
U.S. ENERGY CORP.

Corporate Overview & 1Q 2023 Results

May 2023



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 2022 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, 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.

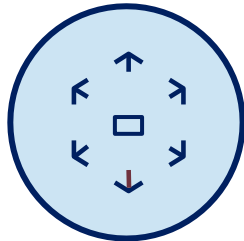
Our production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or cost increases.

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



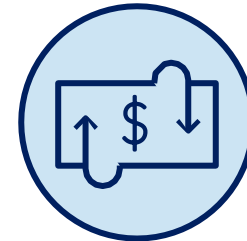
Greater Efficiency from Increased Critical Mass

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



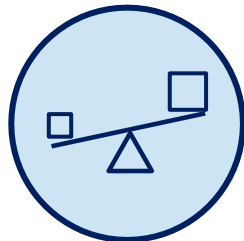
Top Basins / Long Life Reserves

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



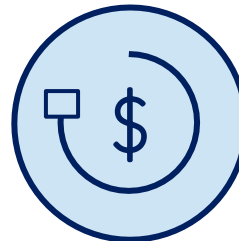
Free Cash Flow Generation with Low Reinvestment Needs

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



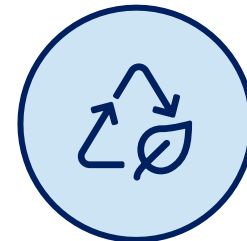
Low Leverage

Net Debt / Adj EBITDA ratio of 0.8x⁽¹⁾



Focused on Shareholder Returns

Dividend policy accelerates shareholder returns



Committed to Environmental Excellence

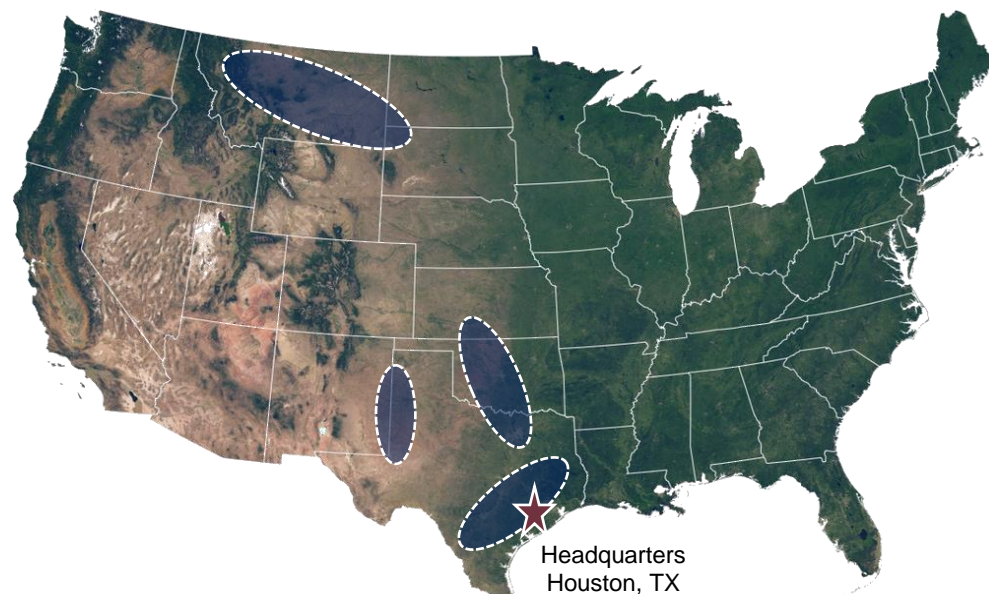
Minimizing fugitive emissions through connecting of pipelines and new facility construction

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

Company Overview

NASDAQ	USEG
Shares Outstanding	25.2 million
Share Price	\$1.36
Market Cap	\$33 million
Enterprise Value ⁽¹⁾	\$43 million
Common Dividend	\$0.09 per share
Dividend Yield	6.6%
Q1 2023 Proved Reserves ⁽²⁾	7.7 MMBOE (100% PDP)
% Oil	64%
Net Debt	\$9.6 million
1Q 2023 Adjusted EBITDA ⁽³⁾	\$1.2 million

Where We Operate



Current Dividend Yield

6.6%

LTM Adjusted EBITDA⁽³⁾

\$12.1 Million

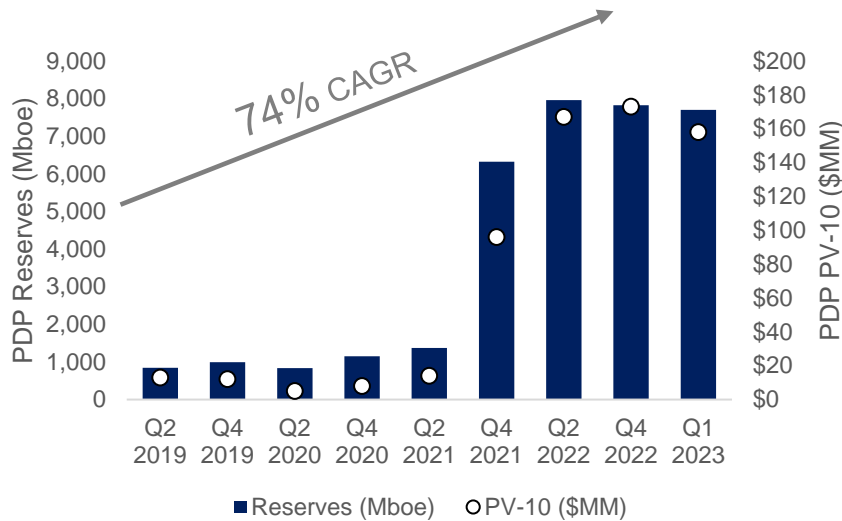
1Q 2023 Average Daily Production

1,726 Boepd

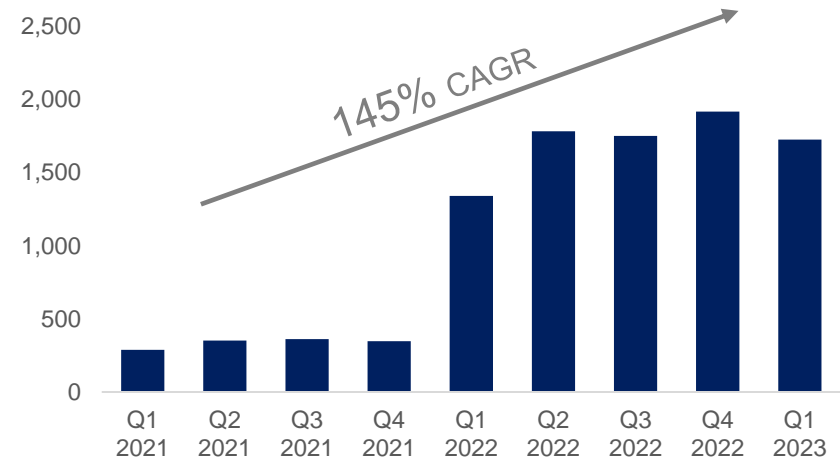
1. Enterprise Value is calculated as Market Cap (\$33 million) plus Net Debt (\$9.6 million) at May 8, 2023.
 2. See Appendix slide: Reserves Summary for additional details.
 3. See Appendix slide: Reconciliation of GAAP "Net Income" to Non-GAAP "Adjusted EBITDA".

SIGNIFICANT GROWTH THROUGH ACQUISITION

Net PDP Reserves



Net Production (Boe/d)



Est. Proved Producing Reserves Value

\$158.4 Million

Current PDP reserves significantly higher than enterprise value

Proved Producing PV-10 Increase from Q2 2019

~12x

Proved Producing reserves comprise 100% of the total proved reserves value

Total Proved Producing Reserves Value⁽¹⁾

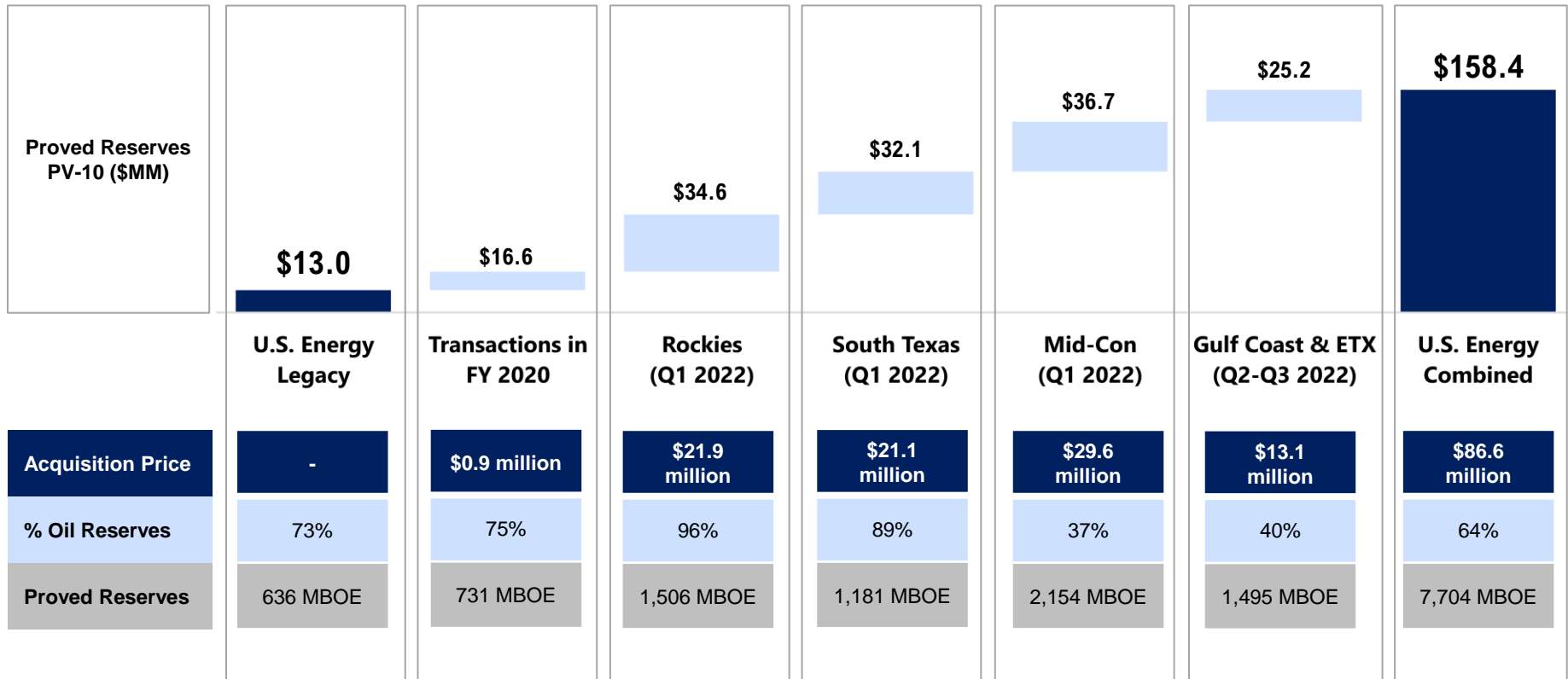
\$5.96/sh

Based on net debt and common shares outstanding

1. Net Total Proved Reserves per share calculated as Proved Reserves as of December 31, 2022 at 2022 SEC Prices less Net Debt at March 31, 2023, divided by total shares outstanding at March 31, 2023. Calculation: (\$158 million – \$9.6 million) / 24.9 million shares = \$5.96 per share.

PRODUCING ASSET VALUE UP 10X SINCE 2020

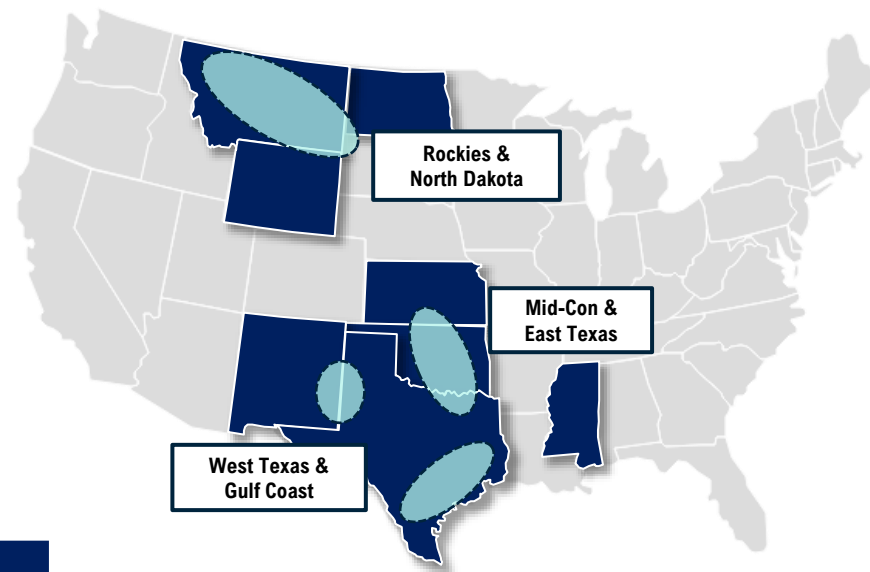
- Eight highly accretive transactions from private sellers since 2020
- Prioritized strong balance sheet using equity, free cash flow and low-cost bank capital



Asset Overview

- **Long-Life Reserves:** Mature production profile with an approximate 50-year production life of proved producing reserves.
- **Balanced Product Mix:** Current 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	Production Q1 2023 (Boe/d)	Reserves		
		PD ⁽¹⁾ Reserves (Mboe)	PD ⁽¹⁾ PV-10 (\$MM)	% Oil
Rockies & ND	328	2,081	\$47.0	92%
Mid-Con & East TX	837	3,400	\$55.7	35%
West TX & Gulf Coast	561	2,222	\$55.7	82%
Total	1,726	7,704	\$158.4	64%

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:

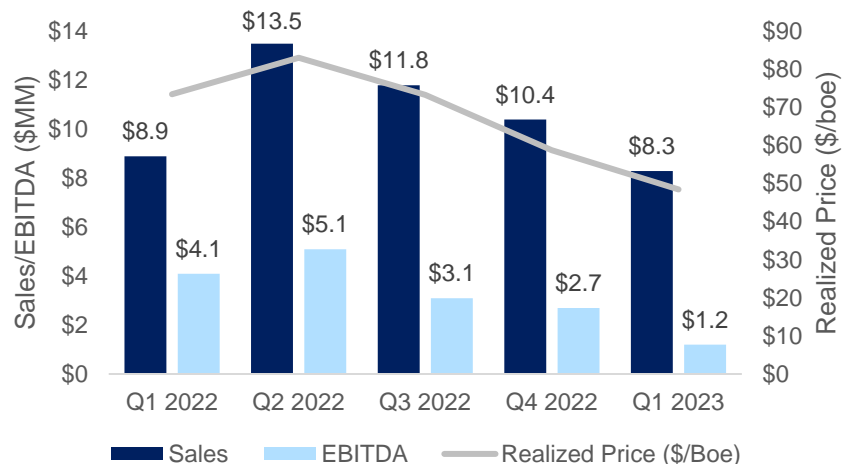
- Grow by acquisition
- Return capital to shareholders



Q1 2023 KEY COMPANY HIGHLIGHTS

	Q1 2023	Q1 2022
 Production (Boe/d)	1,726 <i>59% oil</i>	1,341 <i>75% oil</i>
 Oil & Gas Revenues (\$MM)	\$8.3 <i>86% oil</i>	\$8.9 <i>88% oil</i>
 Net Income (\$MM)	\$(1.2) <i>\$(0.05) EPS</i>	\$(3.4) <i>\$(0.14) EPS</i>
 Adjusted EBITDA (\$MM)	\$1.2	\$4.1
 Operating Free Cash Flow (\$MM)	\$(0.9)	\$(0.4)

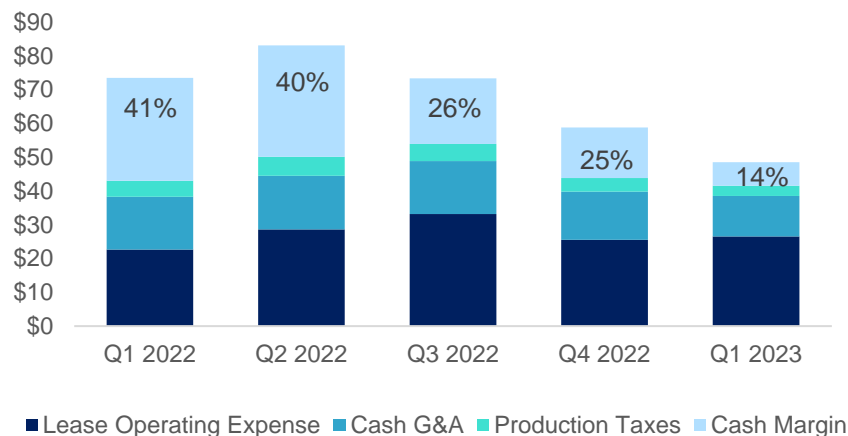
Sales / EBITDA & Realized Price



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
Q4 2022	\$79.06	\$5.06	\$58.80
Q1 2023	\$77.70	\$3.06	\$53.25

Cash Operating Margin (per Boe)



Q1 2023 Financial Highlights

- Total net sales of \$8.3 million
- Gross profit of \$3.7 million; 45% of net sales
- Total adjusted EBITDA of \$1.2 million
- Adjusted EBITDA margin of 14%
- Net Debt / LTM Adjusted EBITDA of 0.8x

	<u>2Q 2023</u>	<u>3Q 2023</u>	<u>4Q 2023</u>
Crude Hedges			
WTI Collars			
Total Volumes (Bbl)	53,500	52,600	51,200
Daily Volumes (Bbl/d)	588	572	557
Wgt. Avg. Ceiling (\$/Bbl)	\$81.04	\$81.04	\$81.04
Wgt. Avg. Floor (\$/Bbl)	\$60.00	\$60.00	\$60.00
WTI Swaps			
Total Volumes (Bbl)	6,000	-	-
Daily Volumes (Bbl/d)	33	-	-
Wgt. Avg. Fixed Price (\$/Bbl)	\$59.02	-	-
Gas Hedges			
HH Swaps			
Total Volumes (MMBtu)	-	-	-
Daily Volumes (MMBtu/d)	-	-	-
Wgt. Avg. Fixed Price (\$/MMBtu)	-	-	-



Performance

- Continually improve operational performance of all owned assets throughout their lifespan by prioritizing ESG initiatives in our decision making.
- Dedicated to the environmental, health and safety performance, workplace diversity / inclusion, and community relations in our footprint of operations.

Transparency

- Always be transparent to our shareholders concerning our performance and environmental footprint as we continue to operate and grow into the future.
- We will use performance indicators to track our success actively pursue opportunities to improve our performance

Strategy

- Always implement these principles, be mindful of new initiatives, and prioritize our corporate responsibility to the communities we touch.
- Set internal targets concerning green house gas emissions, implement policies concerning flaring and methane management, and identify potential liabilities of future operations

U.S. ENERGY CORP.

YEAR-END 2022 PROVED RESERVES SUMMARY

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 producing

	<u>Oil</u> <u>(MBBL)</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	16,656	7,664	100%	64%	\$157.1
PDNP	34	36	40	0%	85%	\$1.2
Total PD	4,921	16,693	7,704	100%	64%	\$158.4

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.

(\$ in thousands)

	Q1 2023	Q1 2022
Adj EBITDA Recon		
Net Income	\$ (1,247)	\$ (3,384)
Depreciation, depletion, accretion and amortization	2,417	1,886
Unrealized loss (gain) on commodity derivatives	(1,325)	5,193
Interest Expense, net	268	50
Deferred income taxes	(62)	(2,689)
Non-cash stock based compensation	726	1,500
Transaction related expenses	-	406
Transaction related acquired realized derivative losses	405	1,220
Loss (gain) on marketable securities	-	(81)
Total Adjustments	2,429	7,485
Total Adjusted EBITDA	\$ 1,182	\$ 4,101