

August 22, 2018

U.S. Energy Corp. Announces Memorandum of Understanding to Acquire Bakken Assets

DENVER, Aug. 22, 2018 (GLOBE NEWSWIRE) -- **U.S. Energy Corp. (NASDAQCM: USEG)** ("We" "U.S. Energy" or the "Company") today announced that it has entered into an exclusive non-binding Memorandum of Understanding to acquire oil and natural gas producing properties targeting the Bakken formation of North Dakota.

Overview

The Company has entered into a Memorandum Of Understanding (the "MOU") with APEG I Partners, a Texas partnership ("APEG"), to acquire all of APEG's interest in 67 wells concentrated in Williams and McKenzie Counties, North Dakota (the "Transaction"). APEG is an affiliate of APEG Energy II, L.P., the Company's largest stockholder. The Transaction will add highly complementary assets to the Company's existing portfolio in North Dakota, with similar operators and development potential. The closing of the Transaction will result in the acquisition of approximately 1.1 MMBOE of proved developed reserves (79% oil) and 400 BOEPD of current production across 1,600 net acres. The Company expects the Transaction will create additional opportunities for development and acreage swaps that would permit the Company to continue consolidating its leasehold position in the area.

The total consideration for the Transaction is approximately \$17.8 million, consisting of a combination of cash, issuance of common and preferred stock of the Company and the assumption of APEG's outstanding commodity derivatives. Additionally, the Company plans to establish a new \$8.0 million revolving credit facility, for which the Company has received a non-binding term sheet from a traditional reserved based lender. Subsequent to closing, the Company plans to continue reducing leverage through positive cash flow from operations and potential strategic dispositions, using the proceeds to reduce borrowings under the new credit facility. If completed, the Transaction will have an effective date of July 1, 2018.

The closing of the Transaction is conditioned on obtaining the required debt and equity financing, Nasdaq approval and the approval of the stockholders of the Company at a special meeting to be scheduled for December 2018.

Management Comment

David Veltri, U.S. Energy's Chief Executive Officer, stated, "This is an exciting transaction for U.S. Energy that, upon closing, will approximately double the Company's existing production base in a highly economic area in which we have significant experience. We are pleased with the considerable progress U.S. Energy has made over the past year and the subsequent improvement in nearly all operational and financial metrics. The recent market volatility characterized by exaggerated equity price swings does not represent the existing status of the company; predictable production, steady revenues, and manageable costs combined with a sustainable liquidity profile that enables the Company to handle any foreseeable capital requirements. While management has been primarily focused over the past several quarters on the divestment of both legacy mining obligations and under performing non-operated oil and gas assets, upon the closing of the Transaction, we would complete an initial step on our mission to build shareholder value with the cooperation and support of our strategic partner, Angelus Private Equity Group ("Angelus"). In conjunction with Angelus, U.S. Energy has successfully restructured the Company's balance sheet while adding desirable oil assets in a key area that we know well. These actions have set U.S. Energy on a stable path forward and have equipped the Company with the ability to evaluate and acquire assets that will ultimately deliver enhanced shareholder returns.

U.S. Energy will remain focused on adding accretive assets that immediately increase the production, revenue and cash flow of the Company. Additionally, through proactively enhancing, developing and drilling on existing Company assets, such as our recent announcement regarding participation in continued drilling that will target the Georgetown formation in Zavala County, TX, we can begin to pull forward value from legacy Company assets that have significant upside opportunity."

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 includes "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.

Corporate Contact:

U.S. Energy Corp.
Ryan Smith
Chief Financial Officer
303-993-3200
www.usnrg.com

 Primary Logo

Source: U.S. Energy Corp.

News Provided by Acquire Media