

BlackRock Enhanced Government Fund, Inc.
Form N-Q
November 23, 2010

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

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21793

Name of Fund: BlackRock Enhanced Government Fund, Inc. (EGF)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Anne F. Ackerley, Chief Executive Officer, BlackRock
Enhanced Government Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 12/31/2010

Date of reporting period: 09/30/2010

Item 1 Schedule of Investments

Schedule of Investments September 30, 2010 (Unaudited)

BlackRock Enhanced Government Fund, Inc. (EGF)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Asset-Backed Securities (a)		
First Franklin Mortgage Loan		
Asset-Backed Certificates,		
Series 2005-FF2, Class M2,		
0.70%, 3/25/35	\$ 3,220	\$ 2,921,567
GSA Home Equity Trust,		
Series 2005-1, Class AF2,		
4.32%, 11/25/34	598	583,880
Securitized Asset-Backed Receivables		
LLC Trust:		
Series 2005-0P1, Class M2,		
0.71%, 1/25/35	2,000	1,476,424
Series 2005-0P2, Class M1,		
0.69%, 10/25/35	1,025	468,867
Soundview Home Equity Loan		
Trust, Series 2007-OPT5,		
Class 2A2, 1.21%, 10/25/37	2,500	1,439,235
Total Asset-Backed Securities 3.5%		6,889,973
Foreign Agency Obligations		
Province of Ontario Canada,		
4.10%, 6/16/14	1,745	1,916,938
Total Foreign Agency Obligations 1.0%		1,916,938
Non-Agency Mortgage-Backed		
Securities		
Collateralized Mortgage		
Obligations 3.6%		
Bank of America Mortgage		
Securities Inc., Series 2003-J,		
Class 2A1, 3.60%, 11/25/33 (a)	344	325,207
Bear Stearns Alt-A Trust,		
Series 2004-13, Class A1,		
0.63%, 11/25/34 (a)	445	360,511
CS First Boston Mortgage		
Securities Corp.,		

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Series 2005-11, Class 6A5, 6.00%, 12/25/35	835	795,273
Countrywide Alternative Loan Trust, Series 2006-41CB, Class 2A17, 6.00%, 1/25/37	1,203	1,018,910
Non-Agency Mortgage-Backed Securities	Par (000)	Value
Collateralized Mortgage Obligations (concluded)		
Homebanc Mortgage Trust, Series 2005-4, Class A1, 0.53%, 10/25/35 (a)	\$ 1,713	\$ 1,266,442
Thornburg Mortgage Securities Trust (a): Series 2006-6, Class A1, 0.37%, 11/25/46	1,658	1,612,912
Series 2007-2, Class A2A, 0.39%, 6/25/37	1,183	1,129,265
WaMu Mortgage Pass-Through Certificates, Series 2005-AR7, Class A1, 2.94%, 8/25/35 (a)	473	469,684
		6,978,204
Commercial Mortgage-Backed Securities 8.4%		
Bear Stearns Commercial Mortgage Securities, Series 2001-T0P2, Class A2, 6.48%, 2/15/35	1,256	1,273,034
Commercial Mortgage Pass- Through Certificates, Series 2007-C9, Class A2, 5.81%, 12/10/49 (a)	3,250	3,380,870
Credit Suisse Mortgage Capital Certificates, Series 2007-C5, Class A2, 5.59%, 9/15/40	3,400	3,539,422
LB-UBS Commercial Mortgage Trust, Class A2: Series 2007-C1, 5.32%, 2/15/40	2,000	2,064,481
Series 2007-C7, 5.59%,		

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

9/15/45	3,000	3,138,023
Wachovia Bank Commercial Mortgage Trust, Series 2007-C32, Class A2, 5.93%, 6/15/49 (a)	3,000	3,122,594
		16,518,424
Interest Only Collateralized		
Mortgage Obligations 0.0%		
CitiMortgage Alternative Loan Trust, Series 2007-A5, Class 1A7, 6.00%, 5/25/37	552	56,975
Total Non-Agency Mortgage-Backed Securities 12.0%		23,553,603

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

GO General Obligation Bonds

LIBOR London InterBank Offered Rate

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010 1

Schedule of Investments(continued)

BlackRock Enhanced Government Fund, Inc. (EGF)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Preferred Securities		
Capital Trusts		
Diversified Financial Services 1.0%		
JPMorgan Chase Capital XXII, 6.45%, 1/15/87	\$ 2,000	\$ 2,002,770
Electric Utilities 1.0%		
PPL Capital Funding, 6.70%, 3/30/67 (a)	2,000	1,900,000
Insurance 1.2%		
The Allstate Corp., 6.50%, 5/15/67 (a)	2,000	1,855,000
ZFS Finance (USA) Trust V, 6.50%, 5/09/67 (a)(b)	504	468,720
		2,323,720
Total Capital Trusts 3.2%		6,226,490
Trust Preferreds	Shares	
Capital Markets 1.0%		
Morgan Stanley Capital Trust VIII, 6.45%, 4/15/67	80,000	1,980,899
Media 1.1%		
Comcast Corp., 6.63%, 5/15/56	80,000	2,058,277
Total Trust Preferreds 2.1%		4,039,176
Total Preferred Securities 5.2%		10,265,666
	Par (000)	
Taxable Municipal Bonds		
State of California, GO, Taxable, Various Purpose 3, Mandatory Put Bonds, 5.65%, 4/01/39 (a)	\$ 1,680	1,808,470
Total Taxable Municipal Bonds 0.9%		1,808,470
U.S. Government Sponsored Agency Securities		
Agency Obligations 3.4%		
Fannie Mae, 5.25%, 8/01/12	2,460	2,653,828
Federal Farm Credit Bank, 4.55%,		

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

6/08/20	3,500	3,995,058
		6,648,886
Collateralized Mortgage		
Obligations 11.6%		
Ginnie Mae Mortgage-Backed		
Securities, Class C (a):		
Series 2005-87, 5.33%, 9/16/34	10,000	11,330,088
Series 2006-3, 5.24%, 4/16/39	10,000	11,442,976
		22,773,064
U.S. Government Sponsored Agency	Par	
Securities	(000)	Value
Interest Only Collateralized		
Mortgage Obligations 0.6%		
Ginnie Mae Mortgage-Backed		
Securities (a):		
Series 2006-30, Class IO, 0.80%, 5/16/46	\$ 8,313	\$ 321,901
Series 2007-20, Class SA, 5.69%, 4/20/37	1,983	221,271
Series 2007-40, Class SN, 6.23%, 7/20/37	2,299	241,647
Series 2008-7, Class SA, 3.14%, 2/20/38	4,155	422,368
		1,207,187
Mortgage-Backed		
Securities 64.0%		
Fannie Mae Mortgage-Backed		
Securities:		
4.00%, 4/01/24 - 10/15/40 (c)	9,146	9,572,858
4.50%, 4/01/39 - 8/01/40	23,186	24,260,950
4.68%, 2/01/13	5,141	5,364,015
5.00%, 11/01/33 - 2/01/40 (d)	24,024	25,461,922
5.24%, 4/01/12 (d)	7,939	8,283,687
5.50%, 7/01/17 - 9/01/36 (d)(e)	27,759	29,837,926
5.71%, 2/01/12	2,478	2,597,874
6.00%, 2/01/36 - 3/01/38	13,435	14,470,910

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

6.60%, 1/01/11	4,616	4,612,751
Freddie Mac Mortgage-Backed Securities, 4.50%, 5/01/34	802	843,062
Ginnie Mae Mortgage-Backed Securities, 5.00%, 11/15/35	34	35,975
		125,341,930
Total U.S. Government Sponsored Agency Securities 79.6%		155,971,067
U.S. Treasury Obligations		
U.S. Treasury Notes:		
0.75%, 9/15/13 (f)	5,490	5,508,013
1.88%, 6/30/15 (f)	29,125	30,012,410
2.50%, 6/30/17 (f)	18,000	18,750,937
2.63%, 8/15/20 (f)	4,000	4,037,500
4.63%, 2/15/40	9,795	11,444,850
4.38%, 5/15/40 (f)	10,000	11,231,300
3.88%, 8/15/40 (f)	12,000	12,405,000
Total U.S. Treasury Obligations 47.6%		93,390,010
Total Long-Term Investments (Cost \$281,418,589) 149.9%		293,795,727

2 BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010

Schedule of Investments^(continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

(Percentages shown are based on Net Assets)

	Shares	Value
Short-Term Securities		
BlackRock Liquidity Funds, TempFund, Institutional Class, 0.23% (g)(h)	4,855,517	\$ 4,855,517
Total Short-Term Securities (Cost \$4,855,517) 2.4%		4,855,517
Total Investments Before Outstanding Options Written (Cost \$286,274,106*) 152.3%		298,651,244
	Notional Amount	
Options Written Over-the-Counter Call Swaptions (0.2)%	(000)	
Pay a fixed rate of 0.60% and receive a floating rate based on 3-month LIBOR, Expires 10/28/10, Broker Morgan Stanley Capital Services, Inc.	\$ 25,000	(16,000)
Pay a fixed rate of 1.65% and receive a floating rate based on 3-month LIBOR, Expires 10/28/10, Broker BNP Paribas SA	40,000	(262,040)
Pay a fixed rate of 2.50% and receive a floating rate based on 3-month LIBOR, Expires 10/28/10, Broker JPMorgan Chase Bank NA	20,000	(117,860)
Pay a fixed rate of 3.20% and receive a floating rate based on 3-month LIBOR, Expires 10/28/10, Broker Morgan Stanley Capital Services, Inc.	5,000	(58,990)
Total Options Written		

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

(Premiums Received \$359,000) (0.2)%	(454,890)
Total Investments, Net of Outstanding Options	
Written 152.1%	298,196,354
Liabilities in Excess of Other Assets (52.1)%	(102,184,751)
Net Assets 100.0%	\$ 196,011,603

* The cost and unrealized appreciation (depreciation) of investments as of September 30, 2010, as computed for federal income tax purposes were as follows:

Aggregate cost	\$ 286,274,106
Gross unrealized appreciation	\$ 15,338,091
Gross unrealized depreciation	\$ (2,960,953)
Net unrealized appreciation	12,377,138

(a) Variable rate security. Rate shown is as of report date.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors.

(c) Represents or includes a to-be-announced (TBA) transaction. Unsettled TBA transactions as of report date were as follows:

Counterparty	Market Value	Unrealized Depreciation
Goldman Sachs & Co.	\$ 925,031	\$ (1,547)

(d) All or a portion of security has been pledged as collateral in connection with swaps.

(e) All or a portion of security has been pledged as collateral in connection with open financial futures contracts.

(f) All or a portion of security has been pledged as collateral in connection with open reverse repurchase agreements.

(g) Investments in companies considered to be an affiliate of the Fund during the period, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at December 31, 2009	Net Activity	Shares Held at September 30, 2010	Income
BlackRock				
Liquidity				

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Funds,

TempFund,

Institutional

Class	2,181,318	2,674,199	4,855,517	\$ 5,129
-------	-----------	-----------	-----------	----------

(h) Represents the current yield as of report date.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010 3

Schedule of Investments (continued) BlackRock Enhanced Government Fund, Inc. (EGF)

Financial futures contracts purchased as of September 30, 2010 were as follows:

Contracts	Issue	Exchange	Expiration Date	Notional Value	Unrealized Appreciation
31	10-Year U.S. Treasury Bond	Chicago Board of Trade	December 2010	\$ 3,886,078	\$ 21,375
3	Euro Dollar Future	Chicago Mercantile	June 2013	\$ 731,933	5,579
Total					\$ 26,954

Financial futures contracts sold as of September 30, 2010 were as follows:

Contracts	Issue	Exchange	Expiration Date	Notional Value	Unrealized Depreciation
8	Euro Dollar Future	Chicago Mercantile	December 2010	\$ 1,983,676	\$ (9,124)
8	Euro Dollar Future	Chicago Mercantile	March 2011	\$ 1,979,176	(12,625)
4	Euro Dollar Future	Chicago Mercantile	June 2011	\$ 987,063	(8,087)
5	Euro Dollar Future	Chicago Mercantile	September 2011	\$ 1,229,972	(12,778)
5	Euro Dollar Future	Chicago Mercantile	December 2011	\$ 1,226,447	(14,803)
6	Euro Dollar Future	Chicago Mercantile	March 2012	\$ 1,467,019	(20,456)
1	Euro Dollar Future	Chicago Mercantile	June 2012	\$ 244,659	(2,878)
2	Euro Dollar Future	Chicago Mercantile	September 2012	\$ 488,194	(6,131)
2	Euro Dollar Future	Chicago Mercantile	December 2012	\$ 486,969	(6,481)
2	Euro Dollar Future	Chicago Mercantile	March 2013	\$ 485,969	(6,656)
Total					\$ (100,019)

Reverse repurchase agreements outstanding as of September 30, 2010 were as follows:

Counterparty	Interest Rate	Trade Date	Maturity Date	Net Closing Amount	Face Amount
Credit Suisse Securities (USA) LLC	0.25%	7/22/10	Open	\$ 10,855,275	\$ 10,850,000
Barclays Capital Inc.	0.15%	7/30/10	Open	\$ 29,605,558	29,598,281
Credit Suisse Securities (USA) LLC	0.19%	7/30/10	Open	\$ 6,091,896	6,090,000
Barclays Capital Inc.	0.20%	8/18/10	Open	\$ 10,145,423	10,143,000
Credit Suisse Securities (USA) LLC	0.10%	8/25/10	Open	\$ 4,060,395	4,060,000
Credit Suisse Securities (USA) LLC	0.20%	9/02/10	Open	\$ 12,376,856	12,375,000
Barclays Capital Inc.	0.25%	9/17/10	Open	\$ 5,490,496	5,490,000
Total					\$ 78,606,281

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Interest rate swaps outstanding as of September 30, 2010 were as follows:

Fixed Rate	Floating Rate	Counterparty	Expiration	Notional Amount (000)	Unrealized Depreciation
4.63% ¹	3-month LIBOR	Deutsche Bank AG	March 2013	\$ 50,000	\$ (4,773,490)
5.71% ¹	3-month LIBOR	Deutsche Bank AG	June 2017	\$ 25,000	(5,926,603)
5.96% ¹	3-month LIBOR	Deutsche Bank AG	December 2037	\$ 25,000	(12,220,593)
Total					\$ (22,920,686)

¹Pays fixed interest rate and receives floating rate.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010 4

Schedule of Investments^(continued)

BlackRock Enhanced Government Fund, Inc. (EGF)

Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivatives, which are as follows:

Level 1 price quotations in active markets/exchanges for identical assets and liabilities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivatives)

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent financial statements as contained in its semi-annual report.

The following tables summarize the inputs used as of September 30, 2010 in determining the fair valuation of the Fund's investments and derivatives:

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Long-Term Investments:				
Asset-Backed Securities	--	\$ 6,889,973	--	\$ 6,889,973
Foreign Agency Obligations	--	1,916,938	--	1,916,938
Non-Agency Mortgage-Backed Securities	--	22,477,718	--	22,477,718
Preferred Securities	\$ 4,039,176	6,226,490	--	10,265,666
Taxable Municipal Bonds	--	1,808,470	--	1,808,470
U.S. Government Sponsored Agency Securities	--	155,971,067	--	155,971,067
U.S. Treasury Obligations	--	93,390,010	--	93,390,010
Short-Term Securities:				
Money Market Fund	4,855,517	--	--	4,855,517

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

Total				\$
	\$ 8,894,693	\$ 288,680,666	--	297,575,359

Derivative Financial Instruments¹

Valuation Inputs	Level 1	Level 2	Level 3	Total
Assets:				
Interest rate contracts	\$ 26,954	--	--	\$ 26,954
Liabilities:				
Interest rate contracts	(100,019)	\$ (23,375,576)	--	(23,475,595)
Total	\$ (73,065)	\$ (23,375,576)	--	\$ (23,448,641)

¹ Derivative financial instruments are financial futures contracts, swaps and options written. Financial futures contracts and swaps are valued at the unrealized appreciation/depreciation on the instrument and options written are shown at value.

BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010 5

Schedule of Investments^(concluded)

BlackRock Enhanced Government Fund, Inc. (EGF)

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Asset-Backed Securities	Non-Agency Mortgage- Backed Securities	Total
Asset/Liabilities:			
Balance, as of December 31, 2009	\$ 1,255,800	\$ 1,279,621	\$ 2,535,421
Accrued discounts/premium	--	(24,422)	(24,422)
Net realized gain (loss)	--	(3,888)	(3,888)
Net change in unrealized appreciation /depreciation ²	895,458	222,445	1,117,903
Purchases	--	--	--
Sales	--	(397,871)	(397,871)
Transfers in ³	--	--	--
Transfers out ³	(2,151,258)	(1,075,885)	(3,227,143)
Balance, as of September 30, 2010	--	--	--

² The change in unrealized appreciation/depreciation on securities still held at September 30, 2010 was \$0.

The following table is a reconciliation of Level 3 derivative financial instruments for which significant unobservable inputs were used to determine fair value:

	Interest Rate Contracts ⁴
Liabilities:	
Balance, as of December 31, 2009	\$ (129,697)
Accrued discounts/premium	--
Net realized gain (loss)	--
Net change in unrealized appreciation/depreciation	129,697
Purchases	--
Sales	--
Transfers in ³	--
Transfers out ³	--
Balance, as of September 30, 2010	--

³ The Fund's policy is to recognize transfers in and transfers out as of end of the period of the event or the

Edgar Filing: BlackRock Enhanced Government Fund, Inc. - Form N-Q

change in circumstances that caused the transfer.

⁴Derivative financial instruments are swaps.

6 BLACKROCK ENHANCED GOVERNMENT FUND, INC.

SEPTEMBER 30, 2010

Item 2 Controls and Procedures

2(a) The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Enhanced Government Fund, Inc.

By: /s/ Anne F. Ackerley

Anne F. Ackerley

Chief Executive Officer of

BlackRock Enhanced Government Fund, Inc.

Date: November 22, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Anne F. Ackerley

Anne F. Ackerley

Chief Executive Officer (principal executive officer) of

BlackRock Enhanced Government Fund, Inc.

Date: November 22, 2010

By: /s/ Neal J. Andrews

Neal J. Andrews

Chief Financial Officer (principal financial officer) of

BlackRock Enhanced Government Fund, Inc.

Date: November 22, 2010