

U.S. Energy Corp. Announces Third Quarter 2018 Results and Provides Operational Update

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DENVER, Nov. 13, 2018 - [U.S. Energy Corp.](#) (NASDAQCM: USEG) (“We” and “U.S. Energy” or the “Company”) today announced financial and operational results for the third quarter ended September 30, 2018.

Highlights

- Production of 21,131 BOE, or daily production of 230 BOEPD;
- Oil and gas revenues of \$1.2 million;
- Lease operating expenses of \$0.4 million;
- Cash and cash equivalents of \$3.0 million at 9/30/2018;
- Adjusted EBITDA of \$0.2 million, and;
- Net income of \$0.5 million.

Management Comment

David Veltri, U.S. Energy’s Chief Executive Officer, stated, “The third quarter was a successful quarter for U.S. Energy and we continue to build on the progress made throughout 2018. Positive earnings combined with a predictable and low-overhead cost structure have enabled the Company to live within cash flow while being positioned to participate in new, highly accretive development taking place on our legacy acreage positions. As previously announced, we spud the J. Beeler No. 1 well in October 2018 and expect further development on the acreage during 2019. During the third quarter, our oil production continued to track forecasted declines, specifically our highly economic Beeler Ranch No. 1 well which was brought online in January 2018. Our gas production decline was driven by the Company’s sole natural gas well, located in Louisiana, experiencing a maintenance related shut-in and returning online at a reduced production rate. Lastly, our team continues to move forward on the previously announced acquisition of properties located in the Williston Basin. We expect to close in early 2019 after a shareholder vote. We look forward to updating the market on the acquisition as well as the results of the J. Beeler No. 1 well when available.”

Operational Update

The J. Beeler No. 1 was spudded on October 18, 2018 and is expected to be drilled to total depth in approximately three weeks. To date, drilling operations have been successfully executed as forecasted. U.S. Energy holds a 30% working interest in the well and has funded its approximately \$1.0 million portion of the drilling through existing cash on hand. Four additional wells are anticipated to be drilled on the Company’s existing Zavala County acreage position during 2019.

Liquidity Overview

As of September 30, 2018, we had \$3.0 million in cash and \$5.1 million of availability under our credit facility, representing a total liquidity position of \$8.1 million.

Financial Results

Revenues from sales of oil and natural gas during the third quarter of 2018 were \$1.2 million compared to \$1.6 million during the second quarter of 2018. The decrease in revenue was driven by both normal production declines on producing wells and maintenance work performed on the Company’s sole

natural gas well located in Louisiana. Revenue from oil production represented 92% of Company revenue during the third quarter of 2018.

Lease operating expenses for the third quarter of 2018 were \$0.4 million, or \$16.89 per BOE, compared to \$0.5 million, or \$12.81 per BOE, during the second quarter of 2018. The decrease in LOE on an absolute basis was the result of reduced workover activity. The increase in lease operating expenses on a per BOE basis was driven by lower produced volumes, primarily as a result of maintenance-related downtime on the Company's sole natural gas well located in Louisiana.

G&A expenses totaled \$0.6 million during the third quarter of 2018 compared to \$1.6 million during the second quarter of 2018. The decrease was primarily attributable to a reduction in non-cash employee compensation.

Adjusted EBITDAX was \$0.2 million for the third quarter of 2018 as compared to \$(0.3) million for the second quarter of 2018. Net income was \$0.5 million for the third quarter of 2018 compared to a net loss of \$(1.2) million for the second quarter of 2018. Adjusted EBITDAX is a non-GAAP financial measure.

Hedging Update

U.S. Energy hedges portions of its expected production volumes to increase the predictability of its cash flow and to help maintain a strong financial position. The following table summarizes U.S. Energy's open crude oil and natural gas derivative contracts scheduled to settle after September 30, 2018.

	Begin	End	Quantity (bbls/d)	Price
Crude oil price swaps	10/1/18	12/31/18	100	\$ 68.50
	Begin	End	Quantity (mcf/d)	Price
Natural gas price swaps	10/1/18	12/31/18	500	\$ 3.01

Credit Facility Update

As of September 30, 2018, the Company was in compliance with all financial covenants and fully conforming with all requirements under its credit facility.

Credit Facility Covenants	Required Covenant Ratio	U.S. Energy at 9/30/2018
Current Ratio	Greater than 1.0 to 1.0	3.1 to 1.0
PDP to Secured Debt	Greater than 1.2 to 1.0	12.1 to 1.0

About U.S. Energy Corp.

We are an independent energy company focused on the lease acquisition and development of oil and gas producing properties in the continental United States. Our business is currently focused in the Williston Basin of North Dakota and South Texas. We continue to focus on increasing production, reserves, and cash flow from operations while pro-actively managing our debt levels. More information about U.S. Energy Corp. can be found at www.usnrg.com.

Forward-Looking Statements

This press release may include "forward-looking statements" within the meaning of the securities laws. All statements other than statements of historical facts included herein may constitute forward-looking statements. Forward-looking statements in this document may include statements regarding the Company's expectations regarding the Company's operational, exploration and development plans; expectations regarding the nature and amount of the Company's reserves; and

expectations regarding production, revenues, cash flows and recoveries. When used in this press release, the words "will," "potential," "believe," "estimate," "intend," "expect," "may," "should," "anticipate," "could," "plan," "predict," "project," "profile," "model," or their negatives, other similar expressions or the statements that include those words, are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, fluctuations in oil and natural gas prices, uncertainties inherent in estimating quantities of oil and natural gas reserves and projecting future rates of production and timing of development activities, competition, operating risks, acquisition risks, liquidity and capital requirements, the effects of governmental regulation, adverse changes in the market for the Company's oil and natural gas production, dependence upon third-party vendors, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission.

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