

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report under Section 13 or 15(d) of The Securities Exchange Act of 1934
For the Quarterly Period Ended December 31, 2007

Commission File Number 0-9355

CUBIC ENERGY, INC.

(Exact name of small business issuer as specified in its charter)

Texas
(State or other jurisdiction of incorporation)

87-0352095
(IRS Employer Identification No.)

9870 Plano Road
Dallas, TX 75238
(Address of principal executive offices)

(972) 686-0369
(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a shell company.

Yes No

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

As of February 4, 2008, the Company had 57,246,651 shares of common stock, \$0.05 par value, outstanding.

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

CUBIC ENERGY, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

INDEPENDENT ACCOUNTANT'S REPORT

The Stockholders and Board of Directors
Cubic Energy, Inc.

We have reviewed the accompanying condensed balance sheets as of December 31, 2007, and the related condensed statements of operations and of cash flows of Cubic Energy, Inc. for the three-month and six-month periods ended December 31, 2007 and 2006. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet of Cubic Energy, Inc. as of June 30, 2007, and the related statements of operations, stockholders' equity and cash flows for the year then ended; and in our report dated September 26, 2007, we expressed an unqualified opinion on those statements.

PHILIP VOGEL & CO., PC

/s/ Philip Vogel & Co., PC

Certified Public Accountants

Dallas, Texas
February 11, 2008

CUBIC ENERGY, INC.

BALANCE SHEETS

	December 31, 2007 (unaudited)	June 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,195,992	\$ 3,122,273
Accounts receivable - trade	124,388	218,874
Prepaid drilling costs	1,535,365	721,136
Other prepaid expenses	83,728	231,232
Total current assets	2,939,473	4,293,515
Property and equipment (at cost):		
Oil and gas properties, full cost method:		
Proved properties (including wells and related equipment and facilities)	9,595,421	8,836,790
Unproven properties	14,748,642	6,827,341
Office and other equipment	14,672	12,886
	24,358,735	15,677,017
Less accumulated depreciation, depletion and amortization	2,497,268	2,011,015
Property and equipment, net	21,861,467	13,666,002
Other assets:		
Deferred loan costs, net	120,629	148,724
Total other assets	120,629	148,724
	\$ 24,921,569	\$ 18,108,241
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 198,166	\$ 51,664
Due to affiliates	765,564	1,635,055
Total current liabilities	963,730	1,686,719
Long-term liabilities:		
Long-term debt, net of discounts	16,544,574	7,626,739
Total long-term liabilities	16,544,574	7,626,739
Commitments and contingencies		
	-	-
Stockholders' equity:		
Preferred stock - \$.01 par value, authorized 10,000,000 shares, issued none		
	-	-
Common stock - \$.05 par value, authorized 100,000,000 shares, issued 56,520,899 shares at December 31, 2007 and 55,840,896 shares at June 30, 2007		
	2,826,046	2,792,046
Additional paid-in capital	25,697,929	25,325,429
Accumulated deficit	(21,110,710)	(19,322,692)
Stockholders' equity	7,413,265	8,794,783
	\$ 24,921,569	\$ 18,108,241

The accompanying notes are an integral part of these statements.

CUBIC ENERGY, INC.

STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended		Six months ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Revenues:				
Oil and gas sales	\$ 375,825	\$ 86,263	\$ 823,813	\$ 218,369
Total revenues	<u>\$ 375,825</u>	<u>\$ 86,263</u>	<u>\$ 823,813</u>	<u>\$ 218,369</u>
Costs and expenses:				
Oil and gas production, operating and development costs	181,422	88,944	421,612	188,575
Selling, general and administrative expenses	453,811	353,173	827,304	612,853
Depreciation, depletion and non-loan-related amortization	204,249	37,099	486,253	88,486
Total costs and expenses	<u>839,482</u>	<u>479,216</u>	<u>1,735,169</u>	<u>889,914</u>
Operating income (loss)	<u>(463,657)</u>	<u>(392,953)</u>	<u>(911,356)</u>	<u>(671,545)</u>
Non-operating income (expense):				
Other income	11,286	2,784	29,156	4,531
Interest expense, including amortization of loan discount	(480,556)	(323,588)	(877,722)	(647,144)
Amortization of loan costs	(14,048)	(30,828)	(28,096)	(61,655)
Total non-operating income (expense)	<u>(483,318)</u>	<u>(351,632)</u>	<u>(876,662)</u>	<u>(704,268)</u>
Loss from operations before income taxes	(946,974)	(744,585)	(1,788,018)	(1,375,813)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (946,974)</u>	<u>\$ (744,585)</u>	<u>\$ (1,788,018)</u>	<u>\$ (1,375,813)</u>
Net loss per common share - basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding	56,362,581	46,967,725	56,160,026	45,813,866

The accompanying notes are an integral part of these statements.

CUBIC ENERGY, INC.

**CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)**

	Six months ended December 31,	
	2007	2006
Cash flows from operating activities:		
Net (loss)	\$ (1,788,018)	\$ (1,375,813)
Adjustments to reconcile net (loss) to cash provided (used) by operating activities:		
Depreciation, depletion and amortization	773,774	371,514
Stock issued for compensation	225,612	243,100
Change in assets and liabilities:		
(Increase) decrease in accounts receivable - trade	94,486	(29,963)
(Increase) decrease in other prepaid expenses	25,392	-
Increase (decrease) in due to affiliates	(371,282)	30,810
Increase (decrease) in accounts payable and accrued expenses	146,502	86,306
Net cash provided (used) by operating activities	(893,534)	(674,046)
Cash flows from investing activities:		
Acquisition and development of oil and gas properties	(9,178,142)	(1,079,381)
Purchase of office equipment	(1,786)	(1,029)
Advances on development costs	(814,229)	(1,323,543)
Cash restricted by debt	-	(4,003)
Net cash provided (used) by investing activities	(9,994,157)	(2,407,956)
Cash flows from financing activities:		
Proceeds from credit facility	8,658,410	-
Issuance of common stock, net	303,000	6,040,000
Repayment of advances	-	(100,000)
Net cash provided (used) by financing activities	8,961,410	5,940,000
Net increase (decrease) in cash and cash equivalents	\$ (1,926,281)	\$ 2,857,998
Cash and cash equivalents:		
Beginning of period	3,122,273	259,157
End of period	\$ 1,195,992	\$ 3,117,155
Other information:		
Interest paid	\$ 618,296	\$ 425,772

The accompanying notes are an integral part of these statements.

CUBIC ENERGY, INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007
(Unaudited)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accounting policies followed by Cubic Energy, Inc., a Texas corporation (the “Company” or “Cubic”), are set forth in the Company’s financial statements that are a part of its June 30, 2007 Form 10-KSB and should be read in conjunction with the financial statements contained herein.

The financial information included herein as of December 31, 2007, and for the three-month and six-month periods ended December 31, 2007, and 2006, have been presented without an audit, pursuant to accounting principles for interim financial information generally accepted in the United States of America, and the rules of the Securities and Exchange Commission.

The Company believes that the disclosures are adequate to make the information presented not misleading. The information presented reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the periods.

Earnings per share:

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings per Share*. SFAS No. 128 reporting requirements replace primary and fully-diluted earnings per share (EPS) with basic and diluted EPS. Basic EPS is calculated by dividing net income (available to common stockholders) by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Stock issuance:

On August 27, 2007, two warrant holders of the Company exercised warrants for an aggregate of 200,000 shares of Company common stock, through the payment of \$100,000 to the Company.

On September 17, 2007, one warrant holder of the Company exercised warrants for 25,000 shares of Company common stock, through the payment of \$17,500 to the Company.

On October 22, 2007, two warrant holders of the Company exercised warrants for an aggregate of 250,000 shares of Company common stock, through the payment of \$125,000 to the Company.

On December 21, 2007, one warrant holder of the Company exercised warrants for 100,000 shares of Company common stock, through the payment of \$100,000 to the Company; and, an additional three warrant holders of the Company exercised warrants for an aggregate of 15,000 shares of Company common stock, through the payment of \$10,500 to the Company.

CUBIC ENERGY, INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007
(Unaudited)**

Stock grants:

On December 29, 2005, the stockholders of the Company approved the 2005 Stock Option Plan (the "Plan") and 3,750,000 shares of common stock were reserved, of which 1,801,000 shares have been issued through December 31, 2007.

On January 5, 2006, the Company issued 572,000 unregistered shares to the officers and directors of the Company pursuant to the Plan. As of such date, the aggregate market value of the common stock granted was \$486,200 based on the last sale price on the OTC Bulletin Board of the Company's common stock. Such amount was amortized to compensation expense on a quarterly basis during calendar year 2006. Accordingly, \$121,550 was recorded as compensation expense and included in general and administrative expenses for each of the quarters ended September 30, 2006 and December 31, 2006.

On January 10 and January 18, 2007, the Company issued 489,500 and 52,500 unregistered shares, respectively, to the officers, directors, and key employees of the Company pursuant to the Plan. As of such dates, the aggregate market value of the common stock granted was \$391,600 and \$42,000, respectively, based on the last sale price on the OTC Bulletin Board of the Company's common stock. Such amounts were amortized to compensation expense on a quarterly basis during calendar year 2007. An additional \$30,000 was recorded when our former Chief Financial Officer resigned during fiscal 2007, with such amount representing the remaining unamortized portion of his January 10, 2007 stock grant. Accordingly, \$93,400 was recorded as compensation expense and included in general and administrative expenses for the quarter ended September 30, 2007 and December 31, 2007.

On August 20, 2007, the Company issued 90,000 unregistered shares to an officer of the Company pursuant to the Plan, with such grant subject to vesting in quarterly installments over the following 12 months. As of such date, the aggregate market value of the common stock granted was \$103,500 based on the then market price on the OTC Bulletin Board of the Company's common stock. Such amount is being amortized to compensation expense on a quarterly basis during fiscal year 2008. Accordingly, \$12,937 and \$25,875 was recorded as compensation expense and included in general and administrative expenses for the quarters ended September 30, 2007 and December 31, 2007, respectively.

Long-term debt:

February 2006 debt issue

On February 6, 2006, Cubic entered into a Credit Agreement with Petro Capital V, L.P. ("Petro Capital") pursuant to which Petro Capital advanced to the Company \$5,500,000. The indebtedness bore interest at a rate of 12.5% per annum, was scheduled to mature on February 6, 2009, and was secured by substantially all of the assets of the Company. \$1,800,000 of the funded amount was used to retire the then outstanding 7% Senior Secured Convertible Debentures that were due December 31, 2009. In connection with the funding under the Credit Agreement, the Company issued to Petro Capital and Petro Capital Securities, LLC, warrants, with five-year expirations, for the purchase of up to 1,833,334 and 250,000 shares, respectively, of Company common stock at an exercise price of \$1.00 per share.

CUBIC ENERGY, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 (Unaudited)

The Company allocated the proceeds from the issuance of the senior debt to the warrants and the senior debt based on their relative fair market values at the date of issuance. The value assigned to the warrants of \$1,203,752 was recorded as an increase in additional paid in capital. The assignment of a value to the warrants resulted in a loan discount being recorded. The discount was being amortized over the original three-year term of the senior debt as additional interest expense. Amortization for the quarter and six months ended December 31, 2006 was \$110,686 and \$221,372, respectively.

Cubic incurred loan costs of \$483,643 on the issuance of the senior debt and warrants. The amount allocable to the senior debt of \$367,586 was capitalized and was being amortized over the term of the senior debt. Amortization of loan costs for the senior debt was \$30,827 and \$61,655 for the quarter and six months ended December 31, 2006, respectively.

The senior debt was retired on March 5, 2007, with proceeds from a new senior debt issue, as set forth below.

March 2007 debt issue

On March 5, 2007, Cubic entered into a Credit Agreement with Wells Fargo Energy Capital, Inc. (“Wells Fargo”) providing for a revolving credit facility of \$20,000,000 (the “Revolving Note”) and a convertible term loan of \$5,000,000 (the “Term Loan”; together, the “Credit Facility”). The indebtedness bears interest at a fluctuating rate equal to the sum of the Wells Fargo Bank prime rate plus two percent (2%) per annum, matures on March 1, 2010, and is secured by substantially all of the assets of the Company. Approximately \$5,000,000 of the funded amount was used, together with cash on hand, to retire the Company’s previously outstanding senior debt that was due February 6, 2009, described above.

The Term Loan of \$5,000,000 is convertible into 5,000,000 shares of Cubic common stock at a conversion price of \$1.00 per share. The Revolving Note is subject to a borrowing base, initially set at \$4,000,000, and is subject to periodic review. On September 7, 2007, Wells Fargo increased the Company’s borrowing base to \$8,600,000 in order to fund the remaining drilling and casing costs of five wells drilled since the beginning of fiscal 2008, the drilling and casing costs of two new wells and the costs of installing a gathering/sales line and associated equipment in the Company’s Johnson Branch acreage in Caddo Parish, Louisiana. On November 19, 2007, Wells Fargo increased the Company’s borrowing base to \$14,500,000 in order to fund the completion costs and casing of eight wells already successfully drilled and the drilling of four additional wells located in the Company’s Johnson Branch acreage.

In connection with entering into the Credit Facility, the Company issued to Wells Fargo warrants, with five-year expirations, for the purchase of up to 2,500,000 shares of Company common stock at an exercise price of \$1.00 per share.

The terms of the Credit Facility, among other things, prohibit the Company from merging with another company or paying dividends, and limit additional indebtedness, sales of certain assets and investments. Additionally, upon the repayment in full of the Revolving Note, the repayment in full or conversion of the Term Loan and upon confirmation of the title of Wells Fargo to such interest upon conveyance by the Company, the Company agreed to convey a net profits interest to Wells Fargo equal to 5% of Cubic's net interest in certain of its Louisiana properties.

CUBIC ENERGY, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2007 (Unaudited)

The Company allocated the proceeds from the issuance of the debt to the warrants, the debt and net profits interest (see above) based on their relative fair market values at the date of issuance. The value assigned to the warrants of \$1,314,289 was recorded as an increase in additional paid in capital and the value assigned to the net profits interest of \$213,148 was recorded as a credit to the full cost pool for oil and gas properties. The assignment of a value to the warrants and net profit interest resulted in a loan discount being recorded. The discount is being amortized over the original three-year term of the debt as additional interest expense. Amortization for the quarter and six months ended December 31, 2007 was \$129,713 and \$259,425, respectively. Amortization for the fiscal years ending June 30, 2008 and 2009 is expected to be \$516,030 and \$514,620, respectively.

Cubic incurred loan costs of \$240,613 on the issuance of the debt and warrants. The amount allocable to the debt of \$166,590 has been capitalized and is being amortized over the term of the debt. Amortization for the quarter and six months ended December 31, 2007 was \$14,048 and \$28,096, respectively; and for the fiscal years ending June 30, 2008 and 2009 is expected to be \$55,886 and \$55,733, respectively.

Related-party transactions:

An affiliated company, Tauren Exploration, Inc. ("Tauren"), which is owned 100% by the Company's President and Chief Executive Officer, Calvin Wallen III, owns a working interest in the wells in which the Company owns a working interest. As of December 31, 2007 and June 30, 2007, the Company owed Tauren \$13,741 and \$3,715, respectively, for miscellaneous capital expenditures and general and administrative expenses paid by Tauren on the Company's behalf.

In addition, the wells in which the Company owns a working interest are operated by an affiliated company, Fossil Operating, Inc. ("Fossil"), which is owned 100% by the Company's President and Chief Executive Officer, Calvin Wallen III. As of December 31 and June 30, 2007, the Company owed Fossil \$1,108,647 and \$1,659,786, respectively, for drilling costs and lease and operating expenses, and was owed by Fossil \$356,824 and \$28,446, respectively, for oil and gas sales.

Subsequent events:

On January 17, 2008, a warrant holder of the Company exercised warrants for an aggregate of 100,000 shares of Company common stock, through the payment of \$50,000 to the Company.

On January 19, 2008, the Company borrowed an additional \$1,239,950 on its revolving line of credit with Wells Fargo.

On January 31 and February 4, 2008, the Company issued 555,000 and 52,500 unregistered shares, respectively, to the officers, directors, and key employees of the Company pursuant to the Plan. As of such dates, the aggregate market value of the common stock granted was \$880,000 and \$84,525, respectively, based on the then-market price on the OTC Bulletin Board of the Company's common stock. Such amounts will be amortized to compensation expense on a quarterly basis during calendar year 2008.

On February 1, 2008, 50,000 warrants were exercised by a warrant holder utilizing a cashless exercise price of \$1.55 per share and 18,252 shares of Company common stock were issued.

CUBIC ENERGY, INC.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2007
(Unaudited)**

SAFE HARBOR STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

This report contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on current expectations that involve a number of risks and uncertainties that could cause actual results to differ materially from the results discussed in the forward-looking statements. Generally, forward-looking statements include words or phrases such as “management anticipates,” “the Company believes,” “the Company anticipates,” and words and phrases of similar impact. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation’s Reform Act of 1995.

The factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to: (i) industry conditions and competition, (ii) the cyclical nature of the industry, (iii) domestic and worldwide supplies and demand for oil and gas, (iv) operational risks and insurance, (v) environmental liabilities which may arise in the future which are not covered by insurance or indemnity, (vi) the impact of current and future laws and government regulations, as well as repeal or modification of same, affecting the oil and gas industry and the Company’s operations in particular, (vii) production levels and other activities of OPEC and other oil and gas producers, and the impact that the above factors and other events have on the current and expected future pricing of oil and natural gas, and (viii) the risks described from time to time in the Company’s reports filed with the Securities and Exchange Commission, including the Company’s Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007.

Item 2. Management's Discussion and Analysis or Plan of Operation.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2007 Compared To Three Months Ended December 31, 2006:

Revenues

OIL AND GAS SALES increased 336% to \$375,825 for the quarter ended December 31, 2007 from \$86,263 for the quarter ended December 31, 2006 primarily due to higher gas volumes resulting from eight wells being on-line in Louisiana in the 2007 period versus three in the 2006 period.

Costs and Expenses

OIL AND GAS PRODUCTION, OPERATING AND DEVELOPMENT COSTS (also referred to as "LEASE OPERATING EXPENSES" elsewhere herein) increased 104% to \$181,422 (48% of oil and gas sales) for 2007 from \$88,944 (103% of oil and gas sales) for 2006 primarily due to more wells being on-line in Louisiana, which resulted in a \$48,612 increase in salt water hauling and disposal costs, and a \$43,692 increase in costs passed-through to the Company by the purchaser of the Company's gas. Such costs are deducted from the Company's gross revenue by the purchaser and include, but are not limited to: costs to market the Company's gas, compression fees, and the cost of fuel used by the purchaser to convey the Company's gas.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("G&A") increased 28% to \$453,811 for 2007 from \$353,173 in 2006 as a result of: \$61,500 in commitment fees related to borrowings on the Company's Credit Facility, which was not in place in the 2006 period; a \$43,128 increase in compensation-related expenses resulting from an increase in the number of employees; a \$13,832 increase in reserve report expenses; and, \$12,696 in expense for directors and officers insurance, which was not in place in the 2006 period. These increases were partially offset by a \$32,539 decrease in legal fees primarily due to preparation and review of documents and filings related to a private placement of shares of the Company's common stock in December 2006; no such placement occurred in the 2007 period.

DEPRECIATION, DEPLETION AND AMORTIZATION ("DD&A") increased 451% to \$204,249 in 2007 from \$37,099 in 2006. The increase was primarily due to a \$9,810,190, or 67%, increase in "Property and equipment (at cost)" at December 31, 2007 as compared to December 31, 2006. Such increase was primarily related to capital expenditures for the acquisition and development of oil and gas properties.

INTEREST EXPENSE increased 49% to \$480,556 in 2007 from \$323,588 in 2006 primarily due to an increase in debt to \$17,658,410 at December 31, 2007 from \$6,800,000 at December 31, 2006. This increase resulted from the repayment of a \$1,300,000 note held by Tauren on February 2, 2007 from the proceeds of a December 2006 equity offering, and the retirement of \$5,500,000 of indebtedness held by Petro Capital V. L.P. on March 5, 2007 via the borrowing of \$5,000,000 pursuant to the aforementioned Credit Facility with Wells Fargo's new senior convertible term loan and subsequent draws of approximately \$12,658,410 on a related revolving line of credit. The Credit Facility with Wells Fargo also resulted in a loan discount being recorded. The discount is being amortized over the original three-year term of the debt as additional interest expense with \$129,712 being recorded in the quarter ended December 31, 2007.

Six Months Ended December 31, 2007 Compared To Six Months Ended December 31, 2006:

Revenues

OIL AND GAS SALES increased 277% to \$823,813 for the six months ended December 31, 2007 from \$218,639 for the six months ended December 31, 2006 primarily due to higher gas volumes resulting from an average of approximately seven and one-half wells being on-line in Louisiana in the 2007 period versus three in the 2006 period.

Costs and Expenses

OIL AND GAS PRODUCTION, OPERATING AND DEVELOPMENT COSTS (also referred to as "LEASE OPERATING EXPENSES" elsewhere herein) increased 124% to \$421,612 (51% of oil and gas sales) for 2007 from \$188,575 (86% of oil and gas sales) for 2006 primarily due to more wells being on-line in Louisiana, which resulted in a \$99,764 increase in salt water hauling and disposal costs, and a \$111,520 increase in costs passed-through to the Company by the purchaser of the Company's gas. Such costs are deducted from the Company's gross revenue by the purchaser and include, but are not limited to: costs to market the Company's gas, compression fees, and the cost of fuel used by the purchaser to convey the Company's gas.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("G&A") increased 35% to \$827,304 for 2007 from \$612,853 in 2006 as a result of: \$112,500 in commitment fees related to borrowings on the Company's Credit Facility, which was not in place in the 2006 period; a \$58,824 increase in compensation-related expenses resulting from an increase in the number of employees; a \$39,820 increase in reserve report expenses; and, \$25,392 in expense for directors and officers insurance, which was not in place in the 2006 period. These increases were partially offset by a \$29,545 decrease in legal fees primarily due to preparation and review of documents and filings related to a private placement of shares of the Company's common stock in December 2006; no such placement occurred in the 2007 period.

DEPRECIATION, DEPLETION AND AMORTIZATION ("DD&A") increased 450% to \$486,253 in 2007 from \$88,486 in 2006. The increase was primarily due to a \$9,810,190, or 67%, increase in "Property and equipment (at cost)" at December 31, 2007 as compared to December 31, 2006. Such increase was primarily related to capital expenditures for the acquisition and development of oil and gas properties.

INTEREST EXPENSE increased 36% to \$877,722 in 2007 from \$647,144 in 2006 primarily due to an increase in debt to \$17,658,410 at December 31, 2007 from \$6,800,000 at December 31, 2006. This increase resulted from the repayment of a \$1,300,000 note held by Tauren on February 2, 2007 from the proceeds of a December 2006 equity offering, and the retirement of \$5,500,000 of indebtedness held by Petro Capital V. L.P. on March 5, 2007 via the borrowing of \$5,000,000 pursuant to the aforementioned Credit Facility with Wells Fargo's new senior convertible term loan and subsequent draws of approximately \$12,658,410 on a related revolving line of credit. The Credit Facility with Wells Fargo also resulted in a loan discount being recorded. The discount is being amortized over the original three-year term of the debt as additional interest expense with \$259,425 being recorded in the six months ended December 31, 2007.

Liquidity and Capital Resources:

During the six months ended December 31, 2007, the Company used cash flows from operating activities of \$893,534. Cash flow from operations is dependent on our ability to increase production through our development and exploratory activities and the price received for oil and natural gas.

The Company's working capital decreased to \$1,975,743 at December 31, 2007 from \$2,606,796 at June 30, 2007, primarily due to capital expenditures of \$8,679,932 in the six months ended December 31, 2007 related to the drilling of new wells and a \$814,229 increase in prepaid drilling costs (also referred to as "advances on development costs" elsewhere herein). These increases were somewhat offset by the borrowing of an additional \$8,658,410 on the aforementioned revolving line of credit with Wells Fargo.

The Company plans to fund its development and exploratory activities through cash provided from operations and utilization of the Credit Facility (see "Notes to Condensed Financial Statements – Long-Term Debt" elsewhere herein).

The Company cannot be certain that adequate funds will be available from operating cash flow and the Credit Facility to fully fund the projected capital expenditures for fiscal 2008. Additionally, because future cash flows and the availability of borrowings are subject to a number of variables, such as prevailing prices of oil and gas, actual production from existing and newly-completed wells, the Company's success in developing and producing new reserves, and the uncertainty with respect to the amount of funds which may ultimately be required to finance the Company's development and exploration program, there can be no assurance that the Company's capital resources will be sufficient to sustain the Company's development and exploratory activities.

Although the Company believes it will be able to obtain funds pursuant to the above-mentioned alternatives, management cannot be assured that such capital resources will be available to the Company. If we are unable to obtain such capital resources on a timely basis, the Company may curtail its planned development and exploratory activities.

Subsequent events:

During the month of January 2008, the Company completed and brought online for production six previously drilled wells and reached total drilling depth on two new wells in the Company's Johnson Branch acreage in Caddo Parish, Louisiana. On January 30, 2008, the Company announced that one of these two new wells, the Hudson 10 No. 1, was control flow drilled through the Bossier/Haynesville Shales to a total depth of 11,650 feet, and that third-party mud logs showed an 1,100 foot interval of shale gas in the Hudson 10 No. 1 well. As of January 31, 2008, the Company has successfully drilled 20 wells in its northwest Louisiana properties (eight in its Bethany Longstreet acreage in Desoto Parish, and 12 in its Johnson Branch acreage) and has completed and brought online for production 14 of such wells (eight in its Bethany Longstreet acreage in Desoto Parish, and six in its Johnson Branch acreage).

Item 3. Controls and Procedures

Our principal executive and financial officers have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures under Exchange Act Rules 13a-15(e) and 15d-15(e) are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principle executive and financial officers, as appropriate to allow timely decisions regarding required disclosure. There were no changes in internal controls or other factors that could materially affect, or are reasonably likely to materially affect, these internal controls.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no legal proceedings to which the Company is a party or to which its properties are subject, which are, in the opinion of management, likely to have a material adverse effect on the Company's results of operations or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On August 27, 2007, two warrant holders of the Company exercised warrants for an aggregate of 200,000 shares of Company common stock, through the payment of \$100,000 to the Company.

On September 17, 2007, one warrant holder of the Company exercised warrants for 25,000 shares of Company common stock, through the payment of \$17,500 to the Company.

On October 22, 2007, two warrant holders of the Company exercised warrants for an aggregate of 250,000 shares of Company common stock, through the payment of \$125,000 to the Company.

On December 21, 2007, one warrant holder of the Company exercised warrants for 100,000 shares of Company common stock, through the payment of \$100,000 to the Company; and, an additional three warrant holders of the Company exercised warrants for an aggregate of 15,000 shares of Company common stock, through the payment of \$10,500 to the Company.

The aggregate proceeds to the Company of the aforementioned warrant exercises were \$303,000, all of which have been used for working capital purposes. The aforementioned issuances were made in reliance upon an exemption from registration set forth in Regulation D and/or Section 4(2) of the Securities Act of 1993, as amended, which exempts transactions by an issuer not involving a public offering.

Item 6. Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification

31.2 Rule 13a-14(a)/15d-14(a) Certification

32.1 Section 1350 Certification

32.2 Section 1350 Certification

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CUBIC ENERGY, INC.

(Registrant)

Date: February 12, 2008

By: /s/ Calvin A. Wallen, III
Calvin A. Wallen, III, President and Chief Executive
Officer

Date: February 12, 2008

By: /s/ Scott D. Guffey
Scott D. Guffey, Chief Financial Officer (Principal
Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION Pursuant to Rule 13a-14(a) and 15d-14(a)

I, Calvin A. Wallen, III, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cubic Energy, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2008

Signature: /s/ Calvin A. Wallen, III
Calvin A. Wallen, III, C.E.O.

Exhibit 31.2

CERTIFICATION
Pursuant to Rule 13a-14(a) and 15d-14(a)

I, Scott D. Guffey, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Cubic Energy, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and,
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2008

Signature: /s/ Scott D. Guffey
Scott D. Guffey, C.F.O.

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cubic Energy, Inc. (the “Company”) on Form 10-QSB for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, as C.E.O., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 12, 2008

Signature: /s/ Calvin A. Wallen, III
Calvin A. Wallen, III, C.E.O.

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cubic Energy, Inc. (the “Company”) on Form 10-QSB for the period ending December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, as C.F.O., certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 12, 2008

Signature: /s/ Scott D. Guffey
Scott D. Guffey, C.F.O.