MORGAN CREEK ENERGY CORP
Form 10QSB
November 14, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-QSB

Mark One

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

For the period ended September 30, 2007

[ ] 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. 0-25455

MORGAN CREEK ENERGY CORP.

(Name of small business issuer in its charter)

Nevada	201777817
(State or other jurisdiction	(I.R.S. Employer
tion No.)	

100 W. Liberty Street 10th Floor Reno, Nevada 89501

(Address of principal executive offices)

(775) 788-2000

(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:	Name of each exchange on which registered:
None	

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 [X] No[ ]

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

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[X]

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 November 8, 2007
Common Stock, $0.001	29,814,905

Documents Incorporated By Reference

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

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MORGAN CREEK ENERGY CORP.

Form 10-QSB

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PART I

ITEM 1. FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2007
(Unaudited)

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MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2007
(unaudited)

BALANCE SHEETS

INTERIM STATEMENTS OF OPERATIONS

INTERIM STATEMENTS OF CASH FLOWS

NOTES TO INTERIM FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

BALANCE SHEETS

	September 30, 2007	Decem 2
	(unaudited)	
ASSETS		
CURRENT ASSETS		

Cash	$ 30,739	$
Project funding receivable (Note 3)	465,475	
Prepaid	13,755	
TOTAL CURRENT ASSETS	509,969	
RESTRICTED CASH (Note 7)	25,000	
OIL AND GAS PROPERTIES, unproven (Note 3)	336,240	
TOTAL ASSETS	$ 871,209	$

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 403,130	$
Due to related parties (Note 6)	1,198,983	
TOTAL CURRENT LIABILITIES	1,602,113	
GOING CONCERN (Note 1)		
STOCKHOLDERS' DEFICIT (Note 4)		
Common stock, 100,000,000 shares authorized with $0.001 par value		
Issued and outstanding - 29,814,905 common shares (December 31, 2006 - 29,814,905)	29,815	
Additional paid-in-capital	3,972,363	3,
Deficit accumulated during exploration stage	(4,733,082)	(4,
TOTAL STOCKHOLDERS' DEFICIT	(730,904)	(
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 871,209	$

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

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MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

INTERIM STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	Nine Months En

	September 30, 2007	September 30, 2006	September 3 2007	
GENERAL AND ADMINISTRATIVE EXPENSES				
Investor relations	$ -	$ 25,000	$ -	$
Consulting fees	37,075	119,000	111,823	
Management fees	106,250	129,245	227,989	
Management fees - stock based compensation	-	-	-	
Impairment of oil and gas properties	-	-	-	
Office and general	41,478	89,130	127,277	
Professional fees	31,174	45,085	120,236	
NET LOSS	$ (215,977)	$ (407,460)	$ (587,325)	$ (
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.01)	$ (0.02)	$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING-BASIC AND DILUTED	29,814,905	40,670,800	29,814,905	40,

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

INTERIM STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Septembe 2007
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the period	$ (587,325)
Adjustments to reconcile net loss to net cash used in operating activities:	
- Stock based compensation	-
- Impairment of oil and gas properties	-
CHANGES IN OPERATING ASSETS AND LIABILITIES	
- Prepaid expenses	-
- Accrued interest	41,153
- Due to / from related parties	70,837

- Accounts payable and accrued liabilities	283,395
NET CASH USED IN OPERATING ACTIVITIES	(191,940)
CASH FLOWS FROM INVESTING ACTIVITIES	
Oil and gas property expenditures	(1,315,645)
Restricted cash deposits	(25,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,340,645)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds on sale of common stock	-
Drilling Advances	759,000
Advances from related parties	798,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,557,500
INCREASE (DECREASE) IN CASH	24,915
CASH, BEGINNING OF PERIOD	5,824
CASH, END OF PERIOD	$ 30,739
SUPPLEMENTAL CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES:	
Cash paid for interest	$ -
Cash paid for income taxes	$ -
Common stock issued for acquisition of oil and gas property	$ -

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(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 Texas ("Ouachita Prospect"). To date the Company has acquired approximately 2,365 gross 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 indicate 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 September 30, 2007 the Company has an accumulated deficit of $4,733,082 and a working capital deficiency of $1,092,144. 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. 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 interim consolidated financial statements have been prepared in accordance with generally accepted accounting principals for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. 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, 2006 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. 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 nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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. The Company's financial statements are presented in US dollars.

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.A.

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(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 value. If a reduction in 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 SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 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

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.

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.

LOSS PER COMMON SHARE

Basic earnings 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 per share reflects the potential dilution of securities that could share in the earnings of the Company. Because the Company does not have any potentially dilutive securities, diluted loss per share is equal to basic loss per share.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax

balances. Deferred tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to the taxable income in the years in which those differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. As at December 31, 2006 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 January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of the Company's fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2006, the FASB issued FSP EITF 00-19-02, Accounting for Registration Payment Arrangements ("FSP 00-19-2") which addresses accounting for registration payment arrangements. FSP 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, Accounting for Contingencies. FSP 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration

payment arrangement. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of EITF 00-19-2, this guidance is effective for financial statements issued for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The Company has determined the adoption of FSP 00-19-2 will not have a significant impact upon its financial position, results of operations or cash flows.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on its financial position and results of operations.

NOTE 3 - OIL AND GAS PROPERTIES

(a) OUACHITA PROSPECT

The Company leased various properties totalling approximately 2,365 gross acres within the Ouachita Trend within the state of Texas for a three year term in consideration for $338,353. The Company has a 100% Working Interest and a 77% N.R.I. in the leases.

BOGGS #1

On June 7, 2007 the Company began drilling its first well on the Ouachita Prospect (Boggs #1). During the period 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 . During the period $1,224,475 was incurred on drilling and completion expenditures on the Boggs #1. The Boggs #1 was privately funded with the funding investors receiving a 75% Working Interest and a 57.75% Net Revenue Interest in exchange for providing 100% of all drilling and completion costs. To September 30, 2007 the Company had incurred $1,224,475 of costs on Boggs #1 and had received $759,000 in funding from the private investors. Accordingly, as at September 30, 2007 $465,475 of investor funding obligation has been recorded as Project funding receivable. The Company retains a 25% Working Interest and a 19.25% Net

Revenue Interest in the Boggs #1 after completion.

(b) PETERS RANCH LEASE

On January 30, 2007 the Company acquired a 100% working interest, 77% net revenue interest, in two fully equipped South Texas oil leases; the Mata lease in Webb County and the Peters Ranch located in Duval County for $55,000. On April 23, 2007 the Company reached an agreement to sell the property for $65,000. By agreement between the purchaser and a shareholder of the Company, the amounts owing under this agreement were offset against amounts owing by the Company to this shareholder (refer to Note 6).

NOTE 4 - STOCKHOLDERS' EQUITY

(a) SHARE CAPITAL

The Company's capitalization is 100,000,000 common shares with a par value of $0.001 per 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 2 new shares for 1 old share basis whereby 10,167,700 common shares were issued pro-rata to shareholders of the Company as of the record date on May 10, 2006.

On July 26, 2006, the directors of the Company approved a special resolution to undertake a further forward split of the common stock of the Company on a 2 new shares for 1 old share basis whereby 20,335,400 common shares were issued pro-rata to shareholders of the Company as of the record date on August 8, 2006.

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 and the 2:1 forward split on August 8, 2006 have been adjusted to reflect these stock splits on a retroactive basis, unless otherwise noted.

NOTE 4 - STOCKHOLDERS' EQUITY (continued)

On December 19, 2006 a founding shareholder of the Company returned 12,000,000 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 1,550,000 shares of common stock at $0.10 per share for proceeds of $155,000.

On December 15, 2004 the Company issued 1,887,500 shares of common stock at $0.10 per share for proceeds of $188,750 and 660,200 shares of common stock at $0.50 per share for proceeds of $330,100.

On March 9, 2005 the Company issued 70,000 shares of common stock at a price of $0.50 per share for proceeds of $35,000.

On October 16, 2006 the Company completed a private placement consisting of 944,105 units at $1.50 per unit for proceeds of $1,416,158. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at $3.00 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, 563,333 of the units issued were in exchange for $845,000 previously advanced to the Company by a shareholder. The estimated fair value of the warrants at the date of grant of $592,210, which has been included in additional paid in capital, was determined using the Black-Scholes option pricing model with an expected life of 2 years, risk free interest rate of 4.49%, a dividend yield of 0% and an expected volatility of 153%.

(c) SHARE PURCHASE WARRANTS

There were share purchase warrants issued and outstanding as of September 30, 2007 as follows:

Exercise price	Weighted average price	Number of warrants to purchase shares	Expiry Date
$3.00	$3.00	944,105	October 16, 2008

A summary of the Company's stock purchase warrants as of September 30, 2007 and changes during the period is presented below:

	Number of Warrants	Weighted average exercise Price per share	Weighted average remaining In contractual life (in years)
Outstanding at December, 2006	944,105	$ 3.00	1.80
Issued	-	-	-
Expired	-	-	-
Exercised	-	-	-
Balance September 30, 2007	944,105	$ 3.00	1.05

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 5,000,000 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 maybe 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 December 12, 2006 the Board of Directors of the Company ratified and approved under the Company's existing Stock Option Plan the issuance of 1,850,000 shares for five years at $1.10 per share.

NOTE 5 - STOCK OPTION PLAN (continued)

On December 12, 2006, the Company granted 1,850,000 stock options to certain officers, directors and management of the Company at $1.10 per share. The term of these options are five years. The total fair value of these options at the date of grant was $1,527,170 and was estimated using the Black-Scholes option pricing model with an expected life of 3 years, a risk free interest rate of 4.49%, a dividend yield of 0% and expected volatility of 187% and was recorded as a stock based compensation expense during 2006.

A summary of the Company's stock options as of September 30, 2007 is as follows:

	Number of Options	Weighted average exercise Price per share	Weighted average remaining Contractual life (in years)
Outstanding at December 31, 2006	1,850,000	$1.10	4.95
Granted	-	-	-
Exercised	-	-	-
Outstanding at September 30, 2007	1,850,000	$1.10	4.20

NOTE 6 - RELATED PARTY TRANSACTIONS

INTERNATIONAL MARKET TREND, INC. ("IMT")

An officer and director of IMT, a private company, is a shareholder of the Company. During the period ended September 30, 2007 the Company paid IMT consulting expenses of $90,000 (September 30, 2006 - $137,500). In addition during the period IMT advanced the Company $6,000. As of September 30, 2007 the Company owed IMT $26,000 which is unsecured and non-interest bearing, and has no specific repayment terms.

During the period ended September 30, 2007 a shareholder of the Company advanced $10,000 to the Company. The amount is unsecured and non-interest bearing and has no specific repayment terms.

As at December 31, 2006, $325,000 was owing to a separate shareholder for advances made to the Company. During the period this shareholder made further advances to the Company of $798,500. In addition, the $65,000 proceeds on disposal of the Peters Ranch Lease (as described in Note 3) were offset against these amounts owing by agreement between this shareholder and the purchaser. As a result, as of September 30, 2007 $1,068,500 was owing which bears interest at 8% per annum and has no specific repayment terms. As of September 30, 2007 total accrued interest was $42,364 (December 31, 2006 - $1,211).

MANAGEMENT FEES

During the nine month period ended September 30, 2007, the Company paid officers and directors $227,989 for management fees (September 30, 2006 -$154,245).

As part of their compensation agreements the Company's chief Geologist and Operations Manager (hereafter referred to as "Executives") each receives and is assigned at the time of acquisition up to a 1.5% overriding royalty interest in any oil and gas properties which are directly introduced by the Executives to the Company. During the period ended September 30, 2007 the Company recorded related additional compensation to the Executives of $1,739 (2006 - $nil), being the estimated cost of royalty interests earned during the period.

NOTE 7 - RESTRICTED CASH

Restricted cash consists of a $25,000 operating bond for the Company held by the Railroad Commission of Texas.

NOTE 8 - INCOME TAXES

The Company has adopted the FASB No. 109 for reporting purposes. As of September 30, 2007 and December 31, 2006, the Company had net operating loss carry forwards that may be available to reduce future years' taxable income through 2027. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carryforwards.

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-QSB 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 OR PLAN OF OPERATION

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". 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 a natural resource exploration and production company currently engaged in the exploration, acquisition and development of oil and gas properties in the United States and within North America. Our primary activity and focus is our leases in Texas (the "Ouachita Prospect"). To date, we have acquired approximately 2,365 gross acres within the Ouachita Prospect for a three-year term. We acquired a 100% working interest and a 77% net revenue interest in

natural gas targeted Ouachita Prospect leases. The leases are unproven and were acquired for approximately $338,353.

OIL AND GAS PROPERTIES

OUACHITA PROSPECT

As of the date of this Quarterly Report, we lease approximately 2,365 acres within the Ouachita Trend in the State of Texas for a three-year term in consideration of approximately $338,353 (the "Ouachita Lease"). We have a 100% working interest and a 77% net revenue interest in the Ouachita Lease.

As of the date of this Quarterly Report, we received a permit for drilling of the twin well on the Ouachita Prospect and commenced drilling of our first well (the "Boggs #1). We have identified seven separate potential areas of exploration interest in the Ouachita Lease and have carried out wide scale leasing on the first of these targets. 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 has been privately funded with the funding investors receiving a 75% working interest and a 57.75% net revenue interest in exchange for providing 100% of all drilling and completion costs. Therefore, we retain a 25% working interest and a 19.25% net revenue interest in the Boggs #1 well. As of September 30, 2007, we have received $759,000 in funding from the private investors. As of the date of this Quarterly Report, we have incurred $1,224,475 in costs on Boggs #1. Accordingly, as of September 30, 2007, $465,475 of investor funding obligation has been recorded as project funding receivable.

SOUTH TEXAS PROSPECT

On approximately January 30, 2007, we acquired a 100% working interest and a 77% net revenue interest in two fully equipped oil leases located in the State of Texas for aggregate consideration of $55,000. The Mata lease is located in Webb County and the Peters Ranch lease is located in Duval County (collectively, the "South Texas Lease"). On approximately April 23, 2007, we entered into an agreement to sell the South Texas Lease for $65,000 (the "South Texas Agreement"). In accordance with the terms and provisions of an agreement between the purchaser and one of our shareholders, the amounts due and owing under the South Texas Agreement were offset against amounts we owed to our shareholder. See " - Material Commitments".

CHAPMAN LEASE/HURLEY LEASE

The Chapman Lease encompassed approximately 240 acres in Okfuskee County, State of Oklahoma. We had acquired a 75% working interest and a 56.25% net revenue interest. The Hurley Lease encompassed approximately 320 acres in Okfuskee County, State of Oklahoma. We had acquired a 75% working interest and a 56.25% net revenue interest. As of the date of this Quarterly Report, and after an internal review of the property, we have decided not to proceed with the

development of the Hurley and Chapman leases.

RESULTS OF OPERATION

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.

Nine Month Period Ended September 30, 2007 Compared to Nine Month Period Ended September 30, 2006

Our net loss for the nine-month period ended September 30, 2007 was approximately ($587,325) compared to a net loss of ($674,641) during the nine-month period ended September 30, 2006 (a decrease of $87,316). During the nine-month periods ended September 30, 2007 and 2006, we did not generate any revenue.

During the nine-month period ended September 30, 2007, we incurred general and administrative expenses of approximately $587,325 compared to $674,641 incurred during the nine-month period ended September 30, 2006 (a decrease of $87,316). These general and administrative expenses incurred during the nine-month period ended September 30, 2007 consisted of: (i) consulting fees of $111,823 (2006: $226,500); (ii) management fees of $227,989 (2006: $154,245); (iii) office and general of $127,277 (2006: $96,911); and (iv) professional fees of $120,236 (2006: $89,055). During the nine-month period ended September 30, 2007, we did not incur any expenses associated with investor relations as compared to $107,930 incurred during the nine-month period ended September 30, 2006. During 2006, investor relation expenses were incurred relating to corporate marketing and pertaining to investor awareness

General and administrative expenses incurred during the nine-month period ended September 30, 2007 compared to the nine-month period ended September 30, 2006 decreased primarily due to the decrease in consulting fees and investor relations relating to the emphasis on reliance of managerial services provided by our officers and the corresponding increase in management fees. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Consulting fees decreased during the nine-month period ended September 30, 2007 due to decrease in use of contractual services. Of the $587,325 incurred as general and administrative expenses during the nine-month period ended September 30, 2007, we incurred consulting expenses of $90,000 payable to International Market Trend, Inc. ("IMT"). In addition, IMT advanced us $6,000 during the nine-month period ended September 30, 2007. As of September 30, 2007, we owed IMT $26,000, which is unsecured and non-interest bearing and has no definite repayment terms. An officer and director of IMT is also one of our shareholders.

Of the $587,325 incurred as general and administrative expenses during the nine-month period ended September 30, 2007, an aggregate of $226,250 was

incurred payable to our officers and directors in management fees. We also incurred additional compensation to our Chief Geologist and Operations Manager in accordance with certain contractual arrangements that in the event we acquire

an oil and gas property which was directly introduced to us by either our Chief Geologist or Operations Manager, we will assign up to a 1.5% overriding royalty interest. Therefore, during the nine-month period ended September 30, 2007, we recorded additional compensation of $1,739, which is the estimated cost of royalty interests earned during the period.

Our net loss during the nine-month period ended September 30, 2007 was ($587,325) or ($0.02) per share compared to a net loss of ($674,641) or ($0.02) per share during the nine-month period ended September 30, 2006. The weighted average number of shares outstanding was 29,814,905 for the nine-month period ended September 30, 2007 compared to 40,670,800 for the nine-month period ended September 30, 2006.

THREE MONTH PERIOD ENDED SEPTEMBER 30, 2007 COMPARED TO THREE MONTH PERIOD ENDED SEPTEMBER 30, 2006

Our net loss for the three-month period ended September 30, 2007 was approximately ($215,977) compared to a net loss of ($407,460) during the three-month period ended September 30, 2006 (a decrease of $191,483). During the three-month periods ended September 30, 2007 and 2006, we did not generate any revenue.

During the three-month period ended September 30, 2007, we incurred general and administrative expenses of approximately $215,977 compared to $407,460 incurred during the three-month period ended September 30, 2006 (a decrease of $191,483). These general and administrative expenses incurred during the three-month period ended September 30, 2007 consisted of: (i) consulting fees of $37,075 (2006: $119,000); (ii) management fees of $106,250 (2006: $129,245); (iii) office and general of $41,478 (2006: $89,130); and (iv) professional fees of $31,174 (2006: $45,085). During the three-month period ended September 30, 2007, we did not incur any expenses associated with investor relations as compared to $25,000 incurred during the three-month period ended September 30, 2006.

General and administrative expenses incurred during the three-month period ended September 30, 2007 compared to the three-month period ended September 30, 2006 decreased primarily due to the decrease in consulting fees and investor relations relating to the emphasis on reliance of managerial services provided by our officers.

Our net loss during the three-month period ended September 30, 2007 was ($215,977) or ($0.01) per share compared to a net loss of ($407,460) or ($0.01) per share during the three-month period ended September 30, 2006. The weighted average number of shares outstanding was 29,814,905 for the three-month period ended September 30, 2007 compared to 40,670,800 for the three-month period ended September 30, 2006.

LIQUIDITY AND CAPITAL RESOURCES

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2007

As at the nine-month period ended September 30, 2007, our current assets were

$509,969 and our current liabilities were $1,602,113, which resulted in a working capital deficiency of ($1,092,144). As at the nine-month period ended

September 30, 2007, current assets were comprised of: (i) $30,739 in cash; (ii) $465,475 in project funding receivable relating to the Boggs #1 well; and (iii) $13,755 in prepaid. As at the nine-month period ended September 30, 2007, current liabilities were comprised of: (i) $403,130 in accounts payable and accrued liabilities; and (ii) $1,198,983 due to related parties.

As at the nine-month period ended September 30, 2007, our total assets were $871,209 comprised of: (i) $509,969 in current assets; (ii) $25,000 in restricted cash; and (iii) $336,240 in unproven oil and gas properties. The increase in total assets during the nine-month period ended September 30, 2007 from fiscal year ended December 31, 2006 was primarily due to recording of the project funding receivable relating to the Boggs #1 well.

As at the nine-month period ended September 30, 2007, our total liabilities were $1,602,113 comprised entirely of current liabilities. The increase in liabilities during the nine-month period ended September 30, 2007 from fiscal year ended December 31, 2006 was primarily due to the increase in amounts due to related parties and in amounts payable and accrued liabilities. See " - Material Commitments."

Stockholders' deficit increased from ($143,579) for fiscal year ended December 31, 2006 to ($730,904) for the nine-month period ended September 30, 2007.

CASH FLOWS FROM OPERATING ACTIVITIES

We have not generated positive cash flows from operating activities. For the nine-month period ended September 30, 2007, net cash flows used in operating activities was ($191,940), consisting primarily of a net loss of ($587,325). Net cash flows used in operating activities was adjusted by $283,395 to reconcile accounts payable and accrued liabilities, $70,837 to reconcile costs due to related parties, and $41,153 to reconcile accrued interest. For the nine-month period ended September 30, 2006, net cash flows used in operating activities was ($293,457), consisting primarily of a net loss of ($674,641), and adjusted by $196,184 to reconcile costs due to related parties and prepaid expenses and $185,000 to reconcile accounts payable and accrued liabilities.

CASH FLOWS FROM INVESTING ACTIVITIES

For the nine-month period ended September 30, 2007, net cash flows used in investing activities was ($1,340,645) consisting of $1,315,645 for acquisition of oil and gas properties and $25,000 for the restricted cash deposit relating to the bond held by the Railroad Commission of Texas. For the nine-month period ended September 30, 2006, net cash flows used in investing activities was ($597,006) for the acquisition of oil and gas properties.

CASH FLOWS FROM FINANCING ACTIVITIES

We have financed our operations primarily from either advancements or the issuance of equity and debt instruments. For the nine-month period ended September 30, 2007, net cash flows provided from financing activities was $1,557,500 compared to $885,000 for the nine-month period ended September 30, 2006. Cash flows from financing activities for the nine-month period ended

September 30, 2007 consisted primarily of $759,000 in drilling advances and

$798,500 in advances from related parties compared to $885,000 in advances from related parties for the nine-month period ended September 30, 2006.

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 fiscal year ended December 31, 2006, we engaged in private placement offerings under Regulation D and Regulation S of the Securities Act pursuant to which we received gross proceeds of $1,416,158, of which $845,000 consisted of settlement of debt relating to amounts previously advanced to us by one of our shareholders.

MATERIAL COMMITMENTS

During the nine-month period ended September 30, 2007, one of our shareholders advanced an aggregate of $798,500 to us. As at December 31, 2006, an aggregate of $325,500 was already owed to this shareholder, which is subject to interest at the rate of 8% per annum and has no definite repayment terms. During the nine-month period ended September 30, 2007, an aggregate of $65,000 resulting from proceeds received on disposal of the Peters Ranch Lease was utilized to offset the aggregate amount due and owed to the shareholder. Thus, as of September 30, 2007, an aggregate of $1,068,500 was due and owing and accrued interest totaled $42,364.

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, 2006 and December 31, 2005 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. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was conducted under the supervision and with the participation of our management, including Marcus Johnson, our Chief Executive Officer ("CEO") and D. Bruce Horton, our Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2007. Based on that evaluation, Messrs. Johnson and Horton concluded that our disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such officers also confirm that there was no change in our internal control over financial reporting during the nine-month period ended September 30, 2007 that has materially affected, or is 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. Marcus Johnson, Mr. Steve Jewett and Mr. D. Bruce Horton and. One of the three members of the audit committee is "independent" within the meaning of Rule 10A-3 under the Exchange Act. The audit committee was organized in November 20, 2004 and operates under a written charter adopted by our Board of Directors.

The audit committee has reviewed and discussed with management our financial statements as of and for the nine-month period ended September 30, 2007. The audit committee has also discussed with De Joya Griffith & Company, LLC the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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, and has discussed with De Joya Griffith & Company, LLC their 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-QSB for the nine-month period ended September 30, 2007 filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company was in a dispute in connection with the services provided by Warwick Advisors Corp. under a consulting agreement dated September 6, 2006 (the "Agreement"). The parties entered into binding arbitration as allowed for within the Agreement. On October 9, 2007 the Arbitrator ruled in favor of Warkwick Advisors Corp. and the Company was ordered to pay $24,150.

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

No report required.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

No report required.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No report required.

ITEM 5. OTHER INFORMATION

CHANGES IN CERTIFYING ACCOUNTANT

Effective July 31, 2007, our Board of Directors accepted the resignation of Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants ("DMCL"), as our principal independent registered public accounting firm. On the same date, our Board of Directors appointed De Joya Griffith & Company, LLC as our principal independent registered public accounting firm.

The reports of DMCL on our consolidated financial statements for each of the fiscal years ended December 31, 2005 and 2006 did not contain an adverse opinion or disclaimer of opinion, nor were they modified as to uncertainty, audit scope or accounting principles, other than to state that there is substantial doubt as to our ability to continue as a going concern. During our fiscal years ended December 31, 2005 and 2006, and during the subsequent period through to the date of DMCL's resignation, there were no disagreements between us and DMCL, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of DMCL, would have caused DMCL to make reference thereto in their reports on our audited consolidated financial statements.

We provided DMCL with a copy of the Current Report on Form 8-K and requested that DMCL furnish us with a letter addressed to the Securities and Exchange Commission stating whether or not DMCL agrees with the statements made in this Current Report on Form 8-K with respect to DMCL and, if not, stating the aspects with which they do not agree. We received the requested letter from DMCL wherein they have confirmed their agreement with our disclosures in the Current Report on Form 8-K with respect to DMCL. A copy of DMCL's letter was filed as an exhibit to the Current Report.

In connection with our appointment of De Joya Griffith & Company, LLC as our principal registered accounting firm at this time, we had not consulted De Joya Griffith & Company, LLC on any matter relating to the application of accounting principles to a specific transaction, either completed or contemplated, or the type of audit opinion that might be rendered on our financial statements.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

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 Certification of Chief Executive Officer 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.

32.2 Certification of Chief Financial Officer 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.

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: November 8, 2007

By: /s/ MARCUS M. JOHNSON

Marcus M Johnson
President and
Chief Executive Officer

Dated: November 8, 2007

By: /s/ D. BRUCE HORTON

D. Bruce Horton
Chief Financial Officer