



## **U.S. Energy Corp. Announces Sale of 75% of Its Undeveloped Zavanna Leasehold Interests in McKenzie County, North Dakota for \$16.7 Million**

RIVERTON, Wyo., Jan. 26, 2012 (GLOBE NEWSWIRE) -- U.S. Energy Corp. (Nasdaq:USEG) ("U.S. Energy" or the "Company"), announced today that it has completed the sale of an undivided 75% of its undeveloped Zavanna LLC ("Zavanna") leasehold interests in McKenzie County, North Dakota. The interests were sold to GeoResources, Inc. (Nasdaq:GEOI) and Yuma Exploration and Production Company, Inc. ("Yuma") for \$16.7 million.

On January 20<sup>th</sup> and January 24<sup>th</sup>, the Company sold an undivided 75% of its undeveloped acres in its Yellowstone (1/20/12) and SE HR (1/24/12) Zavanna leasehold interests for \$16.7 million. The Company retained the remaining 25% interest in the undeveloped acreage and its original working interest and production in ten gross (2.3 net) wells drilled and/or in progress to date. Of these ten wells, five are currently producing and it is anticipated that the remaining five gross wells will be completed by mid-year 2012.

"With the closing of our second Williston Basin asset sale in the last six weeks, the Company has realized \$30.4 million in sale proceeds which has significantly enhanced our balance sheet," said Keith Larsen, CEO of U.S. Energy Corp. "The undeveloped acreage sale did not impact our current Williston Basin production which consists of 30 gross (9.7 net) wells, or our \$28 million borrowing base with BNP Paribas. Also, under our full cost pool accounting, we anticipate that this transaction will reduce our depletion, depreciation and amortization rate which should result in lower operating costs in 2012," he added.

### ***Disclosure Regarding Forward-Looking Statement***

*This news release includes statements which may constitute "forward-looking" statements, usually containing the words "will," "anticipates," "believe," "estimate," "project," "expect," "target," "goal," or similar expressions. Forward-looking statements in this release relate to, among other things, U.S. Energy's expected future production rates and capital expenditures, its drilling of wells with industry partners, its ownership interests in those wells and their expected costs, the oil and natural gas targets or goals for the wells, future capital expenditures and projects, future expenses, production, reserves, borrowing capacity and sale or joint venture transactions. There is no assurance that any of the wells referenced in this press release will be economic. Initial and current production results from a well are not necessarily indicative of its longer-term performance. The forward-looking statements are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, dry holes and other unsuccessful development activities, higher than expected expenses or decline rates from production wells, future trends in commodity and/or mineral prices, the availability of capital, competitive factors, and other risks described in the Company's filings with the SEC (including, without limitation, the Form 10-K for the year ended December 31, 2010 and the Form 10-Q filed November 7, 2011), all of which descriptions are incorporated herein by reference. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revision or changes after the date of this release.*

### **About U.S. Energy Corp.**

U.S. Energy Corp. is a natural resource exploration and development company with a primary focus on the exploration and development of oil and natural gas. The Company also owns the Mount Emmons molybdenum deposit located in west central Colorado. The Company is headquartered in Riverton, Wyoming and trades on the NASDAQ Capital Market under the symbol "USEG".

The U.S. Energy Corp. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5043>

CONTACT: Reggie Larsen

Director of Investor Relations

U.S. Energy Corp.

1-800-776-9271

[Reggie@usnrg.com](mailto:Reggie@usnrg.com)

U.S. ENERGY CORP.

Source: U.S. Energy Corp.

News Provided by Acquire Media