MORGAN CREEK ENERGY CORP
Form 10-Q
November 14, 2008

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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, 2008

[ ] 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	201777817
(State or other jurisdiction of incorporation or organization)	(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:	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 check mark whether the registrant is a large accelerated filed, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]

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[ ]

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 11, 2008
Common Stock, $0.001	14,389,197

MORGAN CREEK ENERGY CORP.

Form 10-Q

Part 1.	FINANCIAL INFORMATION	
Item 1.	FINANCIAL STATEMENTS	
	Balance Sheets	2
	Statements of Operations	3
	Statements of Cash Flows	4
	Notes to Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item 4.	Controls and Procedures	20
Part II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	21
Item 1A.	Risk Factors	21
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3.	Defaults Upon Senior Securities	23
Item 4.	Submission of Matters to a Vote of Security Holders	23

Item 5.	Other Information	23
Item 6.	Exhibits	26

PART I

ITEM 1. FINANCIAL STATEMENTS

MORGAN CREEK ENERGY CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008
(UNAUDITED)

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

BALANCE SHEETS

Sep

(u

ASSETS

CURRENT ASSETS
Cash $
Other current assets

TOTAL CURRENT ASSETS

OIL AND GAS PROPERTIES, unproven (Note 3)

TOTAL ASSETS $

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES
Accounts payable and accrued liabilities $
Due to related parties (Note 6)
Drilling advances payable

TOTAL CURRENT LIABILITIES

GOING CONCERN (Note 1)

STOCKHOLDERS' EQUITY(DEFICIT) (Note 4)
Common stock, 33,333,333 shares authorized with $0.001 par value
Issued and outstanding
14,389,196 common shares (December 31, 2007 - 9,938,302)
Additional paid-in-capital
Private placement subscriptions
Deficit accumulated during exploration stage

TOTAL STOCKHOLDERS' EQUITY (DEFICIT)

TOTAL LIABILITIES & STOCK HOLDERS' EQUITY (DEFICIT) $

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 September 30		Nine Mont[hs Ended] Septem[ber 30]
	2008	2007	2008
GENERAL AND ADMINISTRATIVE EXPENSES			
Investor relations	$ -	$ -	$ 33,644
Consulting fees	35,219	37,075	213,001
Management fees - related party	70,500	106,250	222,000
Management fees - stock based compensation	-	-	436,955
Impairment of oil and gas properties	-	-	-
Office and general	80,428	41,478	230,385
Professional fees	67,229	31,174	187,478
NET LOSS BEFORE THE FOLLOWING:	(253,376)	(215,977)	(1,323,463)
OTHER (EXPENSE)			
Financing Costs	-	-	(424,660)
TOTAL OTHER (EXPENSE)	-	-	(424,660)
NET LOSS FOR THE PERIOD	$ (253,376)	$ (215,977)	$(1,748,123)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.02)	$ (0.03)	$ (0.13)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING -BASIC AND DILUTED	14,376,250	9,938,302	13,400,059

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months September 2008	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (1,748,123)	$
Adjustments to reconcile net loss to net cash used in operating activities:		
- Stock based compensation	436,955	
- Impairment of oil and gas properties	-	
- Financing costs	424,660	
- Interest expense related to due to related party	52,359	
CHANGES IN OPERATING ASSETS AND LIABILITIES		
- Prepaid expenses and other	(5,413)	
- Due to related parties accrued	10,972	
- Accounts payable and accrued liabilities	(243,074)	
NET CASH USED IN OPERATING ACTIVITIES	(1,071,664)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Oil and gas property expenditures	(82,228)	
Restricted cash deposits	-	
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(82,228)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on sale and subscriptions of common stock	897,088	
Drilling Advances	-	
Advances from related parties-net	295,000	
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,192,088	
INCREASE (DECREASE) IN CASH	38,196	
CASH, BEGINNING OF PERIOD	16,098	
CASH, END OF PERIOD	$ 54,294	$
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	$ -	$
Transfer of bond against settlement of debt	$ -	$
Non-cash sale of oil and gas property	$ -	$
Common stock issued for settlement of debts (Note 4)	$ 2,856,997	$

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

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(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 ("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.

During the period the Company has begun leasing acreage in New Mexico. To date the Company has acquired approximately 7,576 net acres. Subsequent to the period ending September 30, 2008, the Company has an option to acquire approximately an additional 7,763 net acres in New Mexico.

GOING CONCERN
The Company commenced operations on October 19, 2004 and has not realized any revenues since inception. As of September 30, 2008, the Company has an accumulated deficit of $6,710,901 and a working capital deficit of $324,013. 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 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-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, 2007 included in the Company's Annual Report on Form 10-KSB 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-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, 2008 are not necessarily indicative of the results that may be expected for the year ending

December 31, 2008.

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.

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 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.

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.

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 September 30, 2008 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 the fair value recognition provisions of Financial Accounting Standards Board ("FASB") Statement No. 123(R), SHARE-BASED PAYMENT, ("SFAS 123R"). The Company adopted SFAS 123R using the modified-prospective-transition method. Under this method, compensation cost recognized for the year ended December 31, 2006 includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, 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 December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. In addition, deferred stock compensation related to non-vested options is required to be eliminated against additional paid-in capital upon adoption of SFAS 123R. 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 SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. 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 EITF 96-18.

RECENT ACCOUNTING PRONOUNCEMENT

In May 2008, the FASB issued SFAS No. 163, ACCOUNTING FOR FINANCIAL GUARANTEE INSURANCE CONTRACTS ("SFAS 163"). SFAS 163 clarifies how SFAS 60, ACCOUNTING AND REPORTING BY INSURANCE ENTERPRISES applies to financial guarantee insurance contracts issued by insurance enterprises, including the recognition and measurement of premium revenue and claim liabilities. It also requires expanded disclosures about financial guarantee insurance contracts. SFAS 163 is effective for the Company's interim period commencing January 1, 2009, except for disclosures about an insurance enterprise's risk-management activities, which are effective for the Company's interim period commencing July 1, 2008. Management does not expect the adoption of SFAS 163 to have a material impact on the Company's financial position, cash flows and results of operations.

In March 2008, the FASB issued SFAS No. 161, DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their

effects on an entity's financial position, financial performance, and cash flows. SFAS 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS 161 will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, will be adopted by the Company beginning in the first quarter of 2009. The Company does not expect there to be any significant impact of adopting SFAS 161 on its financial position, cash flows and results of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENT (CONTINUED)

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES - INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115 ("SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings cause by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of the Company's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Effective January 1, 2008, the Company adopted this statement. To date, the Company has not applied this standard to the measurement of any reported amounts. Accordingly, the adoption of this standard did not have any impact on the Company's results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, NONCONTROLLING INTEREST IN CONSOLIDATED FINANCIAL STATEMENTS, AN AMENDMENT OF ARB NO. 51 ("SFAS No. 160"), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. SFAS No. 160 is effective as of the beginning of an entity's first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited. Management has not determined the effect that adopting this statement would have on the Company's financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), BUSINESS COMBINATIONS ("SFAS No. 141R"). SFAS No. 141R will change the accounting for

business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the entity's first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations completed by the Company prior to January 1, 2009 will be recorded and disclosed following existing GAAP. Management has not determined the effect that adopting this statement would have on the Company's financial position or results of operations.

In September 2006, FASB issued SFAS No. 157, FAIR VALUE MEASURE ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for the Company is the fiscal year beginning January 1, 2008. The adoption of this standard did not have any impact on the Company's results of operations or financial position.

NOTE 3 - OIL AND GAS PROPERTIES

(A) QUACHITA PROSPECT
The Company leased various properties totalling approximately 7,576 net acres within the Quachita Trend within the state of Texas for a three year term in consideration for $338,343. 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 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, $1,357,208 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 $1,335,781 of costs on Boggs #1 and

---

NOTE 3 - OIL AND GAS PROPERTIES (CONTINUED)

BOGGS #1 (CONTINUED)
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 1,265,000 shares of common stock at $0.63 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 87.5% N.R.I. in the leases.

Subsequent to the period on October 31, 2008, the Company entered into an agreement to acquire from Westrock Land Corp. approximately 7,763 net acres of property within the State of New Mexico for a five year term in consideration for $388,150. The Company optioned to acquire a 100% working interest in approximately 7,763 net acres; consisting of a 78.5% N.R.I. in the leases in approximately 2,017 net acres and a 81.5% N.R.I. in the leases in approximately 5,745 net acres. Under the terms of the agreement the Company has until November 21, 2008 to complete the transactions.

NOTE 4 - STOCKHOLDERS' EQUITY (DEFICIT)

(A) SHARE CAPITAL
The Company's capitalization is 33,333,333 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 further 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.

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 and the 3:1 reverse stock split on April 22, 2008 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 4,000,000 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 2,066,666 shares of common stock at $0.075 per share for proceeds of $155,000.

On December 15, 2004, the Company issued 2,516,667 shares of common stock at $0.075 per share for proceeds of $188,750 and 880,267 shares of common stock at $0.375 per share for proceeds of $330,100.

On March 9, 2005, the Company issued 93,333 shares of common stock at a price of $0.375 per share for proceeds of $35,000.

On October 16, 2006, the Company completed a private placement consisting of 314,702 units at $4.50 per unit for proceeds of $1,416,158. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at $9.00 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, 187,778 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

NOTE 4 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

(B) PRIVATE PLACEMENTS (CONTINUED)

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 the period ending September 30, 2008, the Company received subscriptions towards a private placement consisting of 1,224,000 units at $0.75 per unit for total proceeds of $918,000. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at $1.50 per share for a period of 12 months from the date of share issuance. As of September 30, 2008, 397,000 of the units had been issued for total proceeds of $297,750 and $620,250 was recorded as subscriptions received. A finders fee of 3.5% ($20,912) was paid on $597,500 of the private placement proceeds received.

(C) OTHER ISSUANCES

On February 13, 2008, the Company issued 2,525,356 shares of common stock at a price of $0.75 per share on settlement of related party advance and accrued interest totaling $1,515,214. The difference between the estimated fair value of the common shares issued at issuance and the amount of debt settled totaling $378,803 was recorded as a finance cost during the period (refer to Note 6).

On March 24, 2008, the Company issued 1,528,538 shares of common stock at a price of $0.63 per share on settlement of related party advances and the acquisition of the interest in the Boggs well totalling $917,123. The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totaling $45,857 was recorded as a finance cost during the period (refer to Notes 3 and 6).

(D) SHARE PURCHASE WARRANTS

Details of the Company's share purchase warrants issued and outstanding as of September 30, 2008 are as follows:

Exercise price	Weighted average price	Number of warrants to purchase shares
$9.00	$9.00	314,702
1.50	1.50	397,000

The Company's share purchase warrants activity for the period ended September 30, 2008 is summarized as follows:

	Number of Warrants	Weighted average exercise Price per share	I
Balance, December 31, 2007	314,702	$ 9.00	
Issued	397,000	1.50	
Expired	-	-	
Exercised	-	-	
Balance, September 30, 2008	711,702	$ 4.82	

All warrants are exercisable as at September 30, 2008.

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 1,666,667 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

10

MORGAN CREEK ENERGY CORP.
(An Exploration Stage Company)

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(UNAUDITED)

NOTE 5 - STOCK OPTION PLAN (CONTINUED)

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.

As approved by the Board of directors, on December 12, 2006, the Company granted 616,667 stock options to certain officers, directors and management of the Company at $3.30 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 1,250,000 stock options to certain officers, directors and management of the Company at $1.00 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%.

The Company's stock option warrants activity for the period ended September 30, 2008 is summarized as follows:

	Number of Options	Weighted average exercise Price per share	I
Balance, December 31, 2007	616,667	$ 3.30	
Granted	1,250,000	1.00	
Expired	-	-	
Exercised	-	-	
Balance, September 30, 2008	1,866,667	$ 1.76	

All options are exercisable as at September 30, 2008.

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, 2008, the Company incurred consulting fees of $30,000 to IMT (September 30, 2007 - $90,000). On March 24, 2008, the Company converted $86,873 in consulting fees and advances through the issuance of 144,788 commons shares of the Company at $0.63 per share. (Refer Note 4).

On June 13, 2008, the Company repaid a shareholder of the Company that had advanced $10,000 to the Company. The amount was unsecured, non-interest bearing and without specific repayment terms.

As of December 31, 2007, $1,365,500 was owed to a separate shareholder for advances made to the Company. During the period, this shareholder made further advances to the Company of $805,000. On February 13, 2008, the Company issued 2,525,356 shares of common stock at a price of $0.75 per share on settlement of related party advance and related accrued interest totaling $1,894,017 (refer to Note 4). During the period ended September 30, 2008, $500,000 was repaid to the shareholder. As a result, as of September 30, 2008, $230,000 was owed which bears interest at 8% per annum and has no specific repayment terms. As of September 30, 2008, total accrued interest was $14,102 (December 31, 2007 - $66,456).

NOTE 6 - RELATED PARTY TRANSACTIONS (CONTINUED)

MANAGEMENT FEES
During the period ended September 30, 2008, the Company paid officers and directors $222,000 for management fees (September 30, 2007 -$227,989). As of September 30, 2008 total amount owing in management fees was $10,971.

During the period the Company converted $71,250 of management fees owing to the President of the Company through the issuance of 118,750 common shares of the Company at $0.63 per share (Refer to Note 4).

NOTE 7 - INCOME TAXES

The Company has adopted the FASB No. 109 for reporting purposes. As of September 30, 2008, the Company had net operating loss carry forwards of approximately $3,048,000 that may be available to reduce future years' taxable income through 2028. 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.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent to the period on October 23, 2008, the Company completed the issuance of 827,000 units of the 1,224,000 original private placement subscriptions dated September 30, 2008, were issued for total proceeds of $620,250.

Subsequent to the period on October 31, 2008, the Company entered into an agreement to acquired from Westrock Land Corp. approximately 7,763 net acres of property within the State of New Mexico for a five year term in consideration

for $388,150. The Company has a 100% working interest in approximately 7,763 net acres; consisting of a 78.5% N.R.I. in the leases in approximately 2,017 net acres and a 81.5% N.R.I. in the leases in approximately 5,746 net acres. Under the terms of the agreement the Company has until November 21, 2008 to complete the transactions.

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.

RECENT DEVELOPMENTS

APRIL 22, 2008 REVERSE STOCK SPLIT

On April 1, 2008, our Board of Directors pursuant to a Board of Directors meeting authorized and approved a reverse stock split of one for three of our total issued and outstanding shares of common stock (the "Reverse Stock Split").

The Reverse Stock Split was effectuated based on market conditions and upon a determination by our Board of Directors that the Reverse Stock Split was in our best interests and of the shareholders. Certain factors were discussed among the members of the Board of Directors concerning the need for the Reverse Stock

Split, including the increased potential for financing. The intent of the Reverse Stock Split is to increase the marketability of our common stock.

The Reverse Stock Split was effectuated on April 22, 2008 upon filing the appropriate documentation with NASDAQ. The Reverse Stock Split decreased our total issued and outstanding shares of common stock from 41,976,591 to approximately 13,992,197 shares of common stock. The common stock will continue to be $0.001 par value.

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 "Quachita Prospect"). To date, we have acquired approximately 1,971 net acres within the Quachita Prospect for a three-year term. We acquired a 100% working interest and a 77% net revenue interest in natural gas targeted Quachita Prospect leases. The leases are unproven and were acquired for approximately $338,000. In addition, we have leased various properties totaling approximately 7,576 net acres within the State of New Mexico for a five-year term in consideration for $112,883 (the "New Mexico Prospect"). We have a 100% working interest and an 87.5% net revenue interest in the leases.

OIL AND GAS PROPERTIES

QUACHITA PROSPECT

As of the date of this Quarterly Report, we lease approximately 1,971 net acres within the Quachita Trend in the State of Texas for a three-year term in consideration of approximately $338,000. We have a 100% working interest and a 77% net revenue interest in the Quachita Prospect leases.

BOGGS #1. 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 previously retained a 25% working interest and a 23% net revenue interest in the Boggs #1 well. As of September 30, 2008 and December 31, 2007, we incurred $1,357,208 and $1,335,780 respectively, in drilling and completion costs. As of December 31, 2007 we had received a total of $759,000 in funding from the 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 through the issuance of 3,795,000 shares (Post-Reverse Stock Split) of our restricted common stock at $0.21 per share. The difference between the estimated fair value of the common shares at issuance and the amount of the debt settled totaling $37,950 was recorded as a finance cost. See "Part II. Item 2.
Changes in Securities and Use of Proceeds."

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 a 87.5% 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 with a net revenue interest of 81.5% pertaining to 5,745 of the net acres and a 78.5% net revenue interest pertaining to 2,017 net acres (the "Leases"); (b) Westrock has an option until June 23, 2009 to exercise a five year lease at $100 per net acres for acquisition on the 2,017 net acres; (iii) we desire to acquire a 100% working interest in the Leases at $50.00 per net acres for a total purchase price of approximately $388,150; and (iv) we have until November 21, 2008 to complete our due diligence (the "Option Period").

It is anticipated that in the event the due diligence is completed satisfactory to us, the effective date of conveyance of the working interest in the Leases to us will occur on approximately November 21, 2008.

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, 2008 COMPARED TO NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007

Our net loss for the nine month period ended September 30, 2008 was ($1,748,123) compared to a net loss of ($587,325) during the nine month period ended September 30, 2007 (an increase of $1,160,798). During the nine month periods ended September 30, 2008 and 2007, we did not generate any revenue.

During the nine month period ended September 30, 2008, we incurred general and administrative expenses of approximately $1,323,463 compared to $587,325 incurred during the nine month period ended September 30, 2007 (an increase of $736,138). These general and administrative expenses incurred during the nine month period ended September 30, 2008 consisted of: (i) investor relations of $33,644 (2007: $-0-); (ii) consulting fees of $213,001 (2007: $111,823); (iii)

office and general of $230,385 (2007: $127,277); (iv) professional fees of $187,478 (2007: $120,236); (v) management fees - related party of $222,000 (2007: $227,989); and (vi) management fees - stock based compensation of

$436,955 (2007: $-0-).

During the nine month periods ended September 30, 2008 and 2007, we did not record any impairment of oil and gas properties. Thus, general and administrative expenses incurred during the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007 increased primarily due to the incurrence of management fees - stock based compensation relating to the valuation of stock options granted to our officers and directors. General and administrative expenses increased further due to the increase in investor relations, consulting fees, office and general expenses and professional fees relating to the increased scope of business operations. General and administrative expenses generally include corporate overhead, financial and administrative contracted services, marketing, and consulting costs.

Of the $1,323,463 incurred as general and administrative expenses during the nine month period ended September 30, 2008, we incurred consulting expenses of $30,000 payable to International Market Trend, Inc. ("IMT"). In addition, on March 24, 2008, we settled an aggregate amount of $86,873 in consulting fees and advances due and owing to IMT through the issuance of 434,366 shares (Post-Reverse Stock Split) of our restricted common stock. An officer and director of IMT is also one of our shareholders. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

Of the $1,323,463 incurred as general and administrative expenses during the nine month period ended September 30, 2008, we incurred management fees of $222,000 payable to our officers and directors. In addition, during the nine month period ended September 30, 2008, we settled an aggregate $71,250 for management fees due and owing to our former President, Marcus Johnson, through the issuance of 356,250 shares (Post-Reverse Stock Split) of our restricted common stock. See Part II. Item 2. Changes in Securities and Use of Proceeds."

Financing costs incurred during the nine month period ended September 30, 2008 of $424,660 (2007: $-0-) were recorded as other expense resulting in a net loss of ($1,748,123). Our net loss during the nine month period ended September 30, 2008 was ($1,748,123) or ($0.13) per share compared to a net loss of ($587,325) or ($0.06) per share during the nine month period ended September 30, 2007. The weighted average number of shares outstanding was 13,400,059 for the nine month period ended September 30, 2008 compared to 9,938,302 for the nine month period ended September 30, 2007.

THREE MONTH PERIOD ENDED SEPTEMBER 30, 2008 COMPARED TO THREE MONTH PERIOD ENDED SEPTEMBER 30, 2007

Our net loss for the three month period ended September 30, 2008 was ($253,376) compared to a net loss of ($215,977) during the three month period ended September 30, 2007 (an increase of $37,399). During the three month periods ended September 30, 2008 and 2007, we did not generate any revenue.

During the three month period ended September 30, 2008, we incurred general and administrative expenses of approximately $253,376 compared to $215,977 incurred during the three month period ended September 30, 2007 (an increase of $37,399).

16

These general and administrative expenses incurred during the three month period ended September 30, 2008 consisted of: (i) consulting fees of $35,219 (2007: $37,075); (ii) office and general of $80,428 (2007: $41,478); (iii) professional fees of $67,229 (2007: $31,174); and (iv) management fees - related party of $70,500 (2007: $106,250).

During the three month period ended September 30, 2008 and 2007, we did not record any impairment of oil and gas properties. Thus, general and administrative expenses incurred during the three month period ended September 30, 2008 compared to the three month period ended September 30, 2007 increased primarily due to the increase in office and general expenses and professional fees relating to the increased scope of business operations.

Our net loss during the three month period ended September 30, 2008 was ($253,376) or ($0.02) per share compared to a net loss of ($215,977) or ($0.03) per share during the three month period ended September 30, 2007. The weighted average number of shares outstanding was 14,376,250 for the three month period ended September 30, 2008 compared to 9,938,302 for the three month period ended September 30, 2007.

LIQUIDITY AND CAPITAL RESOURCES

AS AT SEPTEMBER 30, 2008

As at September 30, 2008, our current assets were $77,598 and our current liabilities were $401,611, which resulted in a working capital deficiency of ($324,013). As at September 30, 2008, current assets were comprised of: (i) $54,294 in cash; and (ii) $23,304 in other current assets. As at September 30, 2008, current liabilities were comprised of: (i) $146,538 in accounts payable and accrued liabilities; and (ii) $255,073 due to related parties.

As at September 30, 2008, our total assets were $1,883,928 comprised of: (i) $77,598 in current assets; and (ii) $1,806,330 in unproven oil and gas properties. The increase in total assets during the nine month period ended September 30, 2008 from fiscal year ended December 31, 2007 was primarily due to the increase in valuation of the unproved oil and gas properties.

As at September 30, 2008, our total liabilities were $401,611 comprised entirely of current liabilities. The decrease in liabilities during the nine month period ended September 30, 2008 from fiscal year ended December 31, 2007 was primarily due to the settlement of an aggregate $917,123 in current indebtedness (the "Debt Settlement") by the issuance of an aggregate 4,585,616 shares (Post-Reverse Stock Split) of our restricted common stock at $0.21 per share effective as of March 24, 2008. The difference between the estimated fair value of the common shares at issuance and the amount of the debt settled totaling $45,856 was included on the recorded finance costs. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

Stockholders' deficit increased from ($960,600) for fiscal year ended December 31, 2007 to $1,482,317 for the nine month period ended September 30, 2008.

17

CASH FLOWS FROM OPERATING ACTIVITIES

We have not generated positive cash flows from operating activities. For the nine month period ended September 30, 2008, net cash flows used in operating activities was ($1,071,664), consisting primarily of a net loss of ($1,748,123). Net cash flows used in operating activities was adjusted by $436,955 in stock based compensation and $424,660 in financing costs and $52,359 in interest expense due to related party. Net cash flows used in operating activities was further changed by $10,972 relating to an accrual due to related parties, ($243,074) in accounts payable and accrued liabilities, and a decrease of ($5,413) related to increase in prepaid expenses and other. 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), and adjusted by $283,395 in accounts payable and accrued liabilities and $111,990 due to related parties.

CASH FLOWS FROM INVESTING ACTIVITIES

For the nine month period ended September 30, 2008, net cash flows used in investing activities was ($82,228) consisting of $82,228 for acquisition of oil and gas properties. 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 the acquisition of oil and gas properties and $25,000 in restricted stock 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 nine month period ended September 30, 2008, net cash flows provided from financing activities was $1,192,088 compared to $1,557,500 for the nine month period ended September 30, 2007. Cash flows from financing activities for the nine month period ended September 30, 2008 consisted of $897,088 in proceeds on sale and subscriptions of common stock and a net total of $295,000 in advances from related parties. Cash flows from financing activities for the nine month period ended September 30, 2007 consisted of $759,000 in drilling advances and $798,500 in advances from related parties.

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

PLAN OF OPERATION AND FUNDING

Existing working capital, further advances and debt instruments, and anticipated cash flow are expected to be adequate to fund our operations over the next six months. We have no lines of credit or other bank financing arrangements. Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. In connection with our

18

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 period ended September 30, 2008, we completed a private placement consisting of 1,224,000 units at the price of $0.75 per unit for total proceeds of $918,000. During the nine month period ended September 30, 2008, we closed a

private placement offering under Regulation S of the Securities Act pursuant to which we issued an aggregate of 7,576,068 shares (Post-Reverse Stock Split) and received gross proceeds of $1,515,214, of which all consisted of settlement of debt relating to amounts previously advanced to us by one of our shareholders and related accrued interest. Effective March 24, 2008, we also settled an aggregate $917,123 in debt by the issuance of 4,585,616 shares (Post-Reverse Stock Split) of our restricted common stock at $0.21 per share. The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totaling $45,857 was recorded as a finance cost.
See "Part II. Item 2. Changes in Securities and Use of Proceeds."

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 January 2008, an additional advance was made by this same shareholder to us for an aggregate amount of $1,515,214 due and owing. This amount was assigned by the shareholder to various assignees and settled pursuant to the issuance of 7,576,068 shares (Post-Reverse Stock Split) of our restricted common stock at $0.25 per share. The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totaling $378,803 was recorded as a finance cost. During the nine month period ended September 30, 2008, $500,000 was repaid to the shareholder. As a result, as at September 30, 2008, an aggregate $230,000 was due and owing to this shareholder, which bears interest at 8% per annum and has no specific repayment terms. As at September 30, 2008, total accrued interest was $14,102. See "Part II. Item 2. Changes in Securities and Use of Proceeds."

PURCHASE OF SIGNIFICANT EQUIPMENT

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

19

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, 2007 and December 31, 2006 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. Dollar, 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 of for speculative purposes.

ITEM IV. 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 David Urquhart as our CEO until his resignation effective August 8, 2008, Peter Wilson, as our CEO effective as of September 29, 2008, 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, 2008. Based on that evaluation, Messrs. Wilson 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, 2008 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. Two of the three members of the audit committee are "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 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-Q for the nine month period ended September 30, 2008 filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS

PRIVATE PLACEMENT OFFERINGS

SEPTEMBER 2008 PRIVATE PLACEMENT

During the nine month period ended September 30, 2008, we completed a private placement offering (the "September 2008 Private Placement Offering"), whereby we issued an aggregate of 1,224,000 units at $0.75 per unit for proceeds of $918,000, of which $297,750 have been issued as of September 30, 2008. Each unit consists of one share of our restricted common stock and one non-transferable share purchase warrant exercisable at $1.50 per share for a period of twelve months from the date of share issuance. The September 2008 Private Placement Offering was completed in reliance on Regulation S of the Securities Act. Sales were made to only non-U.S. residents. The September 2008 Private Placement Offering was not registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the Securities and Exchange Commission or an applicable exemption from the registration requirements. The per share price of the September 2008 Private Placement Offering was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth.

FEBRUARY 2008 PRIVATE PLACEMENT

On February 13, 2008, we closed a private placement offering (the "February 2008 Private Placement Offering"), whereby we issued an aggregate of 7,576,068 shares (Post-Reverse Stock Split) of common stock at a deemed settlement and issuance price of $0.25 per share in settlement of an aggregate $1,515,214 in debt due and owing by us to certain non-U.S. residents.(The difference between the estimated fair value of the common shares at issuance and the amount of debt settled totaling $378,803 was recorded as a finance cost). The February 2008 Private Placement Offering was completed in reliance on Regulation S of the Securities Act. Sales were made to only non-U.S. residents. The February 2008

Private Placement Offering was not registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the Securities and Exchange Commission or an applicable exemption from the registration requirements. The per share price of the February 2008 Private Placement Offering was arbitrarily determined by our Board of Directors based upon analysis of certain factors including, but not limited to, stage of development, industry status, investment climate, perceived investment risks, our assets and net estimated worth.

DEBT SETTLEMENT

Our Board of Directors, pursuant to a Board of Directors' meeting held on April 1, 2008, approved and authorized the settlement of an aggregate of $917,123 in current indebtedness (the "Debt Settlement") by the issuance of an aggregate 4,585,616 shares (Post-Reverse Stock Split) of our restricted common stock at $0.21 per share effective as of March 24, 2008. (The difference between the estimated fair value of the common shares at issuance and the amount of debt

22

settled totaling $45,857 was recorded as a finance cost). The aggregate 4,585,616 shares of common stock were issued to seven creditors (each a "Creditor") pursuant to the terms and conditions of those certain $0.20 Share for Debt Private Placement Subscription Agreements (collectively, the "Subscription Agreements") as entered into between us and each such Creditor. The shares issued to the funding investors relating to the acquisition of their interest in the Boggs#1 is included in this issuance.

The Debt Settlement was made to five non-United States Creditors in reliance on Rule 903 of Regulation S promulgated under the Securities Act and to two United States accredited Creditors in reliance on Section 4(2) of the Securities Act. The securities issued in the Debt Settlement have not been registered under the Securities Act or under any state securities laws and may not be offered or sold without registration with the United States Securities and Exchange Commission or an applicable exemption from the registration requirements.

There were no finders' fees or commissions payable by us upon the successful completion of the Debt Settlement and we have agreed to file a registration statement with the United States Securities and Exchange Commission in accordance with the Securities Act covering the resale of the shares of common stock as issued to the Creditors.

REVERSE STOCK SPLIT

On April 1, 2008, our Board of Directors pursuant to a Board of Directors meeting authorized and approved the Reverse Stock Split. The Reverse Stock Split was effectuated based on market conditions and upon a determination by our Board of Directors that the Reverse Stock Split was in our best interests and of the shareholders. Certain factors were discussed among the members of the Board of Directors concerning the need for the Reverse Stock Split, including the increased potential for financing. The intent of the Reverse Stock Split is to increase the marketability of our common stock. The Reverse Stock Split was effectuated on April 22, 2008 upon filing the appropriate documentation with NASDAQ. The Reverse Stock Split decreased our total issued and outstanding shares of common stock from 41,976,589 to approximately 13,992,196 shares of common stock. The common stock will continue to be $0.001 par value.

STOCK OPTION PLAN

On April 3, 2006, our Board of Directors and our shareholders adopted a stock

option plan (the "Stock Option Plan"). A provision in the Stock Option Plan provides that in the event of a change in our corporate or capital structure, the Plan Administrator shall make proportional adjustments in the maximum number and kind of securities that may be subject to options. On April 22, 2008, we effected the Reverse Stock Split, which decreased the number of shares issuable under the Stock Option Plan from 5,000,000 shares to 1,666,666 shares. On April 28, 2008, our Board of Directors approved an amendment to the Stock Option Plan to increase the number of shares issuable under the Stock Option Plan to an aggregate of 5,000,000.

On April 30, 2008, we authorized the grant of an aggregate 1,250,000 stock options to certain of our officers, directors and management. The options are exercisable at $1.00 per share for a period of ten years.

23

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

DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS/ELECTION OF DIRECTORS/ APPOINTMENT OF CERTAIN OFFICERS/COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS

RESIGNATION OF DIRECTOR

Effective on July 8, 2008, our Board of Directors accepted the resignation of Thomas Markham as a member of the Board of the Company. There were no disagreements or disputes between us or Mr. Markham.

RESIGNATION OF CEO/APPOINTMENT OF CEO

Effective on April 30, 2008, our Board of Directors accepted the resignation of Marcus M. Johnson as our President/Chief Executive Officer. Mr. Marcus Johnson remains as a member of our Board of Directors. On the same date, the Board of Directors accepted the consent of David Urquhart to act as our President/Chief Executive Officer and as a member of the Board of Directors.

EXECUTIVE SERVICE AGREEMENT

On April 30, 2008, we entered into an executive service agreement with Westhampton Ltd., an Alberta corporation ("Westhampton") and David Urquhart (the "Executive Agreement"). In accordance with the terms and provisions of the Executive Agreement, Mr. Urquhart through Westhampton provided to us such services as required relating to his executive position as our President and Chief Executive Officer. In accordance with the further terms and provisions of the Executive Agreement, we shall pay Westhampton a monthly fee of $10,000 and grant to Mr. Urquhart 500,000 stock options exercisable at $1.00 per share for a ten year period. The Executive Agreement may be terminated by either party upon thirty days notice.

RESIGNATION OF CEO/APPOINTMENT OF CEO

Effective on August 8, 2008, our Board of Directors accepted the resignation of David Urquhart as the President/Chief Executive Officer and our director. We received notice of Mr. Urquhart's resignation approximately September 19, 2008.

The resignation of Mr. Urquhart is not a result of any disagreement between us or Mr. Urquhart pertaining to matters relating to our operations, policies or practices. The Executive Agreement was terminated effective as of August 8, 2008.

Effective on September 29, 2008, our Board of Directors accepted the consent of Peter Wilson as the President/Chief Executive Officer and our director. In accordance with a written consent of resolutions of our Board of Directors signed by the members of the Board of Directors of the Company, Mr. Wilson was duly appointed as our President/Chief Executive Officer and a member of our Board of Directors.

BIOGRAPHY

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

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

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

APPOINTMENT OF DIRECTOR

Effective on September 29, 2008, our Board of Directors accepted the consent of Angelo Viard as one of our Directors. In accordance with a written consent of resolutions of our Board of Directors signed by the members of our Board of Directors, Mr. Viard was duly appointed as a member of our Board of Directors. Therefore, as of the date of this Quarterly Report, our Board of Directors is comprised of the following individuals: Marcus Johnson, D. Bruce Horton, Stephen Jewett, Erik Essiger, Peter Wilson and Angelo Viard.

BIOGRAPHY ANGELO VIARD.

During the past ten years, Mr. Viard has been involved in providing companies with advisory services including, but not limited to, managerial, investment strategy, finance, information technology, compliance, accounting, business

development, mergers and acquisitions, and capital fund raising in a wide range of industry sectors across the United States, South America and Europe. From approximately June 2007 through current date, Mr. Viard has been the President/Chief Executive Officer of Viard Consulting Services. Mr. Viard's functions include full budgeting responsibilities, management of budgets and planning, creation of policies and administrative procedures to restructure business processes, authoring multi-company employee manuals, design work order tracking and billing interface systems for accounting, and updating business plans, accounting structures and organizational changes to maximize business growth. From approximately August 2006 through June 2007, Mr. Viard was the IT operations manager for Bare Escentuals where he was responsible for developing, coordinating multiple related projects in alignment with strategic and tactical company goals, served as a primary customer advocate, planned and coordinated long term systems strategy, and managed the day to day operations of the IT department, including LAN/WAN architecture, telecommunications and hardware/software support. From approximately August 2005 through August 2006, Mr. Viard was a senior IT audit consultant for PricewaterhouseCoopers LLP where he was responsible for determining the audit documentation, strategy and plan. From approximately December 2004 through August 2005, Mr. Viard was the Chief Executive Officer and founder of Technology Mondial Inc., which was a start-up company specializing in broadband wireless technology in Costa Rica and management and development of wireless connection planning for Latin America. Mr. Viard was also previously employed with OpenTV Inc., where he was manager of information system and technology, Thomas Weisel Partners LLC where he was an information technology brokerage services manager BancBoston Robertson Stephens & Co. where he was a senior system engineer and Environmental Chemical Corporation where he was a technical analyst.

Mr. Viard holds a master in computer science, a BS in business management and administration, and an A/A in computer business administration and network.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits:

10.1 Option Agreement between Morgan Creek Energy Corp. and Westrock Land Corp. dated October 31, 2008. (1)

10.2 Executive Service Agreement dated April 30, 2008 between Morgan Creek Energy Corp., Westhampton Ltd., and David Urquhart. (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 Current Report on Form 8-K filed with the Securities and Exchange Commission on November 5, 2008.

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

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 12, 2008

By: /s/ PETER WILSON

Peter Wilson President and Chief Executive Officer

Dated: November 12, 2008

By: /s/ D. BRUCE HORTON

D. Bruce Horton, Chief Financial Officer