
U.S. ENERGY CORP.

Corporate Overview & 3Q 2022 Results

November 2022



DISCLAIMER & FORWARD-LOOKING STATEMENTS

Forward Looking Statements

The information in this presentation includes “forward-looking statements” that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact included in this presentation, regarding our strategy, future operations, financial position, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this presentation, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “predict,” “potential,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on U.S. Energy Corp. (“USEG” or the “Company”) current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the exploration for and development, production, gathering and sale of oil and natural gas. These risks include, but are not limited to, variations in the market demand for, and prices of, crude oil, NGLs and natural gas, lack of proved reserves, estimates of crude oil, NGLs and natural gas data, the adequacy of our capital resources and liquidity including, but not limited to, access to additional borrowing, borrowing capacity under our credit facilities, general economic and business conditions, failure to realize expected value creation from property acquisitions, uncertainties about our ability to replace reserves and economically develop our reserves, risks related to the concentration of our operations, drilling results, potential financial losses or earnings reductions from our commodity price risk management programs, potential adoption of new governmental regulations, our ability to satisfy future cash obligations and environmental costs and the risk factors discussed in or referenced in our filings with the United States Securities and Exchange Commission (“SEC”), including our 2021 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for the periods ended March 31, 2022 and June 30, 2022 respectively and our Current Reports on Form 8-K in each case as amended.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this presentation. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this presentation.

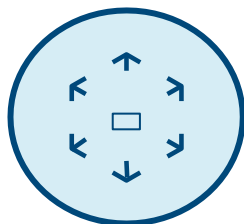
Our production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or cost increases.

Industry and Market Data

This presentation has been prepared by USEG and includes market data and other statistical information from third-party sources, including independent industry publications, government publications or other published independent sources. Although USEG believes these third-party sources are reliable as of their respective dates, USEG has not independently verified the accuracy or completeness of this information. Some data are also based on the USEG’s good faith estimates, which are derived from its review of internal sources as well as the third-party sources described above.

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A DIFFERENTIATED SMALL-CAP E&P INVESTMENT



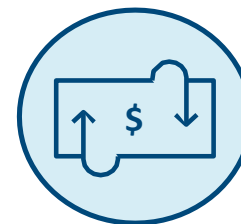
Greater Efficiency from Increased Critical Mass

Eight acquisitions since 2020 increased production by >6x and improved cost and operating efficiencies



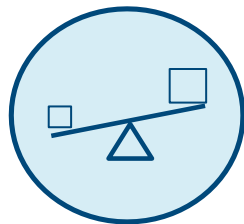
Top Basins / Long Life Reserves

Rockies, Mid-Con, and Texas assets featuring low decline oil-weighted production



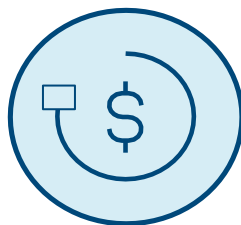
Free Cash Flow Generation with Low Reinvestment Needs

Mature asset base reduces capital needs to maintain production levels; creates robust free cash flow generation



Low Leverage

Net Debt / YTD'22 Annualized EBITDA ratio of 0.6x ⁽¹⁾



Focused on Shareholder Returns

Dividend policy accelerates shareholder returns



Committed to Environmental Excellence

Minimizing fugitive emissions through connecting of pipelines and new facility construction

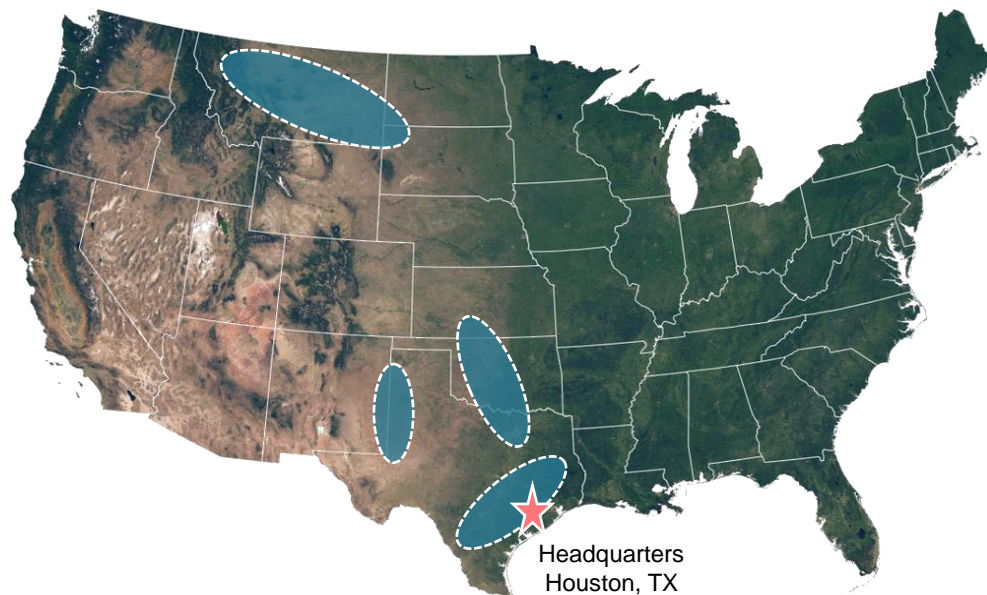
U.S. ENERGY OVERVIEW

U.S. Energy operates a portfolio of high-quality producing oil and gas assets that will allow the Company to execute on an attractive capital returns program to shareholders.

Company Overview

NASDAQ	USEG
Shares Outstanding	25.3 million
Share Price	\$3.00
Market Cap	\$76 million
Enterprise Value ⁽¹⁾	\$85 million
Common Dividend	\$0.09 per share
Dividend Yield	3.0%
3Q 2022 Proved Reserves ⁽²⁾	7.7 MMBOE (99% PDP)
% Oil	64%
Net Debt ⁽³⁾	\$9.4 million
3Q 2022 Adjusted EBITDA ⁽⁴⁾	\$3.1 million

Where We Operate



Current Dividend Yield

3.0 %

YTD'22 Annualized EBITDA

\$16.4 Million

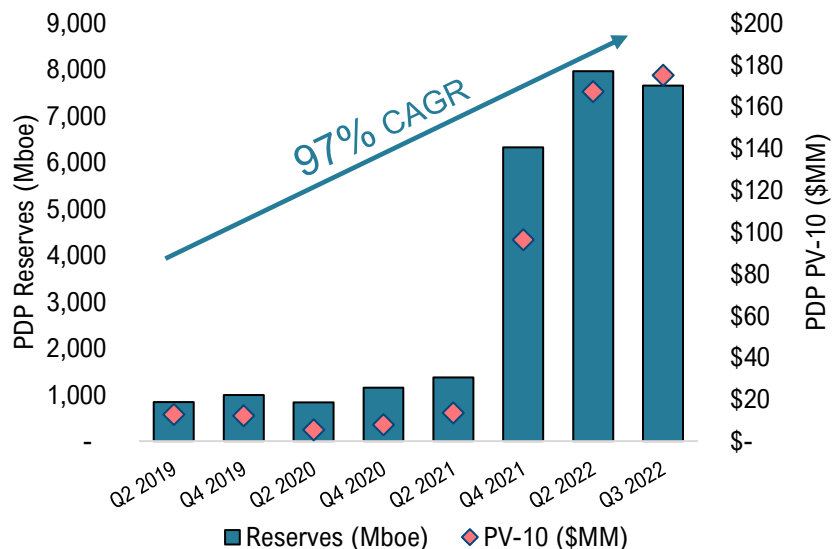
Current Production (3Q 2022)

~1,800 Boepd

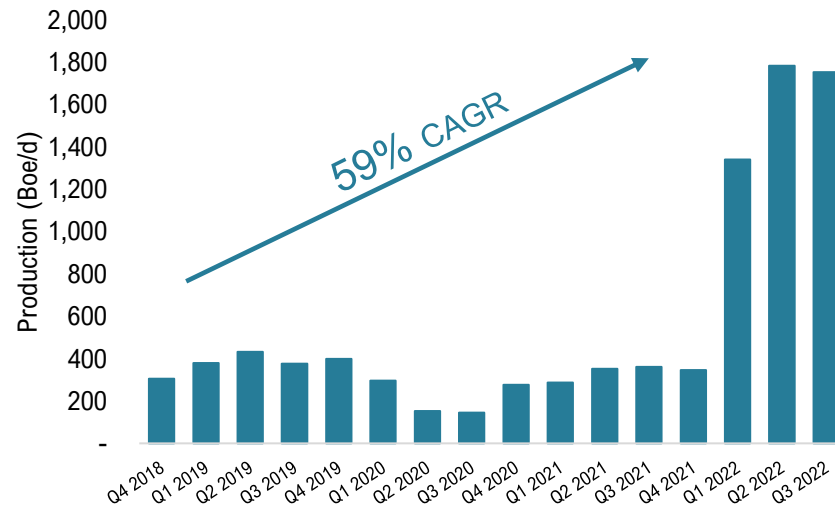
1. Enterprise Value is calculated as Market Cap (\$75.9 million) plus Net Debt (\$9.4 million) at September 30, 2022.
2. See Appendix slide: Reserves Summary for additional details.
3. Net Debt equals Total Debt at September 30, 2022 of \$12.5 million, less approximately \$3.1 million cash on hand as of September 30, 2022.
4. See Appendix slide: Reconciliation of GAAP "Net Income" to Non-GAAP "Adjusted EBITDA".

ACQUISITION STRATEGY IS TRANSFORMING COMPANY

Net PDP Reserves



Net Production



>\$175 MM

Est. Proved Producing Reserve Value

Current PDP reserves significantly higher than enterprise value

~14x

Proved Producing PV-10 increase from Mid-Year 2019

Proved Producing reserves comprise ~99% of the total proved reserves value

~\$6.60/share

In Total Proved Reserves Value ⁽¹⁾

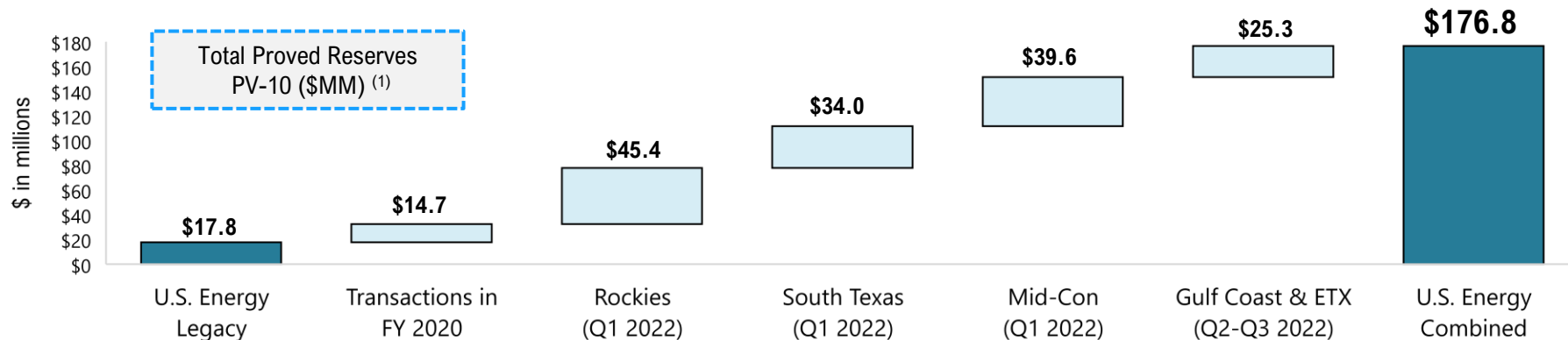
Based on net debt and common shares outstanding

1. Net Total Proved Reserves per share calculated as Proved Reserves as of October 1, 2022 at 3Q 2022 SEC Prices less Net Debt at September 30, 2022 divided by total shares outstanding September 30, 2022. Calculation: (\$176.8 million - \$9.4 million) / 25.3 million shares = \$6.62 per share.

SUCCESSFUL M&A TRACK RECORD

U.S. Energy has completed eight highly-accretive transactions since 2020, while maintaining the Company's strong balance sheet by using free cash flow, low-cost bank capital, and equity.

Asset	U.S. Energy Legacy	Rockies & Gulf Coast 2020	Rockies Q1 2022	South Texas Q1 2022	Mid-Con Q1 2022	Gulf Coast & East TX Q2-Q3 2022	U.S. Energy Combined
# of Transactions	–	3	1	1	1	2	8
Seller Entity	–	Private Sellers	Private Seller	Private Seller	Private Equity Sellers	Private Sellers	–
Acquisition Price	–	\$0.9 MM (84% cash)	\$21.9 MM (99% equity)	\$21.1 MM (99% equity)	\$29.6 MM (100% equity)	\$13.1 (98% cash)	–
% Oil (Reserves)	73%	81%	94%	88%	34%	38%	64%
Total Proved Reserves ⁽¹⁾	742 MBOE	589 MBOE	1,841 MBOE	1,050 MBOE	2,104 MBOE	1,338 MBOE	7,666 MBOE

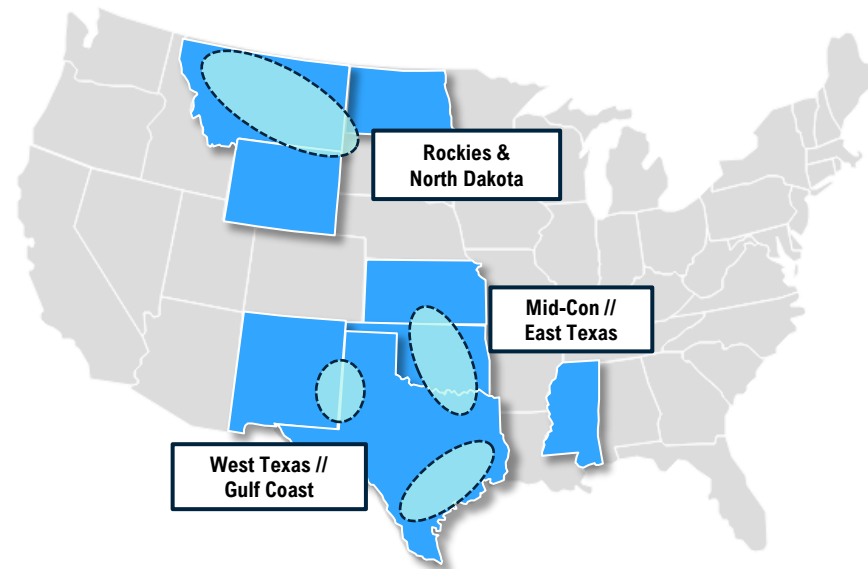


ASSET OVERVIEW

Asset Overview

- **Long-Life Reserves:** Mature production profile with an approximate 50-year production life of proved producing reserves.
- **Balanced Product Mix:** Current 3Q production mix of 59% oil and 41% natural gas allows for the realization of increased commodity prices across the entire sector.
- **Basin Diversification:** With operations in multiple producing areas, we can mitigate concentration risk from regional pricing and operational disturbances.

Asset Regions



Asset	3Q 2022		Reserves		
	Boe/d	% Oil	PD ⁽¹⁾ Reserves (Mboe)	PD ⁽¹⁾ PV-10 (\$MM)	% Oil
Rockies & ND	513	79%	2,516	\$61.9	90%
Mid-Con // East TX	694	28%	3,255	\$58.7	32%
West TX // Gulf Coast	545	80%	1,895	\$56.1	84%
Total	1,752	59%	7,666	\$176.8	64%

U.S. ENERGY INVESTMENT THESIS

U.S. Energy management has consistently shown conservatism and success in executing a corporate strategy of acquiring quality assets, managing its balance sheet, and returning capital to shareholders, offering investors commodity exposure and an opportunity to invest in a predictable and growing small-cap operator.



High-Quality
Low-Decline
Asset Base

11% PDP decline in
prolific U.S. oil basins



High Margins and Low
Capex Provides Sustainable
Free Cash Flow

Mature production requires
little reinvestment



Focused and
Disciplined
Capital Allocation

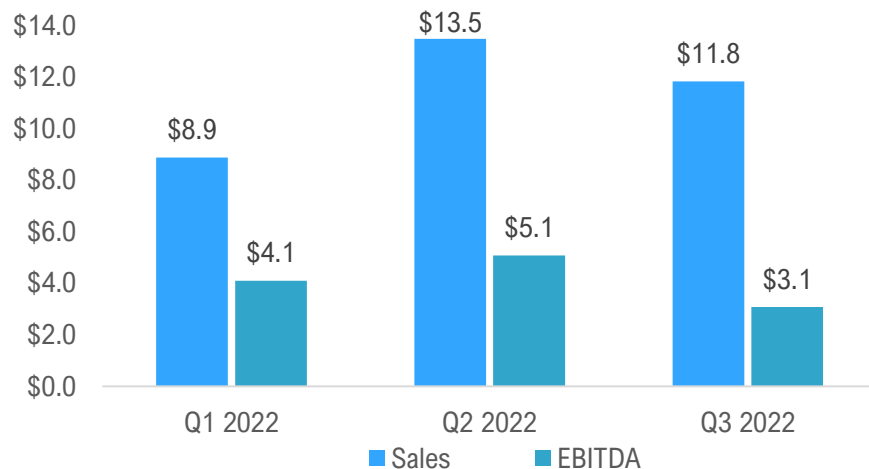
Two major priorities:

- Grow by acquisition
- Return capital to shareholders

Financial Highlights

YTD 2022 RESULTS

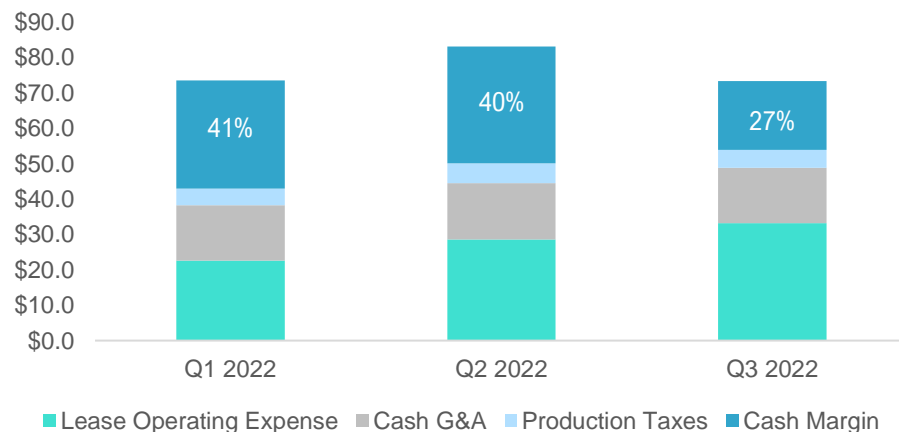
Sales / EBITDA (\$MM)



Realized Prices

	Oil (\$/bbl)	Gas (\$/mcf)	BOE (\$/boe)
Q1 2022	\$86.25	\$5.79	\$73.50
Q2 2022	\$105.74	\$6.55	\$83.09
Q3 2022	\$94.81	\$7.10	\$73.36





Cash Operating Margin (per Boe)



YTD Financial Highlights

- Total net sales of \$34.2 million
- Gross profit of \$21.4 million; 63% of net sales
- Total EBITDA of \$12.3 million
- Average adjusted EBITDA margin of 37% per quarter
- Net debt / YTD'22 Annualized EBITDA of 0.6x

3Q 2022 KEY COMPANY HIGHLIGHTS

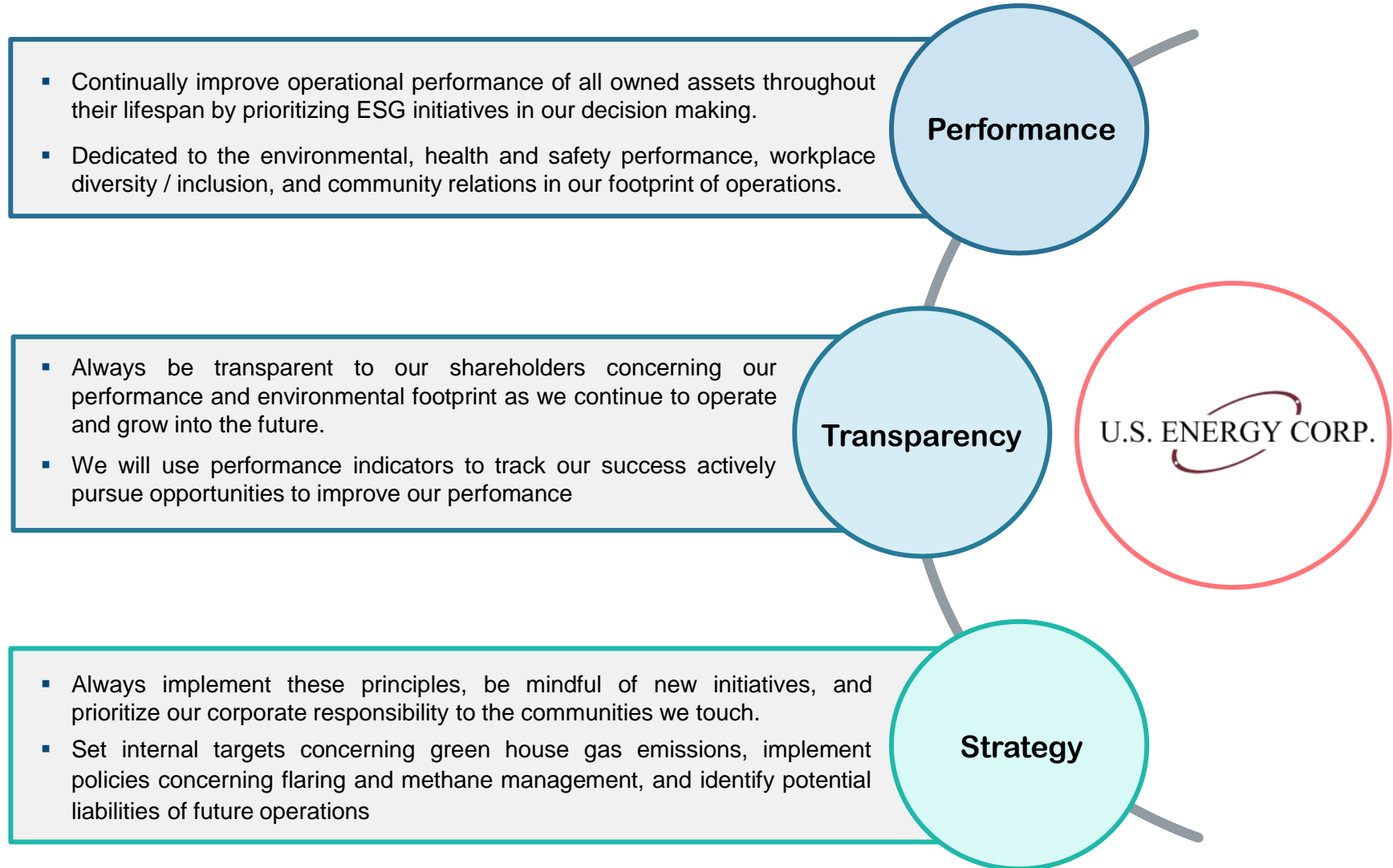
		<u>Q3 2022</u>	<u>Q2 2022</u>
	Production Mboe/d	1,752 <i>59% oil</i>	1,783 <i>66% oil</i>
	Oil & Gas Revenues (\$MM)	\$11.8 <i>76% oil</i>	\$13.5 <i>84% oil</i>
	Net Income (\$MM)	\$4.1 <i>\$0.16 EPS</i>	\$0.1 <i>\$0.00 EPS</i>
	Adjusted EBITDA (\$MM)	\$3.1	\$5.1

3Q 2022 HEDGING SUMMARY

	<u>4Q 2022</u>	<u>1Q 2023</u>	<u>2Q 2023</u>	<u>3Q 2023</u>	<u>4Q 2023</u>
Crude Hedges					
WTI Collars					
Total Volumes (Bbl)	71,800	66,200	53,500	52,600	51,200
Daily Volumes (Bbl/d)	780	736	588	572	557
Wgt. Avg. Ceiling (\$/Bbl)	\$80.34	\$76.00	\$81.04	\$81.04	\$81.04
Wgt. Avg. Floor (\$/Bbl)	\$59.86	\$57.73	\$60.00	\$60.00	\$60.00
WTI Swaps					
Total Volumes (Bbl)	9,000	3,000	3,000	-	-
Daily Volumes (Bbl/d)	98	33	33	-	-
Wgt. Avg. Fixed Price (\$/Bbl)	\$49.99	\$54.57	\$54.57	-	-
Gas Hedges					
HH Swaps					
Total Volumes (MMBtu)	60,000	60,000	-	-	-
Daily Volumes (MMBtu/d)	652	667	-	-	-
Wgt. Avg. Fixed Price (\$/MMBtu)	\$2.955	\$2.955	-	-	-

Appendix

COMMITTED TO ESG INITIATIVES



RESERVES SUMMARY – OCTOBER 1, 2022⁽¹⁾

Reserves Summary

- U.S. Energy operates 86% of its asset base.
- Oil makes up 64% of total proved reserves
- 100% of U.S. Energy's booked reserves are proved developed

	<u>Oil</u> <u>(MMBL)</u>	<u>Gas (MMCF)</u>	<u>Total (MBOE)</u>	<u>% of Total</u> <u>Reserves</u>	<u>% Oil</u>	<u>PV-10</u> <u>(\$MM)</u>
PDP	4,888	16,568	7,649	99%	64%	\$175.0
PDNP	13	29	17	1%	73%	\$1.8
Total PD	4,901	16,597	7,666	100%	64%	\$176.8

RECONCILIATION OF GAAP “NET INCOME” TO NON-GAAP “ADJUSTED EBITDA”

Reconciliation of GAAP “Net Income (loss)” to Non-GAAP “Adjusted EBITDA”

Adjusted EBITDA is a “non-GAAP financial measure” presented as supplemental measures of the Company’s performance. It is not presented in accordance with accounting principles generally accepted in the United States, or GAAP. The Company defines Adjusted EBITDA as net income (loss), plus net interest expense, unrealized loss (gain) on change in fair value of derivatives, income tax (benefit) expense, depreciation, depletion, accretion and amortization, one-time costs associated with completed transactions and the associated assumed derivative contracts, share-based compensation, and changes in the value held on marketable securities. Company management believes this presentation is relevant and useful because it helps investors understand U.S. Energy’s operating performance and makes it easier to compare its results with those of other companies that have different financing, capital and tax structures. EBITDA is presented because we believe it provides additional useful information to investors due to the various noncash items during the period. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of our operating results as reported under GAAP. Some of these limitations are: Adjusted EBITDA does not reflect cash expenditures, or future requirements for capital expenditures, or contractual commitments; Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debt or cash income tax payments; although depreciation and amortization are noncash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and other companies in this industry may calculate Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

The Company’s presentation of these measure should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items. We compensate for these limitations by providing a reconciliation of this non-GAAP measure to the most comparable GAAP measure, below. We encourage investors and others to review our business, results of operations, and financial information in their entirety, not to rely on any single financial measure, and to view this non-GAAP measure in conjunction with the most directly comparable GAAP financial measure.

	Three months ended		
	March 31, 2022	June 30, 2022	September 30, 2022
		(in thousands)	
Net Income (loss)	\$ 3,385	\$ 122	\$ 4,110
Depreciation, depletion, accretion and amortization	1,886	2,571	2,528
Unrealized loss (gain) on commodity derivatives	5,193	(699)	(5,636)
Interest expense, net	50	60	187
Deferred income taxes	(2,689)	268	29
Non-cash stock based compensation	1,500	609	485
Transaction related expenses	406	306	-
Transaction related acquired realized derivative loss	1,220	1,715	1,371
Loss (gain) on marketable securities	(81)	121	45
Adjusted EBITDA	\$ 4,100	\$ 5,073	\$ 3,119