

MORGAN CREEK ENERGY CORP  
Form 10-Q  
May 17, 2012

---

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

Form 10-Q

Mark One

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

For the quarterly period ended March 31, 2012

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)

Indicate by checkmark whether the issuer: (1) has 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 (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Edgar Filing: MORGAN CREEK ENERGY CORP - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

Applicable Only to Issuer Involved in Bankruptcy Proceedings During the Preceding Five Years.

N/A

Indicate by checkmark 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  No

Applicable Only to Corporate Registrants

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the most practicable date:

Class	Outstanding as of May 14, 2012
Common Stock, \$0.001	52,612,392

---

---

---

## MORGAN CREEK ENERGY CORP.

## Form 10-Q

Part		
1.	FINANCIAL INFORMATION	3
Item 1.	Financial Statements	3
	Balance Sheets	4
	Statements of Operations	5
	Statements of Cash Flows	6
	Notes to Financial Statements	7
Item		
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item		
3.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 4.	Controls and Procedures	24
Part II.	OTHER INFORMATION	25
Item		
1.	Legal Proceedings	25
Item		
1A.	Risk Factors	25
Item		
2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item		
3.	Defaults Upon Senior Securities	25
Item		
4.	Mine Safety Disclosures	25
Item		
5.	Other Information	25
Item		
6.	Exhibits	26

PART I

ITEM 1. FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

MARCH 31, 2012

(UNAUDITED)

BALANCE SHEETS	4
STATEMENTS OF OPERATIONS	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

BALANCE SHEETS  
(Unaudited)

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$22,952	\$4,119
Prepaid expense	974	1,553
<b>TOTAL CURRENT ASSETS</b>	<b>23,926</b>	<b>5,672</b>
<b>TOTAL ASSETS</b>	<b>\$23,926</b>	<b>\$5,672</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$312,559	\$346,384
Due to related parties (Note 4)	328,323	257,637
Loans payable (Note 5)	200,000	175,000
Loan payable-due to related party (Note 4)	40,000	15,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>880,882</b>	<b>794,021</b>
<b>GOING CONCERN (Note 1)</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, 66,666,666 shares authorized with \$0.001 par value		
Issued and outstanding		
52,612,392 common shares (December 31, 2011 –52,612,392)	52,612	52,612
Additional paid-in capital	13,811,576	13,811,576
Deficit accumulated during exploration stage	(14,721,144)	(14,652,537)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(856,956 )</b>	<b>(778,349 )</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>	<b>\$23,926</b>	<b>\$5,672</b>

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

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months ended March 31, 2012	Three Months ended March 31, 2011	Inception (October 19, 2004) to March 31, 2012
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Investor relations	\$-	\$-	\$921,268
Consulting fees	500	1,250	881,037
Management fees – related party	26,520	26,520	1,322,963
Management fees - stock based compensation	-	-	2,430,595
Impairment of oil and gas properties (Note 3)	-	-	6,708,952
Office and general	21,617	23,992	906,897
Professional fees	16,098	13,097	1,082,671
<b>NET OPERATING LOSS</b>	<b>(64,735 )</b>	<b>(64,859 )</b>	<b>(14,254,383)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on expired oil and gas lease option	-	-	100,000
Financing costs	-	-	(424,660 )
Interest expense	(3,872 )	(2,460 )	(142,101 )
<b>TOTAL OTHER EXPENSES</b>	<b>(3,872 )</b>	<b>(2,460 )</b>	<b>(466,761 )</b>
<b>NET LOSS</b>	<b>\$(68,607 )</b>	<b>\$(67,319 )</b>	<b>\$(14,721,144)</b>
<b>BASIC LOSS PER COMMON SHARE</b>	<b>\$(0.00 )</b>	<b>\$(0.00 )</b>	
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC</b>			
	52,612,392	52,612,392	

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

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months ended March 31, 2012	Three Months ended March 31, 2011	Inception (October 19, 2004) to March 31, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period	\$(68,607 )	\$(67,319 )	\$(14,721,144)
Adjustments to reconcile net loss to net cash used in operating activities:			
- Stock based compensation	-	-	2,430,595
- Impairment of oil and gas properties	-	-	6,708,952
- Financing costs	-	-	424,660
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES</b>			
- Interest accrued	3,872	2,460	15,154
- Prepaid expenses and deposits	579	8,302	(25,974 )
- Due to related parties	70,322	-	592,545
- Accounts payable and accrued liabilities	(37,333 )	12,244	228,520
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(31,167 )</b>	<b>(44,313 )</b>	<b>(4,346,692 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Oil and gas property expenditures and deposits	-	-	(3,610,003 )
Proceeds from sale of partial equity interest in oil and gas property, net	-	-	253,552
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(3,356,451 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on sale and subscriptions of common stock	-	-	5,021,595
Drilling advances	-	-	759,000
Loans payable	25,000	-	200,000
Payments to related parties	-	-	(1,815,000 )
Loan payable -due to related party	25,000	65,000	3,560,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>50,000</b>	<b>65,000</b>	<b>7,726,095</b>
<b>INCREASE IN CASH</b>	<b>18,833</b>	<b>20,687</b>	<b>22,952</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>4,119</b>	<b>336</b>	
<b>CASH, END OF PERIOD</b>	<b>\$22,952</b>	<b>\$21,023</b>	<b>\$22,952</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			

Edgar Filing: MORGAN CREEK ENERGY CORP - Form 10-Q

Cash paid for interest	-	-	\$43,167
Cash paid for income taxes	-	-	\$-
Common stock issued for acquisition of oil and gas property	-	-	\$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.



MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

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.

Going concern

The Company commenced operations on October 19, 2004 and has not realized any revenues since inception. As of March 31, 2012, the Company has an accumulated deficit of \$14,721,144. 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.

Unaudited Interim Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for financial information and with the instructions to Form 10-Q of Regulation S-X. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2011 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. The unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-K. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

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

7

---

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

Oil and gas properties (continued)

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 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 March 31, 2012, 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 March 31, 2012 and December 31, 2011 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.

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

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.

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 March 31, 2012, 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 had 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 had 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 had 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.

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

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 had 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.



MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

NOTE 3 – OIL AND GAS PROPERTIES (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 had determined that oil is not producible in the targeted Morrow A and B sand formations. The well had 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 – RELATED PARTY TRANSACTIONS

During 2010, a 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. During the three month period ending March 31, 2012, this shareholder made further advances of \$25,000. Total accrued interest was \$666 leaving a total of \$40,666 owing to this shareholder (December 31, 2011 - \$15,302).

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 \$63,633 to an officer and director of the Company to provide office space and office services for the period ended March 31, 2012 (December 31, 2011 – \$44,593).

Management Fees

During the three month period ended March 31, 2012, the Company incurred \$26,520 (March 31, 2011 -\$26,520) for management fees to officers and directors. As of March 31, 2012, total amount owing to related parties in accrued and unpaid management fees and expenses was \$235,046 (December 31, 2011- \$206,742).

MORGAN CREEK ENERGY CORP.  
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012  
(Unaudited)

---

NOTE 5- LOANS PAYABLE

During 2011, the Company received loan proceeds of \$175,000 from an unrelated third party pursuant to an unsecured 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 \$14,460 has been accrued for interest as of March 31, 2012. This note is now due on demand.

During the quarter ended March 31, 2012, the Company received loan proceeds of \$25,000 from an unrelated third party pursuant to an unsecured promissory note. The promissory note is due on demand and bears interest at a rate of 10% per annum of which a total of \$27 has been accrued for interest as of March 31, 2012.

## FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q 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.

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

### GENERAL

Morgan Creek Energy Corp. is a corporation organized under the laws of the State of Nevada. 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 "MCRE:OB" (currently under the symbol "MCKE:OB"). We are engaged in the business of exploration of oil and gas bearing properties in the United States. Our shares are also traded on the Frankfurt Stock Exchange in Germany under the symbol "M6C".

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

### 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 Quarterly 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 Quarterly 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 Quarterly 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 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. 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.

#### New Mexico Prospect

As of the date of this Quarterly 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 during fiscal year ended December 31, 2011 and, thus, an impairment charge of \$541,646 was recorded.

#### 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 Quarterly Report, the well has been plugged and abandoned and during fiscal year ended December 31, 2011, we wrote 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 during fiscal year ended December 31, 2011 and, thus, an impairment charge of \$3,000,000 was recorded.

## RESULTS OF OPERATION

	Three Month Period Ended March 31, 2012 and 2011		For the Period from Inception (October 19, 2004) to March 31, 2012
<b>STATEMENT OF OPERATIONS DATA</b>			
General and Administrative Expenses			
Investor relations expenses	\$-	\$-	\$921,268
Consulting expenses	500	1,250	881,037
Management fees – related party	26,520	26,520	1,322,963
Management fees – stock based compensation	-	-	2,430,595
Impairment of oil and gas properties	-	-	6,708,952
Office and general	21,617	23,992	906,897
Professional fees	16,098	13,097	1,082,671
Net Operating Loss	\$(64,735 )	\$(64,859 )	\$(14,254,383)
Other Expense			
Gain on expired oil and gas lease option	-	-	100,000
Financing costs	-	-	(424,660 )
Interest expense	(3,872 )	(2,460 )	(142,101 )
Net Loss	\$(68,607 )	\$(67,319 )	\$(14,721,144)

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.

#### Three Month Period Ended March 31, 2012 Compared to Three Month Period Ended March 31, 2011

Our net loss for the three month period ended March 31, 2012 was (\$68,607) compared to a net loss of (\$67,319) during the three month period ended March 31, 2011 (an increase of \$1,288). During the three month periods ended March 31, 2012 and March 31, 2011, we did not generate any revenue.

During the three month period ended March 31, 2012, we incurred general and administrative expenses of \$64,735 compared to \$64,859 incurred during the three month period ended March 31, 2011 (a slight decrease of \$124). These general and administrative expenses incurred during the three month period ended March 31, 2012 consisted of: (i) consulting fees of \$500 (2011: \$1,250); (ii) office and general of \$21,617 (2011: \$23,992); (iii) professional fees of \$16,098 (2011: \$13,097); and (iv) management fees – related party of \$26,520 (2011: \$26,520).

General and administrative expenses incurred during the three month period ended March 31, 2012 compared to the three month period ended March 31, 2011 slightly decreased primarily due to lower office and general expenses.

General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Of the \$64,735 incurred as general and administrative expenses during the three month period ended March 31, 2012, we incurred management fees of \$26,520. As of March 31, 2012, the total amount due and owing in accrued and unpaid management fees and expenses was \$235,046.

Interest expense incurred during the three month period ended March 31, 2012 was \$3,872 (2011: \$2,460). Our net loss during the three month period ended March 31, 2012 was (\$68,607) or (\$0.00) per share compared to a net loss of (\$67,319) or (\$0.00) per share during the three month period ended March 31, 2011. The weighted average number of shares outstanding was 52,612,392 for both the three month periods ended March 31, 2012 and March 31, 2011.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012

As at March 31, 2012, our current assets were \$23,926 and our current liabilities were \$880,882, which resulted in a working capital deficiency of \$856,956. As at March 31, 2012, current assets were comprised of: (i) \$22,952 in cash; and (ii) \$974 in prepaid and other assets. As at the three month period ended March 31, 2012, current liabilities were comprised of: (i) \$312,559 in accounts payable and accrued liabilities; (ii) \$328,323 in due to related parties; (iii) \$200,000 in loans payable; and (iv) \$40,000 in loans due to related party.

As at March 31, 2012, our total assets were \$23,926 comprised of current assets. The increase of total assets for the three month period ended March 31, 2012 from December 31, 2011 was primarily due to the increase in cash.

As at March 31, 2012, our total liabilities were \$880,882 comprised entirely of current liabilities. The increase in liabilities for the three month period ended March 31, 2012 from fiscal year ended December 31, 2011 was primarily due to amounts due to related parties.

Stockholders' deficit increased from (\$778,349) as of December 31, 2011 to (\$856,956) as of March 31, 2012.

### Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the three month period ended March 31, 2012, net cash flows used in operating activities was (\$31,167), consisting primarily of a net loss of (\$68,607). Net cash flows used in operating activities was changed by an increase of \$3,872 in accrued interest, \$70,322 due to related party and \$579 in prepaid expenses and deposits. Net cash flows used in operating activities was further changed by a decrease of (\$37,333) in accounts payable and accrued liabilities.

For the three month period ended March 31, 2011, net cash flows used in operating activities was (\$44,313), consisting primarily of a net loss of (\$67,319). Net cash flows used in operating activities was changed by an increase of \$2,460 in accrued interest, \$8,302 in prepaid expenses and deposits and \$12,244 in accounts payable and accrued liabilities.

### Cash Flows from Investing Activities

For the three month period ended March 31, 2012 and 2011, we did not record net cash flows from investing activities..

### Cash Flows from Financing Activities

We have financed our operations primarily from either advancements or the issuance of equity and debt instruments. For the three month period ended March 31, 2012, net cash flows provided from financing activities was \$50,000 compared to \$65,000 for the three month period ended March 31, 2011. Net cash flows from financing activities for the three month period ended March 31, 2012 consisted of \$25,000 in loans payable and \$25,000 in loans from a related party. Net cash flows from financing activities for the three month period ended March 31, 2011 consisted of \$65,000 in loans from 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

During 2010, a 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. During the three month period ended March 31, 2012, the shareholder made further advances of \$25,000. Total accrued interest was \$666 leaving a total of \$40,666 due and owing to the shareholder as of March 31, 2012.

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.

During the quarterly period March 31, 2012, we received loan proceeds of \$25,000 from an unrelated third party pursuant to a promissory note. The promissory note is due on demand and bears interest at a rate of 10% per annum of which a total of \$27 has been accrued for interest as of March 31, 2012.

We owe \$63,633 to one of our officers/directors for the provision of office space and office services as of ended March 31, 2012.

#### 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 Quarterly 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 III. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse change in foreign currency and interest rates.

##### Exchange Rate

Our reporting currency is United States Dollars ("USD"). In the event we acquire any properties outside of the United States, the fluctuation of exchange rates may have positive or negative impacts on our results of operations. However, since all of our properties are currently located within the United States, any potential revenue and expenses will be denominated in U.S. Dollars, and the net income effect of appreciation and devaluation of the currency against the U.S. Dollar would be limited to our costs of acquisition of property.

##### Interest Rate

Interest rates in the United States are generally controlled. Any potential future loans will relate mainly to acquisition of properties and will be mainly short-term. However our debt may be likely to rise in connection with expansion and if interest rates were to rise at the same time, this could become a significant impact on our operating and financing activities. We have not entered into derivative contracts either to hedge existing risks for speculative purposes.

## ITEM IV. 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 March 31, 2012 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 March 31, 2012. 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 Quarterly 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 Quarterly Report on Form 10-Q.

#### 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 three month period ended March 31, 2012.

### 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 Quarterly Report on Form 10-Q for the three month period ended March 31, 2012 filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No report required.

ITEM IA. RISK FACTORS

No report required.

ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

No report required.

ITEM 5. OTHER INFORMATION

No report required.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- 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

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: May 17, 2012

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

Dated: May 17, 2012

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