldy is a senior completion engineer for Eni Petroleum, where he is responsible for leading subsea and shelf well completions and intervention projects in the Gulf of Mexico. From approximately September 2008 to February 2009, Mr. Weldy was the senior operations/production/completions engineer at SandRidge Energy. He managed all phases of operations, production and facility engineering for properties offshore, onshore and inland in the Gulf of Mexico. He was further responsible for engineering design and project management of Hurricane Ike repairs, managed all rig completions and remedial workover procedures, including written procedures, completion strategy, cost estimating and securing of equipment and services. Mr. Weldy was also responsible for the design, layout and management of the construction of production facilities, preparation of procedures for and supervision of wellhead remedial operations on existing oil and gas wells, the performance of nodal analysis on various production wells using nodal analysis software and the design, troubleshooting and installation of gas lifts for offshore wells.

From approximately August 2005 through September 2008, Mr. Weldy was the deepwater subsea completions engineer for Shell International and Exploration Company. From approximately February 2004 through August 2005, Mr. Weldy was the vice president of operations for Petroreal of America, Inc. From approximately January 2003 through January 2004, Mr. Weldy was a self employed consultant. From approximately May 2001 through December 2002, Mr. Weldy was the production manager for Century Exploration Inc. From approximately August 2000 through May 2001, Mr. Weldy was the senior petroleum engineer for Watson Energy LLC and from approximately April 2000 through August 2000, Mr. Weldy was the operations engineer for Operational Services Inc.

Prior to 2000, Mr. Weldy worked for nine years at Texaco Exploration Company as a production, facility and completions engineer.

Mr. Weldy earned a Master of Science degree in environmental engineering from Tulane University. He also earned a Bachelor of Science degree in mechanical engineering and in petroleum engineering from the University of Alabama. Mr. Weldy co-authored a SPE paper on "Best Completion Practices".

Peter Carpenter, P. Eng., CFA. Mr. Carpenter has been a member of our Board of Directors since September 1, 2009. Mr. Carpenter has been involved in the oil and gas industry for the past forty years. From 2004 to current date, Mr. Carpenter is the president and chief executive officer of Claridge House Partners, Inc., which provides corporate restructuring and financial advisory services to the Canadian oil and gas industry. From approximately 1998 through 2002, Mr. Carpenter was the chief financial officer for Cybernetic Capital Management Inc; from approximately 1996 through 1998, Mr. Carpenter was a consulting oil and gas analyst for First Associates Securities; and from approximately 1985 through 1996, Mr. Carpenter was the vice president of investment bank with Moss, Lawson & Co., Limited.

Mr. Carpenter also was employed as the senior oil and gas analyst from approximately 1981 through 1993 with Deutsche Morgan Grenfell Canada, where he was responsible for the preparation of oil company equity analysis. He was employed at Texaco Canada from 1976 through 1981 as a chief economist where he supervised economic planning at Texaco and maintained liaison with the worldwide economics group in Harrison, New York. From approximately 1971 through 1976, Mr. Carpenter was the manager of special projects at PanCanadian Petroleum where his responsibilities included overseeing the economic and business analysis of major capital expenditure opportunities involving oil and gas production facilities, chemical, heavy oil and coal projects. From approximately 1965 through 1971, Mr. Carpenter was an engineer at Exxon where he was responsible for the refinery and petrochemicals plant in Sarnia, Ontario, pipeline optimization studies with Interprovincial Pipeline in Toronto,

logistics analyst in Esso International's supply and transportation group located in New York City, and logistics coordinator in Esso International's light hydrocarbon sales group. From approximately 1962 through 1963, Mr. Carpenter was employed as a process engineer at DuPont's Maitland works near Brockville, Ontario.

Mr. Carpenter earned a B.SC in Chemical Engineering from the University of Alberta, an MBA from the University of Western Ontario and a Doctoral Programme in Economics from New York University. Mr. Carpenter also became a chartered financial analyst with the Institute of Chartered Financial Analysis.

FAMILY RELATIONSHIPS

There are no family relationships among our directors or officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past five years, none of our directors, executive officers or persons that may be deemed promoters is or have been involved in any legal proceeding concerning: (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activity; or (iv) being found by a court, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law (and the judgment has not been reversed, suspended or vacated).

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires our directors and officers, and the persons who beneficially own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Copies of all filed reports are required to be furnished to us pursuant to Rule 16a-3 promulgated under the Exchange Act. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the fiscal year ended December 31, 2011.

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

As of the date of this Annual Report, Messrs. Weldy and Carpenter have been appointed as members to our Audit Committee. The two members are “independent” within the meaning of Rule 10A-3 under the Exchange Act and are in addition financial experts. The Audit Committee operates under a written charter adopted by the Board of Directors on November 20, 2004. The Board of Directors pursuant to a special meeting held on December 18, 2008 adopted an amended audit committee charter and responsibilities.

The Audit Committee's primary function is to provide advice with respect to our financial matters and to assist the Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, and legal compliance. The Audit Committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor our financial reporting process and internal control system; (ii) review and appraise the audit efforts of our independent accountants; (iii) evaluate our quarterly financial performance as well as our compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management and the Board of Directors.

Compensation Committee

As of the date of this Annual Report, Messrs. Wilson and Weldy have been appointed as members to our Compensation Committee. The Compensation Committee operates under a written charter adopted by the Board of Directors pursuant to a special meeting held on December 18, 2008.

Overview of Compensation Process

The Compensation Committee of our Board of Directors is responsible for setting the compensation of our executive officers, overseeing the Board's evaluation of the performance of our executive officers and administering our equity-based incentive plans, 401(k) plan and deferred compensation plan, among other things. The Compensation Committee undertakes these responsibilities pursuant to a written charter adopted by the Compensation Committee and the Board of Directors, which will be reviewed at least annually by the Compensation Committee. The charter may be viewed in full on our website, www.morgancreekenergy.com under the "Corporate Governance" tab on the Investor Relations page.

The Compensation Committee is composed solely of "non-employee directors" as defined in Rule 16b-3 of the rules promulgated under the Exchange Act, "outside directors" for purposes of regulations promulgated pursuant to Section 162(m) of the Internal Revenue Code ("IRC"), and "independent directors" as defined in Section 303A of the New York Stock Exchange ("NYSE") corporate governance listing standards, in each case as determined by the Board of Directors. Our Board of Directors recommends Compensation Committee membership based on such knowledge, experience and skills that it deems appropriate in order to adequately perform the responsibilities of the Compensation Committee. Messrs. Wilson and Weldy serve as members of the Compensation Committee.

The Compensation Committee annually reviews executive compensation and our compensation policies to ensure that the Chief Executive Officer and the other executive officers are rewarded appropriately for their contributions to us and that the overall compensation strategy supports the objectives and values of our organization, as well as stockholder interests. The Compensation Committee will conduct this review and compensation determination through a comprehensive process involving a series of meetings typically occurring in the first quarter of each year.

Compensation Philosophy

The fundamental objective of our executive compensation policies is to attract, retain and motivate executive leadership for us that will execute our business strategy, uphold our values and deliver results and long-term value to our stockholders. Accordingly, the Compensation Committee seeks to develop compensation strategies and programs that will attract, retain and motivate highly qualified and high-performing executives through compensation that is:

- (i) Performance based: a significant component of compensation should be determined based on whether or not we meet certain performance criteria that in the view of our Board of Directors are indicative of our success;
- (ii) Stockholder based: equity incentives should be used to align the interests of our executive officers with those of our stockholders;
- (iii) Fair: compensation should take into account compensation among similarly situated companies, our success relative to peer companies and our overall pay scale.

It is the Compensation Committee's goal to have a substantial portion of each executive officer's compensation contingent upon our performance, as well as upon his or her individual performance. The Compensation Committee's compensation philosophy for an executive officer emphasizes an overall analysis of the executive's performance for the year, projected role and responsibilities, required impact on execution of our strategy, external pay practices, total cash and total direct compensation positioning, and other factors the Compensation Committee deems appropriate. The Compensation Committee's philosophy also considers employee retention, vulnerability to recruitment by other companies and the difficulty and costs associated with replacing executive talent. Based on these objectives, compensation programs for similarly situated companies and the philosophies of the Compensation Committee, the Compensation Committee has determined that we should provide our executive officers compensation packages composed of the following elements: (i) base salary, which reflects individual performance and is designed primarily to be competitive with salary levels at comparably sized companies; and (ii) long-term stock-based incentive awards which strengthen the mutuality of interests between executive officers and our stockholders.

ADDITIONAL CORPORATE GOVERNANCE POLICIES

Our Board of Directors considered additional corporate governance issues, structure, policies and principles. Therefore, pursuant to a Board of Directors meeting held on December 18, 2008, our Board of Directors adopted the following documents as additional governing corporate governance documents (collectively, the Corporate Governance Documents"): (i) Morgan Creek Energy Corp. Corporate Governance Principles; (ii) Morgan Creek Energy Corp. Nominating and Governance Committee Charter and Responsibilities; (iii) Morgan Creek Energy Corp. Board Committees Policy; (iv) Morgan Creek Energy Corp. Code of Business Conduct and Ethics; (v) Morgan Creek Energy Corp. Code of Conduct for the Board of Directors; (vi) Morgan Creek Energy Corp. Corporate Governance Guideline; (vii) Morgan Creek Energy Corp. Corporate Governance Policy; (viii) Morgan Creek Energy Corp. Conflict of Interest Policy; (ix) Morgan Creek Energy Corp. Whistleblower Policy; (x) Morgan Creek Energy Corp. Board Roles and Responsibilities.

On March 25, 2010, the Board of Directors held a special meeting pursuant to which the Corporate Governance Documents, as amended, were approved and the members were appointed to the Audit Committee, the Compensation Committee and the Nominating Committee, respectively. The Corporate Governance Documents may be viewed in full on our website, www.morgancreekenergy.com under the "Corporate Governance" tab on the Investor Relations page.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation paid to our Chief Executive Officer and those executive officers that earned in excess of \$100,000 during fiscal years ended December 31, 2011 and 2010 (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(2)	Non-Equity Incentive Plan	Non-Qualified Deferred Compensation	All Other Compensation	Total
						Compensation (\$)	Earnings (\$)	(\$)	(\$)(2)(3)
Peter Wilson, current President and CEO	2010	\$ 108,680	-0-	-0-	-0-	---	----	-0-	\$ 100,680
	2011	\$ 106,080	-0-	-0-	-0-	----	----	-0-	\$ 106,080

(1) This amount represents fees accrued and/or paid by us to the Named Executive Officers during the past year pursuant to consulting services provided in connection with his position as Chief Executive Officer:

During fiscal year ended December 31, 2011, we incurred \$106,080 in management fees payable to Peter Wilson, our current President/Chief Executive Officer. During fiscal year ended December 31 2010, we incurred \$108,680 to Peter Wilson in management fees.

STOCK OPTIONS/SAW GRANTS IN FISCAL YEAR ENDED DECEMBER 31, 2011

The following table sets forth information as at December 31, 2011 relating to Stock Options that have been granted (post split) to the Named Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	OPTION AWARDS				STOCK AWARDS				
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested
Peter Wilson, current President/CEO	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

The following table sets forth information relating to compensation paid to our directors during fiscal year ended December 31, 2011 and 2010.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(3)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Peter Wilson							
2010	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2011	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Angelo Viard							
2010	-0-	-0-	\$ 54,000	-0-	-0-	-0-	\$ 54,000
2011 (1)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
John Weldy Jr.							
2010	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2011	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Peter Carpenter							
2010	-0-	-0-	-0-	-0-	-0-	-0-	-0-
2011	-0-	-0-	-0-	-0-	-0-	-0-	-0-

(1) Angelo Viard resigned from the Board of Directors effective February 24, 2012.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of the date of this Annual Report, the following table sets forth certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated. As of the date of this Annual Report, there are 52,612,392 shares of common stock issued and outstanding.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(1)	Percentage of Beneficial Ownership
Directors and Officers:		
Peter Wilson 4339 Morgan Crescent West Vancouver, British Columbia Canada V7V 2P1	1,400,000 (2) Nil	*
William D. Thomas 3543 Point Grey Rd Vancouver, BC, Canada	303,332 (3) Nil	*
John Weldy Jr. 139 Willow Wood Slidell, Louisiana, 70461	200,000 (4) Nil	*
Peter Carpenter 142 Evelyn Crescent Toronto, Ontario Canada M6P 3E2	200,000 (5) Nil	*
All executive officers and directors as a group (4 persons) Beneficial Owners Greater than 5%	2,306,632 (6)	4.38 %
Westrock Land Corp.	15,000,000	28.5 %

*Less than one percent.

(1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually

outstanding as of the date of this Annual Report. As of the date of this Annual Report, there are 52,612,392 shares issued and outstanding.

- (2) This figure includes (i) 1,000,000 shares of common stock; and (ii) 400,000 Stock Options to purchase 400,000 shares of our common stock at an exercise price of \$0.50 per share expiring on July 14, 2019.
- (3) This figure includes: (i) 53,332 shares of common stock; and (ii) 250,000 Stock Options to purchase 250,000 shares of our common stock at an exercise price of \$0.50 per share expiring on July 14, 2019.
- (4) This figure includes 200,000 Stock Options to purchase 200,000 shares of our common stock at an exercise price of \$0.58 per share expiring on December 8, 2019.
- (5) This figure includes 200,000 Stock Options to purchase 200,000 shares of our common stock at an exercise price of \$0.39 per share expiring on September 1, 2019.
- (6) This figure includes: (i) 56,632 shares of common stock; and (ii) 1,250,000 Stock Options to purchase 1,250,000 shares of our common.

CHANGES IN CONTROL

We are unaware of any contract, or other arrangement or provision, the operation of which may at a subsequent date result in a change of control of our company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Except for the transactions noted below, one of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing, have any interest, direct or indirect, in any transaction or in any proposed transactions, which has materially affected or will materially affect us during fiscal year ended December 31, 2011.

As of December 31, 2007, \$1,365,500 was owed to a shareholder for advances made to the Company. During fiscal year ended December 31, 2008, we repaid \$500,000 to this shareholder. Further, the shareholder assigned the amount of \$1,940,500 to various assignees and settled the \$1,515,214 pursuant to the issuance of 5,050,712 shares of our restricted common stock at \$0.375 per share. During 2009, this shareholder made further advances of \$170,000 and was repaid \$124,000. On July 20, 2009 the Company issued 1,600,000 units at \$0.125 per unit on settlement of shareholder advances of \$200,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.25 per share for a period of 12 months from the date of issuance. During 2010, this shareholder was repaid a total of \$156,000 for prior advances and \$49,000 of accrued interest. During 2010, another shareholder made advances of \$94,167 which was due and owing as of December 31, 2010, which bears interest at 8% per annum and has no specific repayment terms. During 2011, this shareholder made further advances of \$80,000 and was repaid \$159,167 and \$5,220 in principal and interest respectively. As of December 31, 2011, total accrued interest was \$302 (December 31, 2010 - \$2,760).

Management Fees

During 2011, we incurred \$106,080 (December 31, 2010 - \$108,680) for management fees to officers and directors. As of December 31, 2011, total amount owing in accrued and unpaid management fees and expenses was \$106,080 (December 31, 2010 - \$108,680).

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

During fiscal year ended December 31, 2011, we incurred approximately \$32,150 in fees to our principal independent accountant for professional services rendered in connection with the audit of our financial statements for fiscal year ended December 31, 2010 and for the review of our financial statements for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011.

During fiscal year ended December 31, 2010, we incurred approximately \$32,000 in fees to our principal independent accountants for professional services rendered in connection with the audit of our financial statements for fiscal year ended December 31, 2009 and for the review of our financial statements for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010.

During fiscal year ended December 31, 2011, we did not incur any other fees for professional services rendered by our principal independent accountant for all other non-audit services which may include, but is not limited to, tax-related services, actuarial services or valuation services.

ITEM 15. EXHIBITS AND FINANCIAL SCHEDULES

The following exhibits are filed as part of this Annual Report.

Exhibit No.	Document
3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
4.1	Chapman Oil and Gas Lease (2)
4.2	Hurley Oil and Gas Lease (2)
4.3	Lease Assignment between Geneva Energy Corp. And Morgan Energy Corp. dated December 17, 2004 (2)
4.4	Fletcher Lewis Letter (3)
4.5	Fletcher Lewis Consent dated December 31, 2004 (3)
4.6	American News Publishing Letter dated January 13, 2006 (3)
10.1	Asset Purchase Agreement between Morgan Creek Energy Corp. and Geneva Energy Corp. Dated December 15, 2004 (1)
10.2	Charter of Audit Committee (1)
10.3	Executive Services Agreement between Morgan Creek Energy Corp, Westhampton Ltd., and David Urquhart dated April 30, 2008. (5)
10.4	Option Agreement between Morgan Creek Energy Corp. nd Westrock Land Corp dated October 31, 2008. (6)
10.5	Option Agreement between Morgan Creek Energy Corp. and Westrock Land Corp. dated August 26, 2010 (7)
14	Code of Business Conduct (1)
16	Letter of Dale Matheson Carr-Hilton LaBonte LLP Chartered Accountants (4)
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of The Securities Exchange Act.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of The Securities Exchange Act.
32.1	

Certification of Chief Executive Officer and Chief Financial Officer under Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act.

101.INS ** XBRL Instance Document

101.SCH ** XBRL Taxonomy Extension Schema Document

101.CAL ** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF ** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB ** XBRL Taxonomy Extension Label Linkbase Document

101.PRE ** XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference from Form SB-2 filed with the Commission on April 11, 2005.

(2) Incorporated by reference from Form SB-2/A filed with the Commission on June 14, 2005.

(3) Incorporated by reference from Form SB-2/A filed with the Commission on January 13, 2006.

(4) Incorporated by reference from Form Current Report on 8-K filed with the Commission on August 3, 2008.

(5) Incorporated by reference from Form Current Report on 8-K filed with the Commission on April 5, 2008.

(6) Incorporated by reference from Form Current Report on 8-K filed with the Commission on November 5, 2008.

(7) Incorporated by reference from Form Current Report on 8-K filed with the Commission on August 27, 2010.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a 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

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MORGAN CREEK ENERGY CORP.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MORGAN CREEK ENERGY CORP.

Dated: April 12, 2012

By: /s/ PETER WILSON
Peter Wilson,
President/Chief Executive Officer

Dated: April 12, 2012

By: /s/ WILLIAM THOMAS
William Thomas,
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 12, 2012

By: /s/ PETER CARPENTER
Director

Dated: April 12, 2012

By: /s/ JOHN C. WELDY
Director