



9870 PLANO ROAD
DALLAS, TEXAS 75238
(972) 686-0369

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held May 25, 2011

TO THE SHAREHOLDERS OF CUBIC ENERGY, INC.:

You are hereby given notice of and invited to attend in person or by proxy the Annual Meeting of Shareholders of Cubic Energy, Inc., a Texas corporation (the "Company" or "Cubic"), that will be held at the Doubletree Dallas Campbell Centre, Skyline Ballroom, 8250 North Central Expressway, Dallas, Texas 75206, on May 25, 2011, at 10:00 a.m. Central Daylight Time for the following purposes, all as more fully described in the accompanying Proxy Statement:

1. To elect nine (9) directors to hold office until the next Annual Meeting of Shareholders and thereafter until their respective successors have been elected or appointed and qualified;
2. To ratify the appointment of Philip Vogel & Co., PC as Cubic's independent registered public accountants for the fiscal year ending June 30, 2011; and
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Only shareholders of record owning shares of common stock at the close of business on April 6, 2011 are entitled to notice of and to vote at this Annual Meeting and any adjournment thereof.

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, THE COMPANY WISHES TO OBTAIN A QUORUM AT THE MEETING SO THAT THE ABOVE-STATED BUSINESS MAY BE CONDUCTED, AND RESPECTFULLY REQUESTS THAT YOU SIGN, DATE AND MAIL PROMPTLY, IN NO EVENT LATER THAN MAY 11, 2011, THE ENCLOSED PROXY CARD IN THE POSTAGE PAID ENVELOPE PROVIDED. NO ADDITIONAL POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES OF AMERICA. A PROXY MAY BE REVOKED BY A SHAREHOLDER AT ANY TIME PRIOR TO ITS USE AS SPECIFIED IN THE ENCLOSED PROXY STATEMENT.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholder Meeting to Be Held on May 25, 2011: This Proxy Statement and Annual Report on Form 10-K are available on line at www.proxyvote.com. (Individual Control Numbers necessary to access the materials are provided on the individual Proxy Cards.)

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jon S. Ross

Jon S. Ross, Secretary

Dallas, Texas
April 18, 2011

PROXY STATEMENT

CUBIC ENERGY, INC.

9870 Plano Road
Dallas, Texas 75238

We are furnishing this Proxy Statement to you and other shareholders of Cubic Energy, Inc., a Texas corporation (the “Company” or “Cubic”), pursuant to Regulation 14A under the Securities Exchange Act of 1934 in connection with the solicitation of proxies in the enclosed form for use in voting at the Annual Meeting of Shareholders (the “Meeting”) and any adjournment thereof. The Meeting is scheduled to be held at 10:00 a.m. Central Daylight Time on May 25, 2011, at the Doubletree Dallas Campbell Centre, Skyline Ballroom, 8250 North Central Expressway, Dallas, Texas 75206.

GENERAL

This Proxy Statement and the enclosed Proxy are solicited on behalf of the Company for use at the Meeting to be held on May 25, 2011, at the time and place and for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders (the “Notice”), or any adjournment(s) of the Meeting.

These proxy solicitation materials are being mailed on or about April 18, 2011 to holders of the issued and outstanding shares (the “Shares”) of the Company’s common stock, par value \$0.05 per share (the “Common Stock”), entitled to vote at the Meeting.

RECORD DATE

Shareholders of record at the close of business on April 6, 2011 (the “Record Date”) are entitled to notice of and to vote at the Meeting. On the Record Date, there were issued and outstanding 76,815,908 shares of Common Stock. There is no other class of voting security of the Company issued or outstanding whose holders are entitled, generally, to vote on matters submitted to shareholders.

REVOCABILITY OF PROXIES

Any shareholder giving a proxy may revoke it at any time before it is voted by delivering written notice of revocation to the Secretary of the Company, either by delivering a subsequently dated proxy card or by attending the Meeting, withdrawing the proxy and voting in person. Your attendance at the Meeting will not constitute automatic revocation of the proxy. All shares represented by a valid proxy received prior to the Meeting will be voted.

QUORUM REQUIRED

The Company’s Bylaws provide that the holders of a majority of the Common Stock issued and outstanding and entitled to vote at the Meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business at the Meeting. Abstentions and broker non-votes will be counted as present for the purpose of determining the presence of a quorum.

VOTING AND SOLICITATION

The matters to be considered and voted upon at the Meeting will be:

1. Election of nine (9) directors to serve until the next Annual Meeting of Shareholders and thereafter until their successors are elected and qualified;
2. Ratification of the selection of Philip Vogel & Co., PC as the independent registered public accountants of Cubic for the fiscal year ending June 30, 2011; and
3. Such other business as may properly come before the Meeting and at any adjournment thereof.

It is important that you act promptly to vote, sign, date, and return the enclosed proxy in the enclosed self-addressed envelope.

Pursuant to the Certificate of Formation of the Company, each share of Common Stock entitles the holder thereof to one vote on any matter requiring a vote by the Company’s shareholders that properly comes before the Meeting or any adjournments. Directors shall be elected by the affirmative vote of holders of a plurality of the Shares voting in the election of directors. The affirmative vote of holders of a majority of the votes cast is required to approve the other matters described herein.

Any shareholder who is present in person or by proxy at the Meeting, but who abstains from voting, shall be counted for purposes of determining whether a quorum exists, but an abstention shall not be counted as an affirmative vote with respect to any matter. Shareholders are not entitled to cumulate their votes with respect to any matter, and are not entitled to vote for a greater number of persons than the number of nominees named in this Proxy Statement.

With respect to the election of directors, abstentions and broker non-votes will be deemed not to have been cast and will have no legal effect in the election of directors. With respect to the other matters described herein, abstentions will have the same effect as a vote against such proposals, and broker non-votes will be deemed not to have been cast and will have no legal effect on the proposals.

Shareholder approval is not required for the ratification of Philip Vogel & Co., PC, as the Company's independent registered public accountants for the fiscal year ending June 30, 2011, because the Board of Directors has responsibility for selection of the Company's independent registered public accountants. The selection is being submitted for ratification with a view toward soliciting the opinion of shareholders, which opinion will be taken into consideration in future deliberations.

Shares represented by valid proxies will be voted in accordance with the shareholder's instructions, or, in the absence of instructions, will be deemed to grant authority to vote: "FOR" the election of each of the Board of Directors' nine nominees for director; "FOR" the ratification of the appointment of Philip Vogel & Co., PC as the independent registered public accountants of Cubic for the fiscal year ending June 30, 2011; and, unless otherwise restricted by law, in the discretion of the proxy holder as to any other matters that may properly come before the Meeting. The Company is unaware of any additional matters not set forth in the Notice that will be presented for consideration at the Meeting.

SOLICITATION OF PROXIES

The cost of solicitation of proxies will be borne by the Company. In addition to the use of the mail, proxies may also be solicited by personal interview, facsimile transmission, and telephone by directors, officers, employees, and agents of the Company. The Company will also supply brokers, nominees, or other custodians with the number of Proxy forms, Proxy Statements, and Annual Reports they may require for forwarding to beneficial owners. The Proxy Statement will also be made available on the Company's website, www.cubicenergyinc.com under the heading "Investor Relations."

SHAREHOLDER PROPOSALS

The Company anticipates holding its next annual meeting of shareholders on or about May 25, 2012. Proposals of shareholders intended to be presented at such annual meeting of shareholders must be received by the Company at its offices at 9870 Plano Road, Dallas, Texas 75238, not later than December 21, 2011 and satisfy the conditions established by the Securities and Exchange Commission ("SEC") for shareholder proposals to be included in the Company's proxy statement for that meeting. If a shareholder intends to submit a proposal from the floor of the Company's next annual meeting, which is not eligible for inclusion in the proxy statement and form of proxy relating to that meeting, the shareholder must provide written notice to the Company no later than March 5, 2012. If such a shareholder fails to comply with the foregoing notice provision, the proxy holders will be allowed to use their discretionary voting authority when the proposal is raised at the next annual meeting.

PROPOSAL ONE ELECTION OF DIRECTORS

The Board of Directors has fixed the number of directors at nine (9). Nine (9) directors are proposed to be elected at the Meeting. Directors will hold office until the next annual meeting of shareholders and until their successors shall be elected and shall qualify. Proxies in the accompanying form will be voted FOR the nine (9) nominees of the Board of Directors, except where authority is specifically withheld by the shareholder. Of the Board's nominees for director, all nine (9) are presently directors of the Company. The nominees have indicated that they are willing and able to serve as directors. The nominees were nominated for election to the Board of Directors by the current Board of Directors.

The nine (9) nominees receiving the highest number of affirmative votes of holders of Shares present or represented and entitled to vote for them shall be elected as directors.

NOMINEES FOR DIRECTORS

The Board of Directors' nominees for director are: Calvin A. Wallen, III (Chairman), Jon S. Ross, Gene C. Howard, Herbert A. Bayer, Bob L. Clements, Phyllis K. Harding, William L. Bruggeman, Jr., David B. Brown and Paul R. Ferretti.

DIRECTORS, AND NOMINEES FOR DIRECTOR

The following table contains information concerning the Company's current directors as of the date of this Proxy Statement. All of such persons are nominees for director.

<u>Name</u>	<u>Age</u>	<u>Position(s) Held with Cubic</u>	<u>Director Since</u>
Calvin A. Wallen, III	56	Chairman of the Board, President and Chief Executive Officer	1997
Jon S. Ross.....	47	Corporate Secretary and Director	1998
Gene C. Howard	84	Director	1991
Herbert A. Bayer.....	61	Director	2003
Bob L. Clements	68	Director	2004
Phyllis K. Harding	65	Director	2009
William L. Bruggeman, Jr.	83	Director	2009
David B. Brown.....	48	Director	2010
Paul R. Ferretti.....	63	Director	2010

CALVIN A. WALLEN, III has served as the President and Chief Executive Officer of the Company since December 1997, and as Chairman of the Board of Directors since June 1999. Mr. Wallen has over 30 years of experience in the oil and gas industry working as a drilling and petroleum engineer. Prior to joining Cubic, Mr. Wallen was employed by Superior Oil and various other drilling contractors including Resource, Tom Brown and Rowan International. Mr. Wallen assisted in the design and construction of several land rigs with advanced drilling systems and has domestic and international experience in drilling engineering. While employed by Rowan International, Mr. Wallen gained experience in drilling high angle directional wells at Prudhoe Bay on contract to Arco. In 1982, Mr. Wallen began acquiring and developing oil and gas properties, forming a production company that has evolved into Tauren Exploration, Inc. Mr. Wallen attended Texas A&M University at College Station, Texas.

JON S. ROSS has served as a director of the Company since April 1998 and as Secretary since November 1998. Since 1989, Mr. Ross has been a practicing attorney in Dallas, Texas representing over 80 business entities. He has served on several community and not-for-profit committees and boards and has been asked to speak to corporate and civic leaders on a variety of corporate law topics. Mr. Ross graduated from St. Mark's School of Texas with honors in 1982 and graduated from the University of Texas at Austin in 1986 with a B.B.A. in Accounting. He then graduated from the University of Texas School of Law in 1989 attaining a Juris Doctorate degree.

GENE C. HOWARD is the Senior Partner of the law firm of Howard, Widdows, and Bufogle, P.C. of Tulsa, Oklahoma and has been engaged primarily in the private practice of law over the past forty years. Mr. Howard served in the Oklahoma State Senate from 1964 through 1982 and was President Pro Tem from 1975 through 1981. In addition, he served as the Chairman of the Board of Farmers and Exchange Bank from 1972 through 1991 and on the Board of Directors of Local Federal Bank of Oklahoma. Mr. Howard is a Director of the Oklahoma State Education and Employment Group Insurance Board and presently acts as Chairman. Mr. Howard served as Director of EntreCap Financial Corporation and Hinderliter Construction, Inc. from 1991 to August 1992.

HERBERT A. BAYER has served as a director of the Company since May 2003. From 2006 to 2008, Mr. Bayer served as Global Director of Wi-Fi and Municipal Markets for SmartSynch, Inc., which provides GPRS and Wi-Fi Smart Metering Technology for Smart Grid Deployments for the electric utility industry. Prior to joining SmartSynch, Mr. Bayer served as Director of Client Services for CH2M HILL, an engineering, construction and operations company, from 2005 to 2006, and National Director of Sales for Hexagram Inc. from 2003 to 2005. During his career, Mr. Bayer has worked with investor-owned utilities, government-run municipalities and electric cooperatives. His work experience includes work in Electronic Meter Reading, Automatic Meter Reading, Load Research, Internet Applications, and Wi-Fi Network Systems. Mr. Bayer's major course of study at Indiana State University was Business Management.

BOB L. CLEMENTS joined the Company's board of directors in February 2004. Mr. Clements has a degree in the OPM Program from the Harvard Business School. Mr. Clements has been in the wholesale food and restaurant business for over thirty years,

currently controlling the largest independent producer of stuffed jalapenos and corn dogs as well as two successful restaurants in the Rockwall, Texas area. Mr. Clements has served and currently serves on a variety of for-profit and not-for-profit committees and boards.

PHYLLIS K. HARDING has worked as an executive advisor for Diversified Dynamics Corporation, a privately held corporation controlled by William L. Bruggeman, Jr., since 1990. From 2001 through 2008 she served on the Board of Directors of Dayport Inc., a leader in video publishing, content, workflow and syndication solutions. Dayport Inc. was acquired by Entrig Inc. in 2008. From 2001 to the present time she has served on the Board of Advisors of Geospan Corporation and Geospan.com, privately held industry leaders in spatial imaging and visual mapping solutions. She has worked with numerous businesses in various industries as the head of the consulting division for Grant Thornton LLP in Minneapolis from 1987 through 1988 and as a co-owner of Camelot Consultants, Inc. from 1989 through 1999. Ms. Harding has three decades of operational, manufacturing, turn-around and strategic leadership experience with various clients and direct employment at The Valspar Corporation (1986 through 1987) and Procter and Gamble (1975 through 1986). She is a graduate of the University of Wisconsin – Green Bay.

WILLIAM L. BRUGGEMAN, JR. is the founder and controlling shareholder of Diversified Dynamics Corporation (founded in 1968) and its business divisions: Cat Pumps, a manufacturer of quality, industrial, positive displacement, triplex piston and plunger pumps and custom engineered pumping systems with over 40 years of experience in industrial high pressure systems; and HomeRight, a manufacturer of home improvement products. He is an entrepreneur and “angel investor” who has been involved in many successful start-up businesses. He has been a significant investor in the oil and gas industries since the early 1990s. He continues to be a major shareholder of Cubic Energy, Inc. Mr. Bruggeman’s former employers include McCullough Corporation, John Deere, L & A Products, and Minneapolis Moline. Mr. Bruggeman is a veteran who served thirty months in the U.S. Navy and one year in the U.S. Marine Corp. Mr. Bruggeman graduated from Hamline University with a degree in Engineering.

DAVID B. BROWN has been the Chief Accounting Officer and Controller for Dresser, Inc., a \$2 billion multi-national energy equipment company that serves the upstream, midstream and downstream oil, gas and power markets, since 2007. From 2003 until 2007, Mr. Brown was divisional Vice President, Controller and Chief Audit Executive for the parent company of the Brink’s Company, a global security services company with operations in more than 130 countries. Prior to joining Brinks, Mr. Brown spent 8 years with LSG Sky Chefs, a \$3 billion airline catering company owned by Lufthansa, in leadership roles with progressive responsibility including three years in San Paulo Brazil as Vice President Finance, Latin America. Prior to that time, Mr. Brown spent 10 years with Price Waterhouse, where he advised multi-national clients primarily in the energy industry, while living in Moscow, London and the United States. He has also served in a variety of board of director capacities for several Dallas-based arts and humanities nonprofit organizations and is an active member of the Dallas Committee for Foreign Relations, the World Affairs Council and the Boy Scouts of America. Mr. Brown has a Bachelor of Business Administration degree from The University of Texas — Austin and is a Certified Public Accountant.

PAUL R. FERRETTI served as Managing Director — Head of Energy Investment Banking with Wunderlich Securities Inc., an investment banking firm, from 2008 through 2010. From 2005 until joining Wunderlich Securities, Mr. Ferretti served as Senior Vice President — Head of Energy Investment Banking at Ferris, Baker, Watts Inc., an investment banking firm. At Ferris, Baker, Watts, Mr. Ferretti established and lead a comprehensive energy team, including both equity research and investment banking. Mr. Ferretti ran the energy investment banking practice at Ferris, Baker, Watts. From 2004 until joining Ferris, Baker, Watts, Mr. Ferretti served as Managing Director of Ladenburg Thalmann & Company, an investment banking firm. Prior to 2004, Mr. Ferretti served with various companies as Sr. Vice President and as Senior Equity Analyst. During his equity research career, Mr. Ferretti was a member of the New York Society of Security Analysts. Mr. Ferretti was recently elected to the Board of Directors of NGAS Resources, Inc., an independent exploration and production company. Mr. Ferretti holds a Bachelor of Science degree in Economics from Brooklyn College and served in the United States Army, which included a one year tour of duty in Vietnam.

There are no family relationships among any of the directors or executive officers of the Company. See “Certain Relationships and Related Transactions” for a description of transactions between the Company and its directors, nominees for director, executive officers or their affiliates.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE ELECTION OF THE NOMINEES FOR DIRECTOR.

EXECUTIVE OFFICERS

<u>Name</u>	<u>Age</u>	<u>Position(s) Held with Cubic</u>	<u>Since</u>
Calvin A. Wallen, III*	56	Chairman of the Board, President and Chief Executive Officer	1997
Larry G. Badgley	54	Chief Financial Officer	2008
Jon S. Ross*	47	Corporate Secretary and Director	1998

* See Mr. Wallen and Mr. Ross’s biography above.

LARRY G. BADGLEY joined the Company in August 2008, as a consultant, and was appointed Chief Financial Officer in October 2008. Prior to joining the Company, from October 2005 through September 2006, Mr. Badgley served as Managing Director of BridgePoint Consulting, a provider of CFO services to venture capital-backed and early stage companies. In that capacity, Mr. Badgley was primarily responsible for strategic planning for growth companies. From July 1998 through October 2005, Mr. Badgley served as Director of Accounting and Finance for Jefferson Wells International, an international professional services firm. Prior to that time, Mr. Badgley served as Chief Operating Officer and Chief Financial Officer of a privately held national sign manufacturer until its sale in July 1998. Mr. Badgley received a BBA in Finance from Hardin-Simmons University and is a Certified Public Accountant.

GOVERNANCE OF THE COMPANY

Structure. Our business is managed under the direction of our Board and its committees. Our general policy is for all major decisions to be considered by the Board as a whole. The Board performs its oversight function through meetings of its members and its committees. Directors are expected to attend all meetings of the Board and the committees on which they serve, and to devote the time needed to fulfill their responsibilities. During fiscal 2010, the Board of Directors held nine meetings and acted one time by written consent. The Audit Committee held four meetings during fiscal 2010. The Compensation Committee held three meetings during fiscal 2010. The Nominating Committee held two meetings during fiscal 2010. A Special Committee established by the Board held eight meetings and acted once by written consent. The Special Committee was established to ensure that a transaction between Cubic, Mr. Wallen and certain of his affiliates was fair to our common shareholders. All persons who were directors during fiscal 2010 attended at least 75% of the total of Board meetings and the meetings of committees on which they served.

Each member of the Board of Directors and each nominee for director is expected to attend the Meeting and each of Calvin A. Wallen, III, Jon S. Ross, Gene C. Howard, Herbert A. Bayer, Bob L. Clements, Phyllis K. Harding and William L. Bruggeman, Jr. attended the Company’s last annual meeting in person, which constituted the entire Board of Directors at that time.

Director Independence. Our Board currently has two members from management, Calvin A. Wallen, III, our Chairman, President and Chief Executive Officer and Jon S. Ross, the Secretary, and seven non-management directors, Gene C. Howard, Bob L. Clements, Herbert A. Bayer, William L. Bruggeman Jr., Phyllis K. Harding, David B. Brown and Paul R. Ferretti. The Board has determined that each of its non-management members meets the criteria for independence under NYSE-Amex, LLC (“NYSE-Amex”) listing standards. Because of their management roles, Mr. Wallen and Mr. Ross are not considered independent directors and do not sit on any committees of the Board.

Board Leadership. Under our bylaws, the Board may appoint one of its members as Chairman to preside at meetings of the Board and the shareholders. These functions are separate from the day-to-day management role of the CEO, but may be performed by the same person. Mr. Wallen has served since 1998 as our Chairman of the Board as well as CEO since 1997. The Board believes this leadership structure furthers its oversight objectives and capabilities by taking advantage of Mr. Wallen’s operating experience and perspective in setting priorities and addressing critical issues. Business that comes before the Board is managed more thoroughly and more efficiently through the CEO serving also as Chairman of the Board. Based on these advantages and the strong personal history Mr. Wallen brings to the Board, the Board does not believe any corporate governance benefit would be achieved for the Company or its shareholders by requiring its Chairman to be an independent director.

Risk Management Oversight. Our risk management program is overseen by the full Board as an integral part of its strategic planning to identify and address the operational, financial, personnel, technological and regulatory risks inherent in our business. The independent directors receive periodic updates from senior management to broaden their understanding of our risk identification,

management and mitigation strategies. In addition, the Audit Committee meets periodically with management to discuss major financial risk exposures and the steps being taken to monitor and control those exposures. Our management regularly evaluates these controls and updates the Audit Committee on their status and effectiveness. The Audit Committee's conclusions are periodically reported to the full Board.

Communication. As a general policy, our management speaks for the Company. Members of our Audit Committee meet periodically with our auditors, with and without participation by management, and have access to the Company's independent petroleum engineers. Shareholders or other parties interested in communicating with the non-management directors as a group or with the Board may contact us by writing to Investor Relations Administration at our corporate offices located at 9870 Plano Road, Dallas, Texas 75238 or by using the contact procedures provided on our website, at see www.cubicenergyinc.com. The Board of Directors has delegated responsibility for initial review of shareholder communications to the Company's Secretary. In accordance with the Board's instructions, the Secretary will forward the communication to the director or directors to whom it is addressed, except for communications that are: (1) advertisements or promotional communications; (2) solely related to complaints by vendors or customers with respect to ordinary course of business issues; or (3) clearly unrelated to our business, industry, management or Board or committee matters. In addition, the Secretary will make all communications available to each member of the Board, at the Board's next regularly scheduled meeting.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's directors, executive officers, and holders of more than 10% of the common stock to file with the SEC reports of ownership and changes in ownership of common stock. SEC regulations require those directors, executive officers, and greater than 10% shareholders to furnish the Company with copies of all Section 16(a) forms they file.

Based on the Company's review of such reports, the Company believes that the directors, executive officers and greater than 10% shareholders complied with all applicable Section 16(a) filing requirements for our fiscal year ended June 30, 2010, except on three occasions: on July 7, 2009 Phyllis K. Harding, a director, filed one late Form 4 with respect to one transaction; on January 13, 2010 William L. Bruggeman, Jr., a director and 10% owner, filed one late Form 4 with respect to one transaction and on April 8, 2010 Herbert A. Bayer, a director, filed one late Form 4 with respect to three transactions.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a Code of Business Conduct and Ethics that applies to its directors, officers and employees. A copy of the Code of Business Conduct and Ethics is available in the "Governance" section on the Company's website at www.cubicenergyinc.com.

BOARD COMMITTEES

The Board of Directors had three standing committees during our fiscal year ended June 30, 2010 ("fiscal 2010"): the Audit Committee, the Compensation Committee and the Nominating Committee. None of the directors who serve as members of the Audit Committee, the Compensation Committee or the Nominating Committee are employees of the Company. During fiscal 2008, the Company had no nominating committee or committee that recommended qualified candidates to the Board of Directors for nomination or election as directors. A nominating committee was formed during fiscal 2009. For further information on director nominations, please see "Nominations to the Board of Directors" below.

AUDIT COMMITTEE

The Audit Committee operates under a Charter of the Audit Committee adopted by the Company's Board of Directors, a copy of which is available in the "Governance" section on the Company's website at www.cubicenergyinc.com.

The Audit Committee's functions include:

- engaging independent registered public accountants and determining their compensation;
- making recommendations to the Board of Directors for reviewing the completed audit and audit report with the independent registered public accountants, the conduct of the audit, significant accounting adjustments, recommendations for improving internal controls, and all other significant findings during the audit;

- meeting with the Company's management and independent registered public accountants to discuss internal accounting and financial controls, as well as results of operations reviews performed by the independent registered public accountants;
- determining the scope of and authorizing or approving any permitted non-audit services provided by the independent registered public accountants and the compensation for those services; and
- initiating and supervising any special investigation it deems necessary regarding the Company's accounting and financial policies and controls.

The Audit Committee is composed solely of directors who are not officers or employees of the Company and who, the Company believes, have the requisite financial literacy to serve on the Audit Committee, have no relationship to the Company that might interfere with the exercise of their independent judgment, and meet the standards of independence for members of an audit committee under the rules of the SEC and the NYSE-Amex. David B. Brown (Chairman), Gene C. Howard and Bob L. Clements are the current members of the Audit Committee, and Gene C. Howard (Chairman), Herbert A. Bayer and Bob L. Clements were the members of the Audit Committee during the fiscal year ended June 30, 2010. The Board of Directors, after reviewing all of the relevant facts, circumstances and attributes, has determined that Messrs. Howard and Brown satisfy the requirements of an "audit committee financial expert" on the Audit Committee as that term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated under the Exchange Act by the SEC.

REPORT OF AUDIT COMMITTEE

April 8, 2011

To the Board of Directors of Cubic Energy, Inc.:

We have reviewed and discussed with management the Company's audited financial statements as of and for the year ended June 30, 2010.

We have discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 114, "*Communication with Audit Committees*", as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants.

We have received and reviewed the written disclosures and the letter from the independent registered public accountants required by Independence Standards Board Standard No. 1, "*Independence Discussions with Audit Committees*," as amended, by the Independence Standards Board, and have discussed with the independent registered public accountants the independent registered public accountants' independence.

Based on the reviews and discussions referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended June 30, 2010.

THE AUDIT COMMITTEE

David B. Brown, Chairman (Member and Chairman since November 30, 2010)

Gene C. Howard

Bob L. Clements

Herbert A. Bayer (Member during fiscal 2010 and through November 30, 2010)

COMPENSATION COMMITTEE

The Compensation Committee operates under a Compensation Committee Charter adopted by the Company's Board of Directors, a copy of which is available in the "Governance" section on the Company's website at www.cubicenergyinc.com.

The Compensation Committee's functions include:

- establishing and administering the Company's compensation policies;
- determining, or recommending to the Board, the compensation of the Company's executive officers;
- administering grants of stock options and restricted shares of Common Stock to the Company's executive officers and directors; and
- overseeing the administration of other employee benefit plans and fringe benefits paid to or provided for the Company's officers.

William L. Bruggeman, Jr., David B. Brown, Phyllis K. Harding, Herbert A. Bayer and Paul R. Ferretti are the current members of the Compensation Committee.

NOMINATIONS TO THE BOARD OF DIRECTORS

During fiscal 2008, the Board of Directors did not have a nominating committee or other committee that recommends qualified candidates to the Board for nomination or election as directors because the Board of Directors believed that, because of its relatively small size, it was sufficient for the independent directors to select or recommend director nominees. Subsequent to the end of fiscal 2008, in August 2008, the Board of Directors adopted a nominations process that provides for a Corporate Governance and Nominating Committee (the "Nominating Committee"), consisting of the Company's independent directors (as defined under the NYSE Amex US Marketplace Rules). The Nominating Committee, acting by a majority, is authorized to recommend individuals to the Board of Directors for the Board's selection as director nominees.

The Nominating Committee is responsible for reviewing and interviewing qualified candidates to serve on the Board of Directors, for making recommendations to the full Board for nominations to fill vacancies on the Board, and for selecting the management nominees for the directors to be proposed for election by the Company's shareholders at each annual meeting. The Nominating Committee has not established specific minimum age, education, experience or skill requirements for potential directors. The Nominating Committee has, however, been authorized by the Board of Directors to take into account all factors they consider appropriate in fulfilling their responsibilities to identify and recommend individuals to the Board as director nominees. These factors may include, without limitation, the following:

- an individual's business or professional experience, accomplishments, education, judgment, understanding of the business and the industry in which the Company operates, specific skills and talents, independence, time commitments, reputation, general business acumen and personal and professional integrity or character;
- the size and composition of the Board and the interaction of its members, in each case with respect to the needs of the Company and its shareholders; and
- past preparation for, attendance at, and participation in meetings and other activities of the Board or its committees and overall contributions to the Board and the Company by any individual who has served as a director of the Company.

The Nominating Committee may use multiple sources for identifying and evaluating nominees for directors, including referrals from the Company's current directors and management as well as input from third parties, including executive search firms retained by the Board. The Nominating Committee will obtain background information about candidates, which may include information from directors' and officers' questionnaires and background and reference checks, and will then interview qualified candidates. The Company's other directors will also have an opportunity to meet and interview qualified candidates. The Nominating Committee will then determine, based on the background information and the information obtained in the interviews, whether to recommend to the Board of Directors that a candidate be nominated for election to the Board.

The Nominating Committee will consider qualified nominees recommended by shareholders, who may submit recommendations to the Nominating Committee in care of the Company's Board of Directors through a written notice as described under "Governance of the Company - Communication" above. To be considered by the Nominating Committee for nomination as a director for election at our next annual meeting, a shareholder nomination: (1) must be submitted by December 21, 2011; (2) must contain a statement by the shareholder that such shareholder holds, and has continuously held for at least a year before the nomination, at least \$2,000 in market

value or 1% of the shares of Common Stock and that such shareholder will continue to hold at least that number of shares through the date of the annual meeting of shareholders; and (3) must be accompanied by a description of the qualifications of the proposed candidate and a written statement from the proposed candidate that he or she is willing to be nominated and desires to serve, if elected. Nominees for director who are recommended by the Company's shareholders will be evaluated in the same manner as any other nominee for director.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of the Company's common stock beneficially owned, as of the Record Date, April 6, 2011, by (i) each person known to the Company to beneficially own more than 5% of the common stock of the Company (the only class of voting securities now outstanding), (ii) each director, nominee for director and executive officer, and (iii) all directors and executive officers as a group. Unless otherwise indicated, we consider all shares of common stock that can be issued under convertible securities or warrants currently or within 60 days of April 6, 2011 to be outstanding for the purpose of computing the percentage ownership of the person holding those securities, but do not consider those securities to be outstanding for computing the percentage ownership of any other person. Each owner's percentage is calculated by dividing the number of shares beneficially held by that owner by the sum of 76,815,908 and the number of shares that owner has the right to acquire within 60 days.

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Approximate Percent of Class (1)</u>
5% Stockholders		
Wells Fargo Energy Capital, Inc. 1000 Louisiana 9th Floor, Houston, TX 77002	13,544,900(2)	15.0%
Steven S. Bruggeman..... 5609 St. Albans Circle, Shoreview, MN 55126	3,930,495(3)	5.1%
Named Executive Officers and Directors		
Calvin A. Wallen, III 9870 Plano Road, Dallas, TX 75238	27,528,798(4)	32.1%
William L. Bruggeman, Jr. 20 Anemone Circle, North Oaks, MN 55127	17,793,978(5)	23.2%
Bob L. Clements 9870 Plano Road, Dallas, TX 75238	1,092,527(6)	1.4%
Phyllis K. Harding 1681 94th Lane N.E., Minneapolis, MN 55449	918,970(7)	1.2%
Gene C. Howard 2402 East 29th St., Tulsa, OK 74114	870,180(8)	1.1%
Jon S. Ross..... 9870 Plano Road, Dallas, TX 75238	433,000(9)	*
Herbert A. Bayer..... 9870 Plano Road, Dallas, TX 75238	379,061	*
Paul R. Ferretti 8 Edgewood Road, Yardley, PA 19067	63,507	*
David B. Brown 4823 Ellensburg Drive, Dallas, TX 75244	83,507	*
Larry G. Badgley 9870 Plano Road, Dallas, TX 75238	15,667(10)	*
All officers and directors as a group (10 persons)	49,179,195	57.3%

* Denotes less than one percent

- (1) Based on a total of 76,815,908 shares of Common Stock issued and outstanding on April 6, 2011.
- (2) Includes warrants to purchase 8,500,000 shares and a promissory note convertible into 5,044,900 shares.
- (3) Includes 701,995 shares held jointly by Steven S. Bruggeman and his spouse as joint tenants with rights of survivorship; and, 2,228,500 shares and warrants to purchase 1,000,000 shares individually held by Mr. Bruggeman.
- (4) Includes 10,350,000 shares plus 8,999,250 shares issuable upon conversion of preferred shares held by Langtry Mineral and Development, LLC, an entity controlled by Mr. Wallen; 700,000 shares held by Tauren Exploration, Inc., an entity controlled by Mr. Wallen; 500,000 shares held by his spouse; 386,000 shares held by his minor children and 6,549,548 held by Mr. Wallen.
- (5) Includes 3,234,000 shares held by Diversified Dynamics Corporation, a company controlled by Mr. Bruggeman; 40,000 shares owned by Mr. Bruggeman; 120,000 shares owned by Consumer Products Corp., in which Mr. Bruggeman's spouse is a joint owner; and, 14,400,068 shares owned by Mr. and Mrs. Bruggeman, as joint tenants with rights of survivorship.
- (6) Includes 109,527 shares held with his spouse as joint tenants with rights of survivorship and warrants to purchase 50,000 shares.
- (7) Includes 390,287 shares held as joint tenants with rights of survivorship.
- (8) Includes 322,245 shares held by Mr. Howard's spouse, of which Mr. Howard disclaims beneficial ownership.
- (9) Includes 6,000 shares held by minor children.
- (10) Includes 15,667 shares subject to a currently exercisable stock option.

COMPENSATION DISCUSSION AND ANALYSIS

General. Our Board of Directors has established a Compensation Committee, comprised entirely of independent non-employee directors, with authority to set all forms of compensation of our executive officers. Messrs. Bayer, Brown, Bruggeman, Ferretti and Ms. Harding comprise the Compensation Committee, currently. The Compensation Committee has overall responsibility for our executive compensation policies as provided in a written charter adopted by the Board of Directors. The Compensation Committee is empowered to review and approve the annual compensation and compensation procedures for our executives: the President and Chief Executive Officer, the Chief Financial Officer, and the Secretary. The Compensation Committee does not delegate any of its functions to others in setting compensation.

When establishing base salaries, cash bonuses and equity grants for each of the executives, the Compensation Committee considers the recommendations of the President and Chief Executive Officer and the Secretary, the executive's role and contribution to the management team, responsibilities and performance during the past year and future anticipated contributions, corporate performance, and the amount of total compensation paid to executives in similar positions, and performing similar functions, at other companies for which data was available, as provided by third party compensation studies. One such study, published in September 2009 by Salary.com was a blind survey of over 1,000 companies located in the Dallas metropolitan area in the "Energy & Utilities" industry with less than 25 full-time equivalent employees. Another study, published in December 2008, included data from a survey of the following comparable companies: Abraxas Petroleum Corporation, Arena Resources, Inc., ATP Oil & Gas, Berry Petroleum Company, Canadian Superior Energy, Edge Petroleum and Goodrich Petroleum Corporation.

In addition, during fiscal 2011, a study was done of the compensation practices of GMX Resources, Inc. (approximately twice the market cap of the Company at the time of the study) and of NGAS Resources, Inc. (approximately one-half the market cap of the Company at the time of the study). These studies were used to corroborate the compensation levels for each of the officers; and the studies were used to help determine the compensation included in the employment agreement with Larry G. Badgley, which was entered into on January 13, 2011 and effective as of October 1, 2010.

The Compensation Committee relies upon its judgment in making compensation decisions, after reviewing the Company's performance and evaluating each executive's performance during the year. The Committee generally does not adhere to formulas or necessarily react to short-term changes in business performance in determining the amount and mix of compensation elements. We incorporate flexibility into our compensation programs and in the assessment process to respond to and adjust for the evolving business environment.

Compensation Philosophy. The Compensation Committee's compensation philosophy is to reward executive officers for the achievement of short and long-term corporate objectives and for individual performance. The objective of this philosophy is to provide a balance between short-term goals and long-term priorities to achieve immediate objectives while also focusing on increasing shareholder value over the long term. Also, to ensure that we are strategically and competitively positioned for the future, the Compensation Committee has the discretion to attribute significant weight to other factors in determining executive compensation, such as maintaining competitiveness, pursuing growth opportunities and achieving other long-range business and operating objectives.

The level of compensation should also allow us to attract, motivate, and retain talented executive officers that contribute to our long-term success. The compensation of our President and Chief Executive Officer and other executive officers is comprised of cash compensation and long-term incentive compensation in the form of base salary, discretionary bonuses and stock awards.

Executive Compensation Components. Our total compensation for the named executive officers consisted of:

- base salary,
- bonuses and
- long-term incentives in the form of options and common stock awards.

The Compensation Committee believes that each of these components is necessary to achieve Cubic’s objective of retaining highly qualified executives and motivating the named executive officers to maximize shareholder return.

In setting fiscal 2010 compensation, the Compensation Committee considered the specific factors discussed below:

Base Salary. In setting the executive officers’ base salaries, the Compensation Committee considers the achievement of corporate objectives as well as individual performance. Because the Compensation Committee believes that executive compensation should be viewed in terms of a balanced combination of cash compensation (i.e., base salaries and bonuses) and long-term incentive (i.e., grants of options and stock awards), base salaries are targeted to approximate the low end of the range of base salaries paid to executives of similar companies for each position. To ensure that each executive is paid appropriately, the Compensation Committee considers the executive’s level of responsibility, prior experience, overall knowledge, contribution to business results, existing equity holdings, executive pay for similar positions in other companies, and executive pay within our company.

The base salaries paid to our named executive officers during fiscal 2010 are set forth below in the Summary Compensation Table. There were no increases in executive officers base salaries during fiscal 2010.

Discretionary Bonuses. Executive bonuses are intended to link executive compensation with the attainment of Company goals. The actual payment of bonuses is primarily dependent upon the extent to which these Company-wide objectives are achieved. Determination of executive bonus amounts is not made in accordance with a strict formula, but rather is based on objective data combined with competitive ranges and internal policies and practices, including an overall review of both individual and corporate performance. No bonuses were paid to our named executive officers during fiscal 2010. For fiscal years 2008 and 2009, bonuses to executives were primarily based upon the achievement of certain business objectives including progress in meeting our expected drilling and completion schedule, and obtaining additional financing. The President and Chief Executive Officer has the discretion to recommend to the Compensation Committee to increase or decrease bonuses for all other executive officers, but any bonus amounts must be approved by the Compensation Committee.

Long-Term Incentives. On December 29, 2005, the shareholders of the Company approved the 2005 Stock Option Plan (the “Plan”) under which our executive officers may be, among other forms of compensation, compensated through grants of shares of our common stock and/or grants of options to purchase shares of common stock. The Compensation Committee approves Plan grants that provide additional incentives and align the executives’ long-term interests with those of the shareholders of the Company by tying executive compensation to the long-term performance of the Company’s stock price. Annual equity grants for our executives are typically approved in January.

Name and Principal Position	Fiscal Year	Percentage of Total Compensation						Total
		Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	
Calvin A. Wallen, III Chairman of the Board, President and Chief Executive Officer	2010	97.7%	0.0%	0.0%	0.0%	0.0%	2.3%	100.0%
	2009	98.2%	0.0%	0.0%	0.0%	0.0%	1.8%	100.0%
	2008	41.1%	0.0%	58.1%	0.0%	0.0%	0.9%	100.0%
Larry G. Badgley Chief Financial Officer	2010	96.8%	0.0%	0.0%	0.0%	0.0%	3.2%	100.0%
	2009	96.8%	0.7%	0.0%	0.0%	0.0%	2.5%	100.0%
	2008	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Jon S. Ross Secretary and Director	2010	96.9%	0.0%	0.0%	0.0%	0.0%	3.1%	100.0%
	2009	96.0%	1.7%	0.0%	0.0%	0.0%	2.3%	100.0%
	2008	42.0%	0.7%	56.0%	0.0%	0.0%	1.3%	100.0%

The Compensation Committee recommends equity to be granted to an executive with respect to shares of common stock based on the following principal elements including, but not limited to:

- President and Chief Executive Officer’s and Secretary’s recommendations;
- Management role and contribution to the management team;
- Job responsibilities and past performance;
- Future anticipated contributions;
- Corporate performance; and
- Existing equity holdings.

Determination of equity grant amounts is not made in accordance with a formula, but rather is based on objective data combined with competitive ranges, past internal policies and practices and an overall review of both individual and corporate performance. Equity grants may also be made to new executives upon commencement of employment and, on occasion, to executives in connection with a significant change in job responsibility. The Compensation Committee believes annual equity grants more closely align the long-term interests of executives with those of shareholders and assist in the retention of key executives. As such, these grants comprise the Company’s principal long-term incentive to executives.

OTHER COMPENSATION POLICIES AFFECTING THE EXECUTIVE OFFICERS

Stock Ownership Requirements. The Compensation Committee does not maintain a policy relating to stock ownership guidelines or requirements for our executive officers because the Compensation Committee does not feel that it is necessary to impose such a policy on our executive officers. If circumstances change, the Compensation Committee will review whether such a policy is appropriate for executive officers.

Employment Agreements. On February 29, 2008, the Company entered into employment agreements with its President and Chief Executive Officer, Calvin A. Wallen, III, and Secretary, Jon S. Ross. The agreement with Mr. Wallen provides for a base salary of \$200,000 per year, while the agreement with Mr. Ross provides for a base salary of \$150,000 per year. The other terms and conditions of the agreements are substantially consistent.

Both agreements provide for a term of employment of 36 months from the effective date of February 1, 2008, which term shall be automatically extended by one additional month upon the expiration of each month during the term; provided, that the Company may terminate subsequent one-month extensions at any time.

Each agreement is subject to early termination by the Company in the event that the employee dies, becomes totally disabled or commits an act constituting “Just Cause” under the agreement. The agreements provide that Just Cause includes, among other things, the conviction of certain crimes, habitual neglect of his duties to the Company or other material breaches by the employee of the agreement. Each agreement also provides that the employee shall be permitted to terminate his employment upon the occurrence of “Good Reason,” as defined in the agreement. The agreements provide that Good Reason includes, among other things, a material diminution in the employee’s authority, duties, responsibilities or salary, or the relocation of the Company’s principal offices by more than 50 miles. If the employee’s employment is terminated by (a) the Company other than due to the employee’s death, disability or Just Cause, or (b) the employee for Good Reason, then the Company is required to pay all remaining salary through the end of the then-current term. The foregoing severance payment is subject to reduction under certain conditions.

The following table sets forth the estimated amounts that would be payable to each of the named executives upon a termination under the scenarios outlined above, excluding termination for Just Cause or on account of death or disability, assuming that such termination occurred on June 30, 2010, except as otherwise provided, below. There can be no assurance that these scenarios would produce the same or similar results as those disclosed if a termination occurs in the future.

Without Just Cause/For Good Reason	Severance Payment	Total
Calvin A. Wallen, III (1)	\$ 600,000	\$ 600,000
Jon S. Ross (1).....	\$ 450,000	\$ 450,000
Larry G. Badgley (2)	\$ 245,700	\$ 245,700

- (1) Represents 36 months of base salary.
(2) Represents 18 months of base salary from March 31, 2011. Mr. Badgley's employment agreement was not effective until after the end of fiscal 2010.

Tax Considerations

Compliance with Section 162(m) of the Internal Revenue Code. Section 162(m) disallows a federal income tax deduction to publicly held companies for certain compensation paid to our Named Executive Officers to the extent that compensation exceeds \$1 million per executive officer covered by Section 162(m) in any fiscal year. The limitation applies only to compensation that is not considered "performance based" as defined in the Section 162(m) rules. In designing our compensation programs, the Compensation Committee considers the effect of Section 162(m) together with other factors relevant to our business needs. We have historically taken, and intend to continue taking, appropriate actions, to the extent we believe desirable, to preserve the deductibility of annual incentive and long-term performance awards. However, the Compensation Committee has not adopted a policy that all compensation paid must be tax-deductible and qualified under Section 162(m). We believe that the fiscal 2010 base salary, annual bonus and stock grants paid to the individual executive officers covered by Section 162(m) did not exceed the Section 162(m) limit and will be fully deductible under Section 162(m).

Chief Executive Officer Compensation

Mr. Wallen received \$200,000 in base salary for fiscal 2010. His annual base salary was not increased from fiscal year 2009. Mr. Wallen received no common stock awards during fiscal 2010.

Chief Financial Officer Compensation

Mr. Badgley's salary was previously established at \$145,000 per year, plus a \$300 per month health insurance subsidy. In February 2010, the health insurance subsidy increased to \$500 per month. In the event that Mr. Badgley was terminated without cause, as determined by the Board of Directors of the Company, he would have been entitled to three months salary. On January 14, 2011, the Company entered into an employment agreement with Mr. Badgley. The agreement provides for a base salary of \$163,800, on an annual basis, and a term of employment of twenty-four (24) months from the effective date of October 1, 2010. The agreement also provides for the grant of options for the purchase of an aggregate of 288,667 shares of Company common stock.

SUMMARY COMPENSATION TABLE

The following table shows information regarding the compensation earned during the fiscal years ended June 30, 2010, 2009 and 2008 by our Chief Executive Officer, our Chief Financial Officer, and our other most highly compensated executive officer who was employed by us as of June 30, 2010 and whose total compensation exceeded \$100,000 during the most recent fiscal year (the "Named Executive Officers"):

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards (1)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation (2)	Total
Calvin A. Wallen, III	2010	\$ 200,000	—	—	—	—	\$ 4,800	\$ 204,800
Chairman of the Board,	2009	\$ 200,000	—	—	—	—	\$ 3,600	\$ 203,600
President and Chief Executive Officer	2008	\$ 170,833	—	\$ 241,500	—	—	\$ 3,600	\$ 415,933
Larry G. Badgley	2010	\$ 145,000	—	—	—	—	\$ 4,800	\$ 149,800
	2009	\$ 103,293	\$ 750	—	—	—	\$ 2,700	\$ 106,743
Chief Financial Officer (3)	2008	—	—	—	—	—	—	—
Jon S. Ross.....	2010	\$ 150,000	—	—	—	—	\$ 4,800	\$ 154,800
Secretary and Director	2009	\$ 150,000	\$ 2,625	—	—	—	\$ 3,600	\$ 156,225
	2008	\$ 120,833	\$ 2,000	\$ 161,000	—	—	\$ 3,600	\$ 287,433

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2010, 2009 and 2008 fiscal years for the fair value of stock grants for each of the named executive officers in accordance with FASB ASC Topic 718 (formerly SFAS No. 123R). On January 31, 2008 we granted our Named Executive Officers a total of 250,000 shares of common stock as follows: Mr. Wallen, 150,000 shares; and Mr. Ross, 100,000 shares. These shares vested immediately on the grant date.
- (2) All Other Compensation consists solely of a \$500 per month (increased in February 2010 from \$300) reimbursement towards each officer's medical insurance premiums. The Company does not provide group health insurance coverage to its employees.
- (3) Mr. Badgley was appointed Cubic's Chief Financial Officer effective October 13, 2008.

FISCAL 2010 GRANTS OF PLAN-BASED AWARDS

No stock options were granted to executive officers for the periods presented.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The Company had no outstanding stock options at June 30, 2010. The Company had no unvested stock awards at the end of fiscal 2010.

OPTION EXERCISES AND STOCK VESTING

No stock options were outstanding at any time during fiscal 2010 and thus any reference to option exercises has been omitted.

PENSION BENEFITS AND NON-QUALIFIED DEFINED CONTRIBUTION PLANS

The Company does not sponsor any qualified or non-qualified defined benefit plans or non-qualified defined contribution plans. The Compensation Committee, which is comprised solely of "outside directors" as defined for purposes of Section 162(m) of the Code, may elect to adopt qualified or non-qualified defined benefit or non-qualified defined contribution plans if the Compensation Committee determines that doing so is in our best interests.

NON-EMPLOYEE DIRECTOR COMPENSATION FOR FISCAL 2010

Our philosophy in determining director compensation is to align compensation with the long-term interests of the shareholders, adequately compensate the directors for their time and effort, and establish an overall compensation package that will attract and retain qualified directors. In determining overall director compensation, we seek to strike the right balance between the cash and stock components of director compensation. The Board's policy is that the directors should hold equity ownership in the Company and that a portion of the director fees should consist of Company equity in the form of stock grants.

Our retainer and meeting fee schedule remained the same for fiscal 2010 as it was in 2009 and 2008. Each non-employee director of the Company received cash compensation as follows:

- A meeting fee of \$1,000 for each board or committee meeting attended (whether in person or via teleconference);
- Each non-employee director as of January 2010 received: 40,000 shares of common stock for service on the Board of Directors; 20,000 shares of common stock for service on the Audit Committee; and, 15,000 shares of common stock for service on the Compensation Committee. Mr. Howard received an additional 10,000 shares of common stock for serving as the financial expert and Chairman of the Audit Committee.

The following table sets forth the cash and other compensation paid to the non-employee members of our Board of Directors during fiscal 2010.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)(1)</u>	<u>Option Awards (\$)</u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Nonqualified Deferred Compensation Earnings</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Gene C. Howard	\$ 19,000	\$ 90,950	\$ —	\$ —	(N/A)	\$ —	\$ 109,950
Herbert A. Bayer.....	19,000	80,250	—	—	(N/A)	—	99,250
Bob L. Clements	19,000	80,250	—	—	(N/A)	—	99,250
Phyllis K. Harding	15,000	72,232	—	—	(N/A)	—	87,232
William L. Bruggeman, Jr.	13,000	72,232	—	—	(N/A)	—	85,232

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- (1) *The market value of these stock awards is based on the closing price on the date of the grant, which was \$1.07 on January 26, 2010.*

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective January 1, 2002, the Company entered into a lease agreement with respect to the Company's principle offices with Tauren Exploration, Inc. ("Tauren"), an entity wholly owned by Calvin A. Wallen, III, the Company's Chairman of the Board and Chief Executive Officer. The lease agreement required payments to Tauren of \$2,229 per month, and requires the Company to pay a pro rata share of the costs, without markup, of the expenses and personnel of Tauren used by the Company. During fiscal 2010, the Company paid an aggregate of \$ 26,748 to Tauren pursuant to this agreement.

Tauren owns a working interest in the wells in which the Company owns a working interest. As of June 30, 2010, the Company owed \$78,679 to Tauren for miscellaneous general and administrative expenses paid by Tauren on the Company's behalf. As of June 30, 2009, the Company owed \$649,205 to Tauren for miscellaneous general and administrative expenses paid by Tauren on the Company's behalf.

In addition, during fiscal 2010 and 2009, certain wells in which the Company owns a working interest were operated by an affiliated company, Fossil Operating, Inc. ("Fossil"), an entity wholly owned by Mr. Wallen. In consideration for Fossil serving as operator and to satisfy the Company's working interest obligations related to drilling costs and lease operating expenses, Cubic paid to Fossil an aggregate of \$1,384,308 and \$4,244,397 during fiscal 2010 and 2009, respectively; and Fossil paid Cubic an aggregate of \$ 643,688 and \$151,680 during fiscal 2010 and 2009, respectively for oil and gas sales. As of June 30, 2010 and 2009, the Company owed Fossil \$755,683 and \$815,239, respectively, for drilling costs and lease operating expenses, and was owed by Fossil \$415,282 and \$271,615, respectively, for oil and gas sales. The Company and Fossil have operating agreements with respect to all wells for which Fossil serves as operator.

On November 24, 2009, the Company entered into transactions with Tauren and Langtry Mineral & Development, LLC ("Langtry"), both of which are entities controlled by Mr. Wallen, under which the Company acquired \$30,952,810 in pre-paid drilling credits (the "Drilling Credits") applicable towards the development of its Haynesville Shale rights in Northwest Louisiana. The Company expects to use the Drilling Credits to fund \$30,952,810 of its share of the drilling and completion costs for those horizontal Haynesville Shale wells drilled in sections previously operated by an affiliate of the Company, which are now operated by a third party.

As consideration for the Drilling Credits, the Company, (a) conveyed to Tauren a net overriding royalty interest of approximately 2% in its leasehold rights below the Taylor Sand formation of the Cotton Valley and (b) issued to Langtry 10,350,000 Company common shares and preferred stock in the amount of \$10,350,000, convertible into Company common shares at \$1.20 per common share, with a five year conversion term. The preferred stock is entitled to cumulative dividends equal to 8% per annum, payable quarterly, which dividends may be paid in cash or in additional shares of preferred stock, in the Company's discretion. The preferred stock may be redeemed by the Company at any time, at a redemption price equal to 20% over the original issue price. The Company has issued and aggregate of \$449,200 of preferred stock in lieu of cash dividends.

The consideration described above was determined based upon negotiations between Tauren and a Special Committee of the Company's directors, excluding Mr. Wallen. The Special Committee obtained an "fairness opinion" from its independent financial advisor with respect to the fairness, from a financial point of view, to the public shareholders of the Company, of such transactions.

On December 18, 2009, the Company issued a subordinated promissory note payable to Mr. Wallen, in the principal amount of \$2,000,000 (the "Wallen Note"). This note bears interest at the prime rate plus one percent (1%), with interest payable monthly. The outstanding principal balance of the Wallen Note is due and payable on September 30, 2012 and is subordinated to the indebtedness under the Company's senior credit facility with Wells Fargo. The proceeds of this note were used to repay a previously outstanding note payable to an affiliate of the Company.

It is the Company's policy that any transactions between us and related parties will be on terms no less favorable than could be obtained from unaffiliated third parties and will be approved by a majority of the disinterested members of our Board of Directors.

PROPOSAL TWO
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

Philip Vogel & Co., PC (“Philip Vogel”), independent registered public accountants, served as independent registered public accountants for the Company for the fiscal year ended June 30, 2010, and has reported on the Company’s financial statements. The Board of Directors has selected Philip Vogel as the Company’s independent registered public accountants for the fiscal year ending June 30, 2011, and recommends that the shareholders ratify this selection. Philip Vogel has served as the Company’s independent registered public accountants since 1999 and is considered by management of the Company to be well qualified. Philip Vogel has advised the Company that neither it nor any of its members has any financial interest, direct or indirect, in the Company in any capacity.

Representatives from Philip Vogel are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

While shareholder ratification is not required for selection of Philip Vogel because the Board of Directors has the responsibility for selection of the Company’s independent registered public accountants, the selection is being submitted for ratification at the Meeting with a view toward soliciting the shareholders’ opinion thereon, which opinion will be taken into consideration in future deliberations.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF PHILIP VOGEL & CO., PC, AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

	<u>July 1, 2009 - June 30, 2010</u>	<u>July 1, 2008 - June 30, 2009</u>
Audit fees.....	\$ 35,700	\$ 35,500
Audit-related fees.....	15,000	12,300
Tax fees.....	3,800	5,000
All other fees.....	13,060	2,280
Total.....	<u>\$ 67,560</u>	<u>\$ 55,080</u>

Audit Fees

Aggregate audit fees billed for professional services rendered by Philip Vogel were \$35,700 for the year ended June 30, 2010 and \$35,500 for the year ended June 30, 2009. Such fees were primarily for professional services rendered for the audits of our consolidated financial statements during the fiscal years ended June 30, 2010 and 2009.

Audit-Related Fees

Aggregate audit-related fees billed for professional services rendered by Philip Vogel were \$15,000 for the year ended June 30, 2010 and \$12,300 for the year ended June 30, 2009. Such fees were for limited reviews of our unaudited condensed consolidated interim financial statements.

Tax Fees

Aggregate income tax compliance and related services fees billed for professional services rendered by Philip Vogel were \$3,800 for the year ended June 30, 2010 and \$5,000 for the year ended June 30, 2009.

All Other Fees

In addition to the fees described above, aggregate fees of: \$13,060 were billed by Philip Vogel during the year ended June 30, 2010, primarily for the review of various SEC filings, attendance at our annual shareholders’ meeting; and \$2,280 were billed by Philip Vogel during the year ended June 30, 2009, primarily for the review of various SEC filings, attendance at our annual shareholders’ meeting, and for research regarding our compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Audit Committee Pre-Approval Policies and Procedures

In accordance with Company policy, any additional audit or non-audit services must be approved in advance. All of the foregoing professional services provided by Philip Vogel during the years ended June 30, 2010 and June 30, 2009 were pre-approved in accordance with the policies of our Audit Committee.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information can be inspected and copied at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Street, N.E., Washington, D.C. 20549. In addition, such reports, proxy statements and other information are available from the Edgar filings obtained through the SEC's website at <http://www.sec.gov>.

FORM 10-K

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH PERSON WHOSE PROXY IS BEING SOLICITED, UPON WRITTEN REQUEST OF ANY SUCH PERSON, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2010, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE FINANCIAL STATEMENTS AND A LIST OF EXHIBITS TO SUCH FORM 10-K. THE COMPANY WILL FURNISH TO ANY SUCH PERSON ANY EXHIBIT DESCRIBED IN THE LIST ACCOMPANYING THE FORM 10-K UPON THE ADVANCE PAYMENT OF REASONABLE FEES. REQUESTS FOR A COPY OF THE FORM 10-K AND/OR ANY EXHIBIT(S) SHOULD BE DIRECTED TO THE SECRETARY OF CUBIC ENERGY, INC., 9870 PLANO ROAD, DALLAS, TEXAS 75238. YOUR REQUEST MUST CONTAIN A REPRESENTATION THAT, AS OF APRIL 6, 2011, YOU WERE A BENEFICIAL OWNER OF SHARES ENTITLED TO VOTE AT THE MEETING. THE FORM 10-K IS ALSO AVAILABLE ON THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT WWW.SEC.GOV.

OTHER MATTERS

The Board of Directors knows of no business other than that set forth above to be transacted at the Meeting. If other matters requiring a vote of the shareholders arise, the persons designated as proxies will vote the shares represented by the proxies in accordance with their best judgment and Rule 14a-4 under the Exchange Act.

It is important that your shares be represented at the Meeting, regardless of the number of shares you hold and whether you intend to attend the Meeting. You are therefore urged to complete, date, execute and return, at your earliest convenience, the accompanying proxy card in the postage paid envelope which has been enclosed.

**BY ORDER OF THE BOARD OF DIRECTORS OF
CUBIC ENERGY, INC.**

CALVIN A. WALLEN, III
President

Dallas, Texas
April 18, 2011