

August 14, 2018

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

DENVER, Aug. 14, 2018 (GLOBE NEWSWIRE) -- **U.S. Energy Corp. (NASDAQCM: USEG)** ("We" "U.S. Energy" or the "Company") today announced financial and operational results for the second quarter ended June 30, 2018.

Highlights

- | Production of 36,061 BOE, or daily production of 396 BOEPD;
- | Oil and gas revenues of \$1.6 million;
- | Lease operating expenses of \$0.5 million or \$12.81 per BOE;
- | Cash and cash equivalents of \$2.8 million at 6/30/2018;
- | Total outstanding debt of \$0.9 million at 6/30/2018;
- | Recently entered into agreement to continue development of Zavala County, Texas acreage position targeting the Georgetown formation.

Operational Update

U.S. Energy signed an agreement with private company CML Exploration to continue development of its existing leasehold in Zavala County, Texas targeting the Georgetown formation. The agreement covers the drilling of a new well near the recently drilled Beeler Ranch #1 that has continued to outperform original Company estimates. The Beeler Ranch #1 well resulted in an initial 24-hour IP rate of 1,046 barrels of oil and 1,085 mcf of natural gas and a 30 day average of 773 barrels of oil and 850 mcf of natural gas. The well continues to produce in excess of 600 barrels of oil equivalent per day and is forecasted to ultimately produce over 650,000 barrels of oil equivalent.

U.S. Energy will own a 30% working interest in both the J. Beeler No. 1 well and in surrounding additional acreage in Zavala County that is targeted to be developed in 2019. The J. Beeler No. 1 well is currently scheduled to commence drilling operations in October 2018. The Company believes up to four wells can be drilled on the remaining acreage position and will participate in a seismic program to help refine the Georgetown formation targets.

The development is expected to be funded from existing cash flow of the Company.

Liquidity Overview

As of June 30, 2018, we had \$2.8 million in cash and \$5.1 million of availability under our credit facility, representing a total liquidity position of \$7.9 million.

Management Comment

David Veltri, U.S. Energy's Chief Executive Officer, stated, "We are pleased with the continued progress U.S. Energy has made over the past year. Resumed drilling activity, well performance exceeding our initial expectations and strengthening commodity prices, all while maintaining low levels of leverage, have contributed to the Company's successful turnaround. We are also pleased to continue in the development of the Georgetown formation on our existing South Texas acreage position with CML Exploration, who has a demonstrated expertise in this area along with an established track record of being a low cost producer. As U.S. Energy moves forward in 2018, we will continue to evaluate transactions that enable the Company to optimize our existing land positions for near term development. U.S. Energy has been successful during 2018 in this endeavor and we anticipate similar transactions and future success throughout 2018. We will continue to remain focused on building scale through organic development, acreage trades and field level acquisitions, while working toward accretive acquisitions or mergers moving forward."

Second Quarter 2018 Overview

	<u>2nd Quarter 2018</u>		<u>1st Quarter of 2018</u>
Revenue:			
Oil	\$ 1,292	\$	1,230

Gas		281		325
Total	\$	1,573	\$	1,555

Production quantities:

Oil (Bbls)		20,248		20,379
Gas (Mcf)		94,882		102,205
BOE		36,061		37,413

Average Daily Production

396	416
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Average sales prices:

Oil (Bbls)	\$	63.79	\$	60.39
Gas (Mcf)		2.96		3.18
BOE		43.61		41.57

Financial Results

Revenues from sales of oil and natural gas during the second quarter of 2018 were \$1.6 million compared to \$1.6 million during the first quarter of 2018 and \$2.0 million during the second quarter of 2017. The increase in revenue from the first quarter of 2018 was driven by both consistent sequential oil production combined with an increase in realized oil prices. The primary cause of the decrease in revenue from the second quarter of 2017 is driven by the assets associated with the Company's October 2017 asset divestiture. Revenue from oil production represented 82% of Company revenue during the second quarter of 2018.

Lease operating expenses for the second quarter of 2018 were \$0.5 million, or \$12.81 per BOE compared to \$0.4 million or \$11.33 per BOE during the first quarter of 2018. This increase was primarily attributed to increased workover activity on our properties as a result of higher oil prices.

G&A expenses totaled \$1.6 million during the second quarter of 2018 compared to \$1.1 million during the first quarter of 2018. The increase was primarily attributable to \$0.6 million in stock based compensation expense recorded during the second quarter of 2018. The stock based compensation expense is non-cash and is included in total G&A expense.

Adjusted EBITDAX was (\$0.3) million for the second quarter of 2018 as compared to \$(0.4) million for the first quarter of 2018. Net Loss was \$1.2 million for the second quarter of 2018 compared to \$0.2 million for the first quarter of 2018. Adjusted EBITDAX is a non-GAAP financial measure.

Credit Facility Update

As of June 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 6/30/2018
Current Ratio	Greater than 1.0 to 1.0	4.7 to 1.0
PDP to Secured Debt	Greater than 1.2 to 1.0	10.1 to 1.0

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 June 30, 2018.

	Begin	End	Quantity (bbls/d)	Price
Crude oil price swaps	7/1/18	12/31/18	100	\$ 68.50

	<u>Begin</u>	<u>End</u>	<u>Quantity (mcf/d)</u>	<u>Price</u>
Natural gas price swaps	7/1/18	12/31/18	500	\$ 3.01

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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