

U.S. Energy Corp. Announces Third Quarter Financial and Operating Results

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HOUSTON, Nov. 12, 2021 - [U.S. Energy Corp.](#) (NASDAQCM: USEG) ("We", "U.S. Energy" or the "Company") today announced financial and operating results for the third quarter ended September 30, 2021.

Quarterly Highlights and Recent Developments

- Production of 33,260 BOE, or daily production of 362 BOEPD, an increase of 147% from the prior year quarter.
- Oil and gas revenues of \$1.8 million, an increase of 345% from the prior year quarter.
- Cash and cash equivalents of \$7.0 million at 9/30/2021.
- Adjusted EBITDA of \$0.5 million.
- As previously announced, on October 4, 2021, the Company entered into purchase and sale agreements to acquire assets from multiple sellers (the "Acquisitions"). The Company agreed to acquire certain oil and gas properties from the sellers, representing a diversified portfolio of operated, producing, oil-weighted assets located across the Rockies, West Texas, Eagle Ford, and Mid Continent. The closing of the Acquisitions is conditioned upon approval by a majority of U.S. Energy's shareholders, among certain other closing conditions. If approved, the Acquisitions are expected to close in early 2022.

Management Comments

"The third quarter was a tremendous quarter for U.S. Energy as we continue to build on the progress made throughout 2021," said Ryan Smith, U.S. Energy's Chief Executive Officer. "A reliable production base combined with a predictable and low-overhead cost structure have enabled the Company to live and grow within cash flow. Our successful track record of closing and integrating the Company's multiple PDP-focused transactions made throughout 2020 has resulted in a diversified, debt free entity that is well positioned to continue taking advantage of the current market landscape. Additionally, our team continues to move forward towards closing on the previously announced Acquisitions. Upon closing, the Acquisitions will provide U.S. Energy the increased size and scale needed to continue building a low-cost PDP consolidator focused on mature, low-decline assets. We look forward to updating the market on the acquired assets as well as other Company initiatives upon closing of the Acquisitions. We expect the Acquisitions to close in early 2022."

Third Quarter 2021 Production Update

During the quarter ended September 30, 2021, U.S. Energy produced volumes of 33,260 BOE, an average of approximately 362 BOE per day. Oil represented 73% of total production in the third quarter of 2021. The Company's production increased approximately 147% from the third quarter of 2020. U.S. Energy's production growth has primarily been driven by the successful integration of operated assets acquired during 2020 and the Company's efforts in optimizing legacy production operations.

	3 rd Quarter 2021	3 rd Quarter 2020
Sales Volume (Total)		
Oil (Bbls)	24,349	10,354
Gas (Mcf)	53,462	18,591

Sales volumes (Boe)	33,260	13,453
Average Daily Production (Boe/d)	362	146
Average Sales Prices		
Oil (Bbl)	\$65.42	\$34.96
Gas (Mcf)	\$3.57	\$2.10
Barrel of Oil Equivalent	\$53.64	\$29.81

Current Liquidity Position

At September 30, 2021, the Company had approximately \$7.0 million in cash, no existing debt and 4.6 million shares outstanding.

Third Quarter Ended September 30, 2021 Financial Results

Revenues from sales of oil and natural gas during the third quarter of 2021 were \$1.8 million compared to \$0.4 million during the comparable period of 2020. The change in revenue was primarily attributable to an increase in oil production volumes and an improvement in realized commodity prices. Revenue from oil production represented 89% of our revenue during the quarter. The Company operates properties representing 30% of our total revenue.

During the third quarter of 2021, we realized an average oil sales price of \$65.42 per Bbl and an average gas sales price of \$3.57 per Mcf for an overall average sales price of \$53.64 per BOE compared to an average oil sales price of \$34.96 per Bbl and an average gas sales price of \$2.10 per Mcf for an average sales price of \$29.81 BOE during the comparable period of 2020.

Lease operating expenses during the third quarter of 2021 were \$586 thousand compared to \$290 thousand during the comparable period of 2020. The increase in lease operating expenses was primarily due to increased activity from our operated properties acquired in late 2020 combined with our participation in workovers on our non-operated properties.

General and administrative ("G&A") expenses, including all non-cash items, totaled \$686 thousand during the third quarter of 2021. Excluding non-cash items, G&A expenses totaled \$571 thousand.

Net income was \$81 thousand and Adjusted EBITDA was \$494 thousand for the third quarter of 2021. Adjusted EBITDAX is a non-GAAP financial measure.

Commodity Derivative Position

At September 30, 2021, the Company had an existing fixed-price swap commodity derivative contract on 100 barrels of crude oil per day from October 1, 2021 to December 31, 2021, at \$61.90 per barrel. The Company's hedged volumes represented approximately 37% of the Company's total oil production for the quarter ended September 30, 2021.

About U.S. Energy Corp.

We are an independent energy company focused on the acquisition and development of oil and gas producing properties in the United States. Our business is currently focused on targeting mature, low decline assets with existing infrastructure that allows us to maximize our return on capital in a sustainable and efficient manner. 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 concerning 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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