

MORGAN CREEK ENERGY CORP
Form 10-Q
August 13, 2010

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 period ended June 30, 2010

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.)

5050 Quorum Drive, Suite 700, Dallas, Texas 75254
(Address of principal executive offices)

(214) 722-6490
(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

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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 June 30, 2010
Common Stock, \$0.001	37,612,392

MORGAN CREEK ENERGY CORP.

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PART I

ITEM 1. FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2010
(Unaudited)

MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

JUNE 30, 2010
(unaudited)

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

BALANCE SHEETS

ASSETS	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
CURRENT ASSETS		
Cash	\$6,468	\$193,109
Prepaid expenses and other	42,880	54,240
TOTAL CURRENT ASSETS	49,348	247,349
OIL AND GAS PROPERTIES, unproven (Note 3)	1,889,158	2,474,812
TOTAL ASSETS	\$1,938,506	\$2,722,161
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$363,831	\$794,809
Due to related party (Note 6)	45,048	198,467
TOTAL CURRENT LIABILITIES	408,879	993,276
GOING CONCERN (Note 1)		
STOCKHOLDERS' EQUITY (Note 4)		
Common stock, 66,666,666 shares authorized with \$0.001 par value		
Issued and outstanding		
37,612,392 common shares (December 31, 2009 – 34,032,392)	37,612	34,032
Additional paid-in-capital	10,826,576	9,072,156
Private placement subscriptions	-	1,468,000
Deficit accumulated during exploration stage	(9,334,561)	(8,845,303)
TOTAL STOCKHOLDERS' EQUITY	1,529,627	1,728,885
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$1,938,506	\$2,722,161

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 June 30		Six Months Ended June 30		Inception (October 19, 2004) to June 30, 2010
	2010	2009	2010	2009	2010
GENERAL AND ADMINISTRATIVE EXPENSES					
Investor relations	\$-	\$-	\$15,000	\$-	\$921,268
Consulting fees	-	-	-	15,000	861,572
Management fees – related party	24,000	65,000	62,000	110,600	1,143,683
Management fees - stock based compensation	-	-	-	-	2,430,595
Impairment of oil and gas properties	236,444	-	236,444	-	1,848,197
Office and general	28,929	46,445	80,785	66,332	741,940
Professional fees	48,642	30,680	93,448	58,584	940,038
NET OPERATING LOSS:	(338,015)	(142,125)	(487,677)	(250,516)	(8,887,293)
OTHER EXPENSE					
Gain on expired oil and gas lease option	-	-	-	-	100,000
Financing costs	-	-	-	-	(424,660)
Interest expense	(881)	(8,011)	(1,581)	(14,603)	(122,608)
TOTAL OTHER EXPENSE	(881)	(8,011)	(1,581)	(14,603)	(447,268)
NET LOSS	\$(338,896)	\$(150,136)	\$(489,258)	\$(265,119)	\$(9,334,561)
BASIC LOSS PER COMMON SHARE	\$(0.01)	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
-BASIC	34,826,205	30,432,392	34,434,972	30,432,392	30,432,392

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS
(Unaudited)

	2010	Six Months Ended June 30 2009	Inception (October 19, 2004) to June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$(489,258)	\$(265,119)	\$(9,334,561)
Adjustments to reconcile net loss to net cash used in operating activities:			
- Stock based compensation	-	-	2,430,595
- Impairment of oil and gas properties	236,444	-	1,848,197
- Financing costs	-	-	424,660
CHANGES IN OPERATING ASSETS AND LIABILITIES			
- Interest accrued	(41,586)	14,603	881
- Prepaid expenses and other	11,360	13,755	(67,880)
- Due to related parties	-	39,247	267,428
- Accounts payable and accrued liabilities	(430,978)	47,474	329,154
NET CASH USED IN OPERATING ACTIVITIES	(714,018)	(150,020)	(4,101,526)
CASH FLOWS FROM INVESTING ACTIVITIES			
Oil and gas property expenditures, net	349,210	(9,000)	(3,422,268)
NET CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES	349,210	(9,000)	(3,422,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on sale and subscriptions of common stock	290,000	65,000	5,021,595
Drilling advances	-	-	759,000
Payments to related parties advances	(161,833)	-	(1,655,833)
Proceeds from related parties advances	50,000	100,000	3,405,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	178,167	165,000	7,530,262
INCREASE IN (DECREASE) CASH	(186,641)	5,960	6,468
CASH, BEGINNING OF PERIOD	193,109	14,883	-
CASH, END OF PERIOD	\$6,468	\$20,843	\$6,468
SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:			

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Cash paid for interest	\$-	\$-	\$-
Cash paid for income taxes	\$-	\$-	\$-
Common stock issued for acquisition of oil and gas property	\$-	\$-	\$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
JUNE 30, 2010
(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. 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 is currently under evaluation.

Going concern

The Company commenced operations on October 19, 2004 and has not realized any revenues since inception. As of June 30, 2010, the Company has an accumulated deficit of \$9,334,561. 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 financials 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 and advances from related parties.

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, 2009 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 six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

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.

MORGAN CREEK ENERGY CORP.
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(unaudited)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas properties (continued)

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.

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NOTES TO FINANCIAL STATEMENTS
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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 June 30, 2010 and December 31, 2009 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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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(unaudited)

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 June 30, 2010, 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 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.

Recent accounting pronouncement

In February 2010, the FASB issued Accounting Standards Update 2010-09 (ASU 2010-09), Subsequent Events (Topic 855), amending guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended June 30, 2010. The adoption of this guidance did not have a material impact on our financial statements.

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives" (codified within ASC 815 - Derivatives and Hedging). ASU 2010-11 improves disclosures originally required under SFAS No. 161. ASU 2010-11 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-11 is not expected to have any material impact on our

financial position, results of operations or cash flows.

In April 2010, the FASB issued ASU No. 2010-17, "Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition" (codified within ASC 605 - Revenue Recognition). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU 2010-17 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-17 is not expected to have any material impact on our financial position, results of operations or cash flows.

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(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
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(unaudited)

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 the year ended December 31, 2009, the Company wrote off the original cost of these leases totalling \$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, \$1,352,751 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 2,409,524 shares of common stock at \$0.315 per share (refer to Note 4).

(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 is 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.

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(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 will be 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. 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 will 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 will terminate, the Company will cease to have any interest in the prospect and Bonanza will 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 will have

NOTE 3 – OIL AND GAS PROPERTIES (continued)

(c) Oklahoma Prospect

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 will 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 will pay 67% of the costs of the first well in the Prospect. Morgan will pay 33% of the drilling and completion costs. To December 31, 2009, the Company had 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 June 30, 2010 and has been included in accounts payable and accrued liabilities.

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 \$236,444 during the period.

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NOTES TO FINANCIAL STATEMENTS
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(unaudited)

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.

(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

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

(b) Private Placements

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 finder's 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 \$0.25 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.

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(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 totalling \$1,515,214. The difference between the estimated fair value of the common shares issued at issuance and the amount of debt settled totalling \$378,803 was recorded as a finance cost during the period (refer to Note 6).

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 totalling \$45,857 was recorded as a finance cost during the period (refer to Notes 3 and 6).

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.

(d) Share Purchase Warrants

Details of the Company's share purchase warrants issued and outstanding as of June 30, 2010 are as follows:

Exercise price	Number of warrants to purchase shares	Expiry Date
\$0.25	3,600,000	July 20, 2010
\$1.00	1,740,000	June 11, 2011
\$0.50	50,000	June 11, 2011

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

(d) Share Purchase Warrants

The Company's share purchase warrants activity for the period ended June 30, 2010 is summarized as follows:

	Number of Warrants	Weighted average exercise Price per share	Weighted average remaining In contractual life (in years)
Balance, December 31, 2008	2,448,000	\$0.75	0.71
Issued	3,600,000	0.25	
Expired	(2,448,000)	0.75	
Exercised	-	-	
Balance, December 31, 2009	3,600,000	0.25	0.55
Issued	1,790,000	0.99	
Expired	-	-	
Exercised	-	-	
Balance, June 30, 2010	5,390,000	\$0.49	0.35

All warrants are exercisable as at June 30, 2010.

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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%.

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

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5 – STOCK OPTION PLAN (continued)

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 June 30, 2010 is summarized as follows:

	Number of Options	Weighted average exercise Price per share	Weighted average remaining In contractual life (in years)
Balance, December 31, 2008	3,733,336	\$0.88	7.22
Granted	3,400,000	0.27	-
Expired - cancelled	(3,566,670)	0.84	-
Exercised	-	-	-
Balance, December 31, 2009	3,566,666	0.33	9.21
Granted	-	-	-
Expired - cancelled	-	-	-
Exercised	-	-	-
Balance, June 30, 2010	3,566,666	\$0.33	8.71

All options are exercisable as at June 30, 2010.

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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 2008, this shareholder made further advances to the Company of \$885,000 and \$500,000 was repaid to the shareholder. 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 advance and related accrued interest totalling \$1,894,017 (Refer to Note 4). During 2009, this shareholder made further advances of \$100,000 and was repaid \$24,000. 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. As a result, as of December 31, 2009, \$156,000 plus accrued interest of \$42,467 was owed which bears interest at 8% per annum and has no specific repayment terms. As of March 31, 2010, the accrued interest and principal had been paid in full.

On April 1, 2010, a shareholder made an advance to the Company of \$50,000. The advance bears interest of 8% per annum and has no specific repayment terms. During the period \$5,833 was repaid. Total amount outstanding including principal and accrued interest as of June 30, 2010 is \$45,048.

NOTE 6 – RELATED PARTY TRANSACTIONS

Management Fees

During the six month period ended June 30, 2010, the Company incurred \$62,000 (June 30, 2009 - \$110,600) for management fees to officers and directors. As of June 30, 2010, total amount owing in accrued and unpaid management fees and expenses was \$51,502 (December 31, 2009 - \$42,467) which has been included in accounts payable and accrued liabilities.

NOTE 7 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 12, 2010 the date which the financial statement were available to be issued. The Company has determined that there were no events that warrant disclosure or recognition in the financial statements.

NOTE 8 – CONTINGENCIES

During August 2009, the Company was included in a third party lawsuit by a former director/officer of the Company. Our management is of the position that the former director has made certain false allegations against us including, but not limited to, issuance of shares of our common stock and grant of stock options. Although the Company refutes these allegations and believes it should not be included in this action and that the claims contained within the lawsuit are without merit, it is possible that the Company may be exposed to a loss contingency. However, the amount of such loss, if any, cannot be reasonably estimated at this time and accordingly, no amount has been recorded to date.

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"). The leases are unproven. To date we have leased approximately 7,576 net acres within the State of New Mexico. 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 is currently under evaluation.

OIL GAS PROPERTIES

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

	Net Acres(*)
New Mexico	13,339
Total:	13,339

(*) 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.

Quachta 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. We intend to secure all immediate rights relating to oil and gas in the areas providing control over any potential major structural play that develops as a result of this in-depth exploration.

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 \$1,357,208 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.

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 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"). In accordance with the terms and provisions of the Option Agreement: (i) Westrock owns all right, title and interest in and to approximately 7,763 net acres of property within the State of New Mexico with a net revenue interest of 81.5% pertaining to 5,746 of the net acres (the "New Mexico Leases"); (b) Westrock ; (iii) 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 5,746 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.

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 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 hereby: (i) advise 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) advise 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 June 30, 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 we have written off our share of the dry hole costs of the well \$236,444.

RESULTS OF OPERATION

	Six Month Period Ended June 30, 2010 and 2009		For the Period from Inception (October 19, 2004) to June 30, 2010
STATEMENT OF OPERATIONS DATA			
General and Administrative Expenses			
Investor relations expenses	\$ 15,000	\$-0-	\$921,268
Consulting expenses	-0-	15,000	861,572
Management fees – related party	62,000	110,600	1,143,683
Management fees – stock based compensation	-0-	-0-	2,430,595
Impairment of oil and gas properties	236,444	-0-	1,848,197
Office and general	80,785	66,332	741,940
Professional Fees	93,448	58,584	940,038
Net Operating Loss	\$(487,667)	\$(250,516)	\$(8,887,293)
Other Expense			
Gain on expired oil and gas lease option	-0-	-0-	100,000
Financing Costs	-0-	-0-	(424,660)
Interest expense	(1,581)	(14,603)	(122,608)
Net Loss	\$(489,258)	\$(265,119)	\$(9,334,561)

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.

Six Month Period Ended June 30, 2010 Compared to Six Month Period Ended June 30, 2009

Our net loss for the six month period ended June 30, 2010 was \$(489,258) compared to a net loss of \$(265,119) during the six month period ended June 30, 2009 (an increase of \$224,139). During the six month periods ended June 30, 2010 and 2009, we did not generate any revenue.

During the six month period ended June 30, 2010, we incurred general and administrative expenses of \$487,677 compared to \$250,516 incurred during the six month period ended June 30, 2009 (an increase of \$237,161). These general and administrative expenses incurred during the six month period ended June 30, 2010 consisted of: (i) investor relations of \$15,000 (2009: \$-0-); (ii) consulting fees of \$-0- (2009: \$15,000); (iii) impairment of oil and gas properties of \$236,444 (2009: \$-0-); (iv) office and general of \$80,785 (2009: \$66,332); (v) professional fees of \$93,448 (2009: \$58,584); and (vi) management fees – related party of \$62,000 (2009: \$110,600).

During the six month period ended June 30, 2009, we did not record any impairment of oil and gas properties. Thus, general and administrative expenses incurred during the six month period ended June 30, 2010 compared to the six month period ended June 30, 2009 increased primarily due to the increase in impairment of oil and gas properties of \$236,444, management fees – related party of (\$48,600), office and general of \$14,452 and professional fees of \$34,864 relating to increased scope of operations. General and administrative expenses were increased further due to the increase in investor relations of \$15,000. Reductions in expenses were realized in consulting fees. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Of the \$487,677 incurred as general and administrative expenses during the six month period ended June 30, 2010, we incurred management fees of \$62,000. As of June 30, 2010, the total amount due and owing in accrued and unpaid management fees and expenses was \$51,502.

Interest expense incurred during the six month period ended June 30, 2010 was \$1,581 (2009: \$14,603). Our net loss during the six month period ended June 30, 2010 was (\$489,258) or (\$0.01) per share compared to a net loss of (\$265,119) or (\$0.01) per share during the six month period ended June 30, 2009. The weighted average number of shares outstanding was 34,434,972 for the six month period ended June 30, 2010 compared to 30,432,392 for the six month period ended June 30, 2009.

Three Month Period Ended June 30, 2010 Compared to Three Month Period Ended June 30, 2009

Our net loss for the three month period ended June 30, 2010 was (\$338,896) compared to a net loss of (\$150,136) during the three month period ended June 30, 2009 (an increase of \$188,760). During the three month periods ended June 30, 2010 and 2009, we did not generate any revenue.

During the three month period ended June 30, 2010, we incurred general and administrative expenses of \$338,015 compared to \$142,125 incurred during the three month period ended June 30, 2009 (an increase of \$195,890). These general and administrative expenses incurred during the three month period ended June 30, 2010 consisted of: (i) consulting fees of \$-0- (2009: \$-0-); (ii) impairment of oil and gas properties of \$236,444 (2009: \$-0-); (iii) office and general of \$28,929 (2009: \$46,445); (iv) professional fees of \$48,642 (2009: \$30,680); and (v) management fees – related party of \$24,000 (2009: \$65,000).

During the three month period ended June 30, 2009, we did not record any impairment of oil and gas properties. Thus, general and administrative expenses incurred during the three month period ended June 30, 2010 compared to the three month period ended June 30, 2009 increased primarily due to the increase in impairment of oil and gas properties of \$236,444, management fees – related party of (\$41,000) and professional fees of \$17,962 relating to increased scope of operations.

Interest expense incurred during the three month period ended June 30, 2010 was \$881 (2009: \$8,011). Our net loss during the three month period ended June 30, 2010 was (\$338,896) or (\$0.01) per share compared to a net loss of (\$150,136) or (\$0.01) per share during the three month period ended June 30, 2009. The weighted average number of shares outstanding was 34,826,205 for the three month period ended June 30, 2010 compared to 30,432,392 for the three month period ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2010

As at June 30, 2010, our current assets were \$49,348 and our current liabilities were \$408,879, which resulted in a working capital deficiency of (\$359,531). As at June 30, 2010, current assets were comprised of: (i) \$6,468 in cash; and (ii) \$42,880 in prepaid and other assets. As at the six month period ended June 30, 2010, current liabilities were comprised of: (i) \$363,831 in accounts payable and accrued liabilities; and (ii) \$45,048 due to related party.

As at June 30, 2010, our total assets were \$1,938,506 comprised of: (i) \$49,348 in current assets; and (ii) \$1,889,158 in unproven oil and gas properties. The decrease of total assets for the six month period ended June 30, 2010 from December 31, 2009 was primarily due to the decrease in valuation of unproven oil and gas properties and a decrease in cash.

As at June 30, 2010, our total liabilities were \$408,879 comprised entirely of current liabilities. The decrease in liabilities for the six month period ended June 30, 2010 from fiscal year ended December 31, 2009 was primarily due to a decrease in amounts due to related parties and in accounts payable and accrued liabilities.

Stockholders' equity decreased from \$1,728,885 as of December 31, 2009 to stockholders' equity of \$1,529,627 as of June 30, 2010.

Cash Flows from Operating Activities

We have not generated positive cash flows from operating activities. For the six month period ended June 30, 2010, net cash flows used in operating activities was (\$714,018), consisting primarily of a net loss of (\$489,258). Net cash flows used in operating activities was changed by (\$41,586) in accrued interest, \$11,360 in prepaid and other current assets and (\$430,978) in accounts payable and accrued liabilities. Net cash flows used in operating activities was further adjusted by \$236,444 relating to the impairment of oil and gas properties.

Cash Flows from Investing Activities

For the six month period ended June 30, 2010, net cash flows provided by investing activities was \$349,210 for oil and gas property net expenditures and deposits.

Cash Flows from Financing Activities

We have financed our operations primarily from either advancements or the issuance of equity and debt instruments. For the six month period ended June 30, 2010, net cash flows provided from financing activities was \$178,167 compared to \$165,000 for the six month period ended June 30, 2009. Cash flows from financing activities for the six month period ended June 30, 2010 consisted of \$290,000 in proceeds from sale and subscriptions of common stock, \$50,000 in advances from related parties and (\$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.

During the six month period ended June 30, 2010, we received \$1,740,000 for a private placement of Units offered at \$0.50 per Unit with each Unit consisting of one share of our restricted common stock and one-half Warrant to acquire an additional common share, exercisable at \$1.00 per share for a period of twelve months from the date of issuance. A finder's fee of 7% (\$7,000) was paid on \$100,000 of the planned private placement proceeds received. Of the total proceeds, an aggregate of \$1,468,000 was received during fiscal year ended December 31, 2009. Subsequently, we received \$25,000 for a private placement of Units offered at \$0.25 per Unit with each Unit consisting of one share of our restricted common stock and one-half Warrant to acquire an additional common share exercisable at \$0.50 per share for a period of 12 months from the date of issuance.

MATERIAL COMMITMENTS

During fiscal year ended December 31, 2007, an aggregate of \$1,365,500 was due and owing to one of our shareholders relating to advances. Subsequently, during fiscal year ended December 31, 2008, additional advances were made by this same shareholder to us of \$885,000 for an aggregate amount of \$2,250,500 due and owing. During fiscal year ended December 31, 2008, we repaid \$500,000 to this shareholder. Further, the shareholder assigned the amount of \$1,894,017 to various assignees and settled the \$1,894,017 pursuant to the issuance of 5,050,712 shares of our restricted common stock at \$0.375 per share. During the period, this shareholder made further advances of \$100,000 and was repaid \$24,000. And, on July 20, 2009, we issued an aggregate of 1,600,000 Units at \$0.125 per Unit on settlement of shareholder advances of \$200,000. As a result, as of December 31, 2009, \$156,000 was due and owing, which bears interest at 8% per annum and has no specific repayment terms. As of December 31, 2009, total accrued interest was \$42,467.

As of March 31, 2010, the accrued interest and principal has been paid in full.

On April 1, 2010, a shareholder made an advance to us of \$50,000. This advance bears interest at 8% per annum and has no specific repayment terms. During the period \$5,833 was repaid. Total amount outstanding including principal and accrued interest as of June 30, 2010 is \$45,048.

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, 2009 and December 31, 2008 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 effective as of June 30, 2010 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 Quarterly 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 June 30, 2010. 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 effective at the “reasonable assurance” level.

Changes in internal controls

There were no changes in internal controls for the six month period ended June 30, 2010.

Our management has remediated the material weaknesses that were reported from our 10-K/A for the fiscal year end December 31, 2007, which were filed on October 2, 2008 as follows. (A) Management implemented an audit committee that oversees and monitors our financials (See Paragraph on Audit committee report below). (B) Adequate segregation of duties were put in place to reduce the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed. No further significant changes were implemented in our internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AUDIT COMMITTEE REPORT

The Board of Directors has established an audit committee. The members of the audit committee are Mr. Peter Carpenter, Mr. Angelo Viard and Mr. D. Bruce Horton. 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 Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended.

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 six month period ended June 30, 2010 filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During August 2009, we were included in a third party lawsuit filed by Abigail Investments LLC against David Urquhart in the United States District Court for the State of Nevada, Case No. 09-CV-1174. The lawsuit includes a counter-claim by David Urquhart against us and others. Our management is of the position that the former director has made certain false allegations against us including, but not limited to, issuance of shares of our common stock and grant of stock options.

Although we refute these allegations and believe that we should not be included in this action and that the claims contained within the complaint are without merit, it is possible that we may be exposed to a loss contingency. However, the amount of such loss, if any, cannot be reasonably estimated at this time and accordingly, no amount has been recorded to date.

As of the date of this Quarterly Report, all actions against the directors and officers of Company were dismissed. The Company still is included in the action and the judge was reluctant to dismiss Morgan without further discovery evidence being presented. The Company is confident that they will be dismissed from the action after discoveries.

ITEM 1A. RISK FACTORS

No report required.

ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS

No report required.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No report required.

ITEM 4. Removed and Reserved

ITEM 5. OTHER INFORMATION

No report required.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

10.1 Letter Agreement dated May 28, 2009 between Morgan Creek Energy Corp. and Bonanza Resources (Texas) Inc. (1)

10.2 Letter Agreement dated July 9, 2009 between Morgan Creek Energy Corp. and FormCap Corporation. (2)

31.1 Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

31.2 Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).

32.1 Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.

(1) Incorporated by reference from Form 8-K filed with the Commission on June 9 2009 and August 28, 2009.

(2) Incorporated by reference from Form 8-K filed with the Commission on July 16,2009 and August 28, 2009.

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.

Dated: August 12, 2010

By: /s/ Peter Wilson
Peter Wilson President and
Chief Executive Officer

Dated: August 12, 2010

By: /s/ William D. Thomas
William D. Thomas,
Chief Financial Officer

