

# U.S. ENERGY CORP. & SUBSIDIARIES

## NOMINATING COMMITTEE CHARTER

(As adopted July 14, 2010)

### I. Purpose of Nominating Committee

The Nominating Committee ("Committee") shall identify and recommend to the Board of Directors ("Board") of U.S. Energy Corp. ("Company"), nominees for election to the Board to be included in the Company's Proxy Statement for the annual shareholders meeting; and when required for election by the Board to fill vacancies in the Board occurring between annual shareholder meetings.

### II. Committee Membership

The membership of the Committee shall consist of at least two (2) directors appointed by the Board, each of whom shall be independent as determined by NASDAQ rules. NASDAQ Rule 5605(e) requires that: director nominees must either be selected, or recommended for the Board's selection, either by: (i) independent directors constituting a majority of the Board's independent directors, or (ii) a nomination committee comprised solely of independent directors. Pursuant to W.S. 17-16-825(e)(iii), a committee may not fill vacancies on the Board or on any of its committees without approval by the Board.

### III. Committee Structure and Operations

The Committee shall meet at least twice a year in person or telephonically or as often as necessary to fulfill the Committee's responsibilities. The chairman of the Committee shall be responsible for keeping adequate minutes of all its meetings and will report any recommendations to the Board. The Committee shall be governed by the same rules as are applicable to the Board and will be provided the resources and authority necessary to conduct its business.

### IV. Committee Responsibilities

The responsibilities of the Committee are as follows:

- In consultation with the Chairman/Chief Executive Officer ("CEO"), identify potential candidates to serve as a director on the Board,
- Independent Directors are to have expertise in one of the business areas of the Company. These areas of expertise may change as the direction of the Company changes as determined by the Board. At the time of the adoption of this policy the following areas of expertise are required: (i) Financial Expert – As required by NASDAQ, the SEC, and Sarbanes Oxley, (ii) Oil and Gas, (iii) Mining/Geology, and (iv) Investment Banking,
- Review the qualifications, including capability, availability to serve, conflicts of interest, and other relevant factors of any identified potential director candidate and where necessary, assist in interviewing the director candidates for the Board.

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- Make recommendations to the Board of individuals for: (a) election as directors of the Board to be presented by the Company in the annual proxy statement to be voted on at the annual shareholders meeting or (b) to fill vacancies in the Board occurring between annual shareholder meetings,
- Consult with the Chairman/CEO to provide comments and suggestions to the Board concerning committee structure, operations, member qualifications, and committee appointments,
- As necessary, review the compensation paid to non-employee directors on the Board for annual retainers (including committee Chairs) and meeting fees, if any, and make recommendations to the CEO. Any recommendations to the Board for any adjustments shall be made by the CEO. No member of the Committee will act to fix his or her own compensation except for uniform compensation to be paid to directors for their services as such, and
- Review and make recommendations as necessary about changes to the charter of the Committee.

### V. Selection Criteria

Pursuant to its charter, the Committee has adopted a policy for consideration of any director candidates recommended by shareholders, and may (or may not) recommend to the Board that candidate(s) be put on an annual shareholders meeting election slate and identified in the Company's proxy statement, if:

1. At least 150 calendar days before the meeting date, the security holder requests in writing that the Committee consider an individual for inclusion as a director nominee in the next proxy statement for an Annual Meeting. The security holder must identify the individual and provide background information about the individual sufficient for the committee to evaluate the suggested nominee's credentials. Such requests should be addressed to the president or chief executive officer, who will forward the requests to the Committee, and
2. The candidate meets certain specific minimum qualifications: Substantial experience in top or mid-level management (or serving as a director) of public oil and gas or mineral exploration/development companies, with particular emphasis on understanding and evaluating oil and gas or mineral properties for either financing, exploration and development, or joint venturing with industry partners; contacts with oil and gas or mining industry companies to develop strategic partnerships or investments with the Company, and; the ability to understand and analyze complex financial statements. A security holder-recommended candidate also will have to possess a good business and personal background, which the Committee will independently verify. These same categories of qualifications will be used by the Committee in considering any nominee candidate, whether recommended by a security holder, an officer, or another director, and

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3. The Company is provided with all information relating to a security holder-recommended candidate that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934; and
4. The Company is informed whether and to the extent which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of the recommending security holder or the candidate, with respect to stock of the Company, and whether any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock) has been made by or on behalf of such holder or candidate, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk of stock price changes for, such holder or candidate or to increase or decrease the voting power or pecuniary or economic interest of such holder or candidate with respect to stock of the Company; and
5. The Company receives representations from the security holder (i) that he, she or it is a holder of record of stock of the Company entitled to vote at a meeting of stockholders and intends to appear in person or by proxy at the meeting to propose such nomination; and (ii) whether the security holder or the beneficial owner, if any, intends or is part of a group which intends to solicit proxies from other stockholders in support of such nomination (if the Company's Board determines to identify the candidate in the Company's proxy statement).

Director nominees must either be selected, or recommended for the Board's selection, either by: (i) independent directors constituting a majority of the Board's independent directors, or (ii) a nominations committee comprised solely of independent directors. The approved director nominees will be included in the Company's annual proxy statement. Pursuant to Wyoming Business Corporations Act Section 17-16-825(e) (iii), a committee may not fill vacancies on the Board or any of its committees without approval by the Board.

### VI. Guidelines for filling Vacancies on the Board of Directors

In the event of a vacancy on the Board and following a determination by the Board that such vacancy shall be filled, the Committee shall identify individuals qualified to fill such vacancy, consistent with any qualifications, expertise and characteristics which have been approved by the Board. The Committee should consider current members of the Board to insure that the Board consists of all disciplines necessary to oversee and guide the Company in its chosen businesses. Recommendations to serve on the Board may come from executive officers of the Company, other directors, industry connections, professional search groups, outside legal counsel, volunteers, shareholders or personal acquaintances. The CEO may at all times make recommendations as to potential candidates to fill vacancies of both the Board and by executive officers.

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In determining the best candidates to fill any vacancies of the Board, the Committee shall also consider the following:

- the candidate's qualifications, availability and willingness to serve,
- interview the candidate to determine qualifications,
- discuss the candidates with the executive officers of the Company,
- require candidates to provide personal resume with industry experience as well as character references, and
- the Committee may elect to verify qualifications through reference checks or industry contacts.

The Committee shall make a formal recommendation to the Board of their first choice candidate. After discussion by the Board, if the nominated candidate is confirmed by a majority vote of the Board, the candidate will serve as a member of the Board, until the next regularly scheduled annual meeting at which time the replacement director will face election by the shareholders. In the event that the first choice candidate of the Committee is not approved by the Board, the Committee will continue to present additional candidates until such time as one is approved by a majority vote of the Board.

## VII. Committee Resources and Authority

The Board shall provide reasonable and adequate resources and funding for payment of fees and expenses for any advisors, outside counsel experts or consultants retained by the Committee that are necessary for the Committee to discharge its duties and responsibilities.

## VIII. Committee Reports

The Chairman of the Committee shall report regularly to the Board on the Committee's activities, findings, and recommendations. Copies of all minutes and recommendations approved by the Committee shall be made available to the Board.

## IX. Committee Evaluation

The Committee shall complete an annual self-evaluation of the Committee's own performance and effectiveness, and will also consider whether any changes to the Committee's charter are appropriate.

## X. Guidelines for filling Vacancies in Executive Officer Positions

The definition of executive officers shall include but not be limited to:

- CEO,
- President/COO,
- CFO,
- Treasurer,

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- Vice Presidents – Senior Vice President, Vice President of Finance,
- General Counsel, and
- Secretary.

The executive officers are elected annually by the Board at its first meeting held after each regularly scheduled annual meeting of the shareholders or at a convenient time soon thereafter. The executive officers serve at the will of the Board, provided however, the removal of an executive officer shall be without prejudice to the contract rights, if any, of the person so removed.

In the event of a vacancy in one of the executive officer positions, the CEO in consultation with the Committee or the Committee in case of a vacancy of the CEO, will first look within the current employees of the Company to determine if there is an employee who can assume and carry out the responsibilities of the executive office position which is vacant. The CEO or the Board may also look outside the current Company employee base for potential candidates to fill the vacancy. The CEO, or in the case of a vacancy of the CEO, the Committee, shall have full authority to engage outside employment search firms, legal counsel or other assistance as deemed appropriate by the Board to locate such qualified candidates to fill vacant executive officer positions. Recommendations for candidates to fill vacancies in executive officers may be made by other executive officers of the Company as well as industry connections, outside counsel, volunteers, shareholders or personal acquaintances.

In assessing the qualifications of each executive officer candidate, the Board will consider input from each of the following offices:

- Chairman, CEO, President and COO – all remaining executive officers of the Company, industry leaders and partners with whom the potential candidate has interfaced. The ability of negotiating transactions should be ascertained as well as the ability to carry out established plans. Leadership skills and support of the management team need to be explored prior to nomination.
- CFO/Treasurer/V.P. Finance – all remaining executive officers of the Company, industry partners, and if deemed necessary, the Manager of the Independent Audit firm for the Company as well as Internal Audit and Tax Accountant partners.
- Senior Vice President – all remaining executive officers of the Company as well as industry partners and representatives who can evaluate the technical skills of the potential candidate.
- General Counsel/Secretary – all remaining executive officers of the Company. Partner level representatives of all outside counsel and partner of outside SEC counsel.

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Once the list of candidates has been narrowed to the top candidates, the CEO or in the case of a vacancy of the CEO, the Committee, will make a formal recommendation to the Board for their first choice candidate. After discussion, the candidate is either confirmed by a majority vote of the Board to serve at the will of the Board, or is rejected. In the event that the first choice candidate is not approved by a majority of the Board, additional candidates will be presented until such time as one is approved by the Board.

When a candidate is confirmed by the Board by majority vote, the proposed compensation as well as participation in any of the Company established Executive Compensation and Retirement Plans shall be referred to the Compensation Committee. The Compensation Committee will recommend the compensation to be paid to the executive officer as well as his or her participation in any executive officer benefit and retirement plans.