March 18, 2025

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Tom Kerr
312-265-9417
tkerr@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

U.S. Energy Corp. (NASDAQ: USEG)

USEG: U.S. Energy reports 4th and full year 2024 financial and operating results which were broadly in line with our expectations. The company provided updates on its industrial gas efforts.

Utilizing a Discounted Cash Flow process containing conservative estimates combined with other valuation methodologies, we believe USEG could be worth **$3.00** per share.

Current Price (3/17/25)	$1.45
Valuation	**$3.00**

OUTLOOK

U.S. Energy (NASDAQ: USEG) is an independent energy company historically focused on the acquisition and development of oil and natural gas producing properties in the U.S. In June 2024, the company acquired acreage in Montana with the goal of extracting and marketing helium products and other industrial gases. Going forward, the primary focus will be on the development and operation of helium and other industrial gases, along with the development of carbon sequestration capabilities. The company has no debt and $21.15 million in available liquidity. We believe the company is well positioned for profitable growth going forward.

SUMMARY DATA

52-Week High	**$6.40**
52-Week Low	**$0.81**
One-Year Return (%)	**43.6**
Beta	**0.70**
Average Daily Volume (sh)	**4,212,662**
Shares Outstanding (mil)	**33,8**
Market Capitalization ($mil)	**50.1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**71**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**

Risk Level	**Above Avg.**
Type of Stock	**Small Value**
Industry	**Energy**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	$8.3 A	$8.0 A	$8.7 A	$7.3 A	$32.3 A
2024	$5.4 A	$6.1 A	$5.0 A	$4.2 A	$20.6 A
2025	$3.5 E	$3.9 E	$3.5 E	$3.2 E	$14.1 E
2026					$23.7 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-$0.05 A	-$0.10 A	-$0.35 A	-$0.78 A	-$1.28 A
2023	-$0.16 A	-$0.08 A	-$0.04 A	-$0.28 A	-$0.56 A
2024	-$0.05 E	-$0.05 E	-$0.06 E	-$0.06 E	-$0.22 E
2025					-$0.11 E

Quarterly revenues may not equal annual revenues due to rounding.
Quarterly EPS may not equal annual EPS due to rounding or dilution.
Some figures may be non-GAAP.

WHAT'S NEW

4th Quarter and Full Year 2024 Financial and Operating Results

On March 11, 2025, the company reported 4th quarter and full year 2024 financial and operating results. The year over year revenue comparisons were not relevant due to recent oil & gas divestitures that occurred in 2024. Total oil and gas revenue in 2024 was $20.6 million of which $18.2 million was oil and $2.5 million was natural gas and liquids.

In 2024, lease operating expense, inclusive of workover expense, was $11.2 million compared to $15.3 million in 2023. General and administrative expense totaled $6.9 million in 2024 which was a 25% decrease from 2023. This was primarily driven by a reduction in employee compensation and benefits. Stock compensation expense was $1.3 million which was a 45% decrease from 2023.

The company generated adjusted EBITDA of $3.6 million in 2024. The reported net loss was $25.8 million, or ($0.96) per diluted share, which was largely driven by a $11.9 million impairment of oil and natural gas properties and a $5.0 million loss on sale of assets related to divestiture of the East Texas properties. The impairment was related to a 38% decrease in reserve volumes resulting from decreases in commodity prices and other reserve revisions.

As of 12/31/24, the company had no outstanding debt, cash balances of $7.7 million, and $20.0 million of availability on its bank line of credit. In January 2025, the company raised approximately $10.5 million in net proceeds from an equity offering. In the 1st quarter of 2025, the company spent $2.0 million to acquire additional acreage in Montana. After paying property taxes and spending on capex, we believe the current cash position is in the $12-$13 million range.

In the past 2 years, the company has repurchased more than 1.0 million shares of common stock at an average price of $1.28 per share. Outside of the repurchase program, the company repurchased 600,000 shares from a related party in connection with the January 2025 equity capital raise. On January 29, 2025, the company's authorized and approved an extension of the ongoing share repurchase program for up to $5.0 million which expires on June 30, 2026. As of today, a total of up to $3.7 million remains available under the repurchase program.

Helium Program Updates

The company has an active industrial gas development program planned for the first half of 2025 in Montana. Initial efforts will focus on completion and workover of the two existing wells in April 2025. These wells were approximately 90% nitrogen based with helium concentrations of roughly 1.5%.

In June 2025, two new industrial gas wells with a CO2 focus will be drilled with derived components of approximately 85% CO2 and helium concentration in the 0.50%-1.00% range. These wells are slightly more expensive than a nitrogen based well because of the large amount of CO2 that is involved, so the costs should come in around $1.5 million per well.

In Q2 2025, The company will draft and submit the Monitoring, Reporting, and Verification report ("MRV") which is required before launching the carbon sequestration business which will occur in the two CO2 focused wells to be drilled in June 2025.

Also in the 2nd quarter of 2025, the company will make the final investment decision around design capacity and execution of contract for the industrial gas processing plant. We expect the final plant to provide capacity of 10-20 Mmcf per day which could provide helium revenues between $15-$20 million on an annual basis.

Based on the new drilling and workover plans as well as a tougher than usual Montana winter, we expect industrial gas revenues to occur in the first quarter of 2026.

Source: usnrg.com

Oil & Gas Business

In 2024, the company produced 415,887 Boe, or an average of 1,136 Boe/d, compared to 624,420 Boe, or an average of 1,711 Boe/d during 2023.

Source: usnrg.com

The year-end 2024 SEC proved reserves, which is prepared by an independent third-party reserve engineer, were 2.0 MBoe. The SEC twelve-month first day of month average used for year end 2024 was $75.48 per Bbl for oil and $2.13 per Mcf of natural gas. This was a reduction of 4% for oil and 19% for natural gas when compared to 2023. The year end 2024 SEC proved reserves were comprised of 81% oil and 19% natural gas. The 2024 year end proved reserves were all classified as proved

developed producing ("PDP"). The present value of the company's reported SEC proved reserves, discounted at 10% ("PV-10"), at year-end 2024 was **$29.1** million.

Valuation & Estimates

We maintain our price target of **$3.00** per share.

We utilize multiple valuation methodologies to arrive at our target price of **$3.00** for USEG stock. These include Discounted Cash Flow (DCF) calculations, peer multiples, price to book value, price to asset value and others.

Our DCF calculation assumes monetization of helium extraction begins in early 2026. For calendar year 2026, we believe that helium revenues could total approximately $9.5 million and EBITDA generation would be in the range of $5.0 to $6.0 million. We assume the oil and gas properties produce steady state revenues in the $13.0-$14.0 million range with EBITDA generation of approximately $2.0 million. Under this scenario, our DCF calculation is approximately **$3.00** per share. This may prove to be conservative as we utilize a high discount rate of 12.5%. In addition, we do not incorporate any other industrial gas revenues or carbon sequestration related revenues into our model at this time.

The company reported $9.4 million in helium related unproven resources as of 12/30124 which is essentially the acquisition costs and other incurred costs to date for the helium operations. We believe an independent third party will be able to provide an estimate of proven helium reserves at some point in the 1st quarter of 2025.

On a forward looking basis assuming the helium extraction efforts are successful and create $8.0-$10.0 of annual industrial gas EBITDA, we can look at industrial gas peer valuations. Using a peer group including APD, LIN and AIQUY, the average peer EV/EBITDA multiple is approximately 16x. Applying that multiple to the range of estimates for USEG's industrial gas business would create a stock price in the **$4.50- $5.70** range. We don't incorporate that range into our target price at this time, but we are demonstrating the potential upside for USEG if the helium business is successful over time.

OTHER RECENT NEWS

Additional Helium Acreage Acquisition

On January 10, 2025, the company announced it had closed on the acquisition of additional helium acreage in the Kevin Dome structure where it currently operates. The deal includes an 80% interest in 24,000 acres owned by Synergy Offshore ("SOG"). This deal was originally contemplated in July 2024 but fell through because of related party issues and conflicts of interest.

This acreage includes multiple prospective industrial gas pay zones, primarily composed of carbon dioxide (CO2) and nitrogen heavy formations enriched with significant helium concentrations. The SOG asset is located at the center of the Kevin Dome structure. The primary target for helium production within the asset will be at the Duperow formation, which is known for its carbon dioxide-dominated gas systems. Also, recent data indicated economically viable helium concentrations. The acquisition also includes an active well within the region with recent gas analysis confirming significant helium production.

This acquisition significantly enhances the company's carbon sequestration business opportunity.

Source: usnrg.com

Base consideration terms include $2.0 million in cash and 1.4 million shares in USEG restricted stock. In addition:

- There is a $20.0 million carried working interest for which USEG will pay Synergy's exploration, drilling, and completion costs attributable to Synergy's 20.0% retained working interest for a period of 78 months.
- There will be An Area of Mutual Interest ("SOG AMI") under which Synergy will have the right to participate for its proportionate interest of 20.0% in any new leases with any leasing amounts being deducted from the carried working interest.
- SOG will receive 18.0% of future amounts realized by USEG in connection with tax credits obtained from carbon sequestration on the SOG AMI.
- SOG will receive 18.0% of any future gain, after deducting USEG's unrecovered capital costs, in connection with USEG's initial CO2 processing plant located on the SOG AMI.

Additional details can be found here.

Sale of East Texas Oil & Gas Properties

On December 31, 2024, the company announced it had closed on its previously announced sale of its East Texas oil & gas properties.

Cash proceeds were $6,825,000 and the proceeds will be used to continued development of its industrial gas projects in the Kevin Dome structure in northern Montana. Divested assets averaged approximately 1.0 million cubic feet per day of natural gas and 149 barrels of oil per day for the three-month period ending September 30, 2024.

KEY INVESTMENT POINTS

Source: usnrg.com

- U.S. Energy (NASDAQ: USEG) is an established energy company historically focused on the acquisition and development of oil and natural gas producing properties in the United States.
- On June 26, 2024, the company made a transformative acquisition of 140,000 acres in Northwestern Montana with the goal of producing and marketing industrial gases, including helium, along with the development of carbon sequestration capabilities across the asset base.
- U.S. Energy is positioned to develop carbon sequestration initiatives across the asset base, leading to increased economics while commercially diversifying the project.
- Although U.S. Energy will retain a portion of its oil & gas properties for the foreseeable future while opportunistically divesting non-core properties, the company's future operations will focus on the production of helium and other industrial gases.
- Third party engineering reports show large scale helium, CO2, and other resources at the acquired properties, while offset operators and analogous fields confirm the presence and viability of helium as well.
- On October 31, 2024, the company announced the successful completion of its first helium well in Montana. The data showed high quality helium concentrations of approximately 1.5% in Nitrogen based formations which appears to make the well economically viable.
- The global demand for helium is estimated to be around 6 billion cubic feet (Bcf) annually, with China importing 1.0 Bcf per year. Annual demand is expected to increase from approximately 6.0 Bcf to 8.7 Bcf by 2030.
- The use of helium is a diverse and growing industry with end markets that include manufacturing, aerospace & defense, healthcare & life sciences, and general industrial.
- The company's 2024 SEC PV-10 proved oil & gas reserves as of December 31, 2024 totaled **$29.1** million.
- During 2024, the company generated $20.6 million in revenues and $3.6 million in adjusted EBITDA.
- The company currently has no debt, approximately $12 million in cash, and $20.0 million in availability on its bank line of credit.
- We believe USEG stock is worth **$3.00** based on a conservative discounted cash flow (DCF) calculation and peer multiple comparisons.

OVERVIEW

Source: usnrg.com

U.S. Energy (NASDAQ: USEG) is an independent energy company historically focused on the acquisition and development of oil and natural gas producing properties in the continental United States. In June 2024, the company acquired acreage in Montana with the goal of extracting and selling helium and other industrial gas products, which will be the primary business focus going forward.

Principal energy and industrial gas (including helium) properties and operations are located in the Rockies region (Montana and Wyoming), the Mid-Continent (Oklahoma, East Texas), and the Gulf Coast.

The company has historically explored for and produced oil and natural gas through a non-operator business model, however, during 2020 the company acquired operated properties in North Dakota, New Mexico, Wyoming and the Texas Gulf Coast. In 2022, the company acquired certain oil and gas properties from three separate sellers, representing a diversified portfolio of primarily operated, producing, oil-weighted assets located across the Rockies, West Texas, Eagle Ford, and Mid-Continent regions. During the 4th quarter of 2023, the company divested substantially all of its non-operated properties. In the 3rd quarter of 2024, the company divested the remainder of its South Texas assets and subsequently paid off all outstanding debt.

The company's business strategy is to enhance the value of acquired operated assets through evaluation of selected properties with the goal of increasing production and reserves. The company plans to deploy capital in a conservative and strategic manner and pursue value-enhancing transactions. The company also continuously evaluates strategic alternative opportunities that it believes will enhance stockholder value.

After the transformative June 2024 acquisition of 140,000 acres in Northwestern Montana with the goal of producing and marketing helium gas, the company will focus on producing industrial gases in the region and advancing its existing carbon sequestration opportunities. Third party engineering studies show substantial helium and CO2 resources while other operators and analogous fields confirm the presence and viability of helium as well. The use of helium is diverse and growing and end markets include manufacturing, aerospace & defense, healthcare, life sciences, and general industrial.

U.S. Energy will retain some of its oil & gas properties for the foreseeable future which are capable of producing $1.0-$3.0 million in EBITDA annually depending on prevailing commodity prices.

ACQUISITION OF HELIUM PROPERTIES

On June 26, 2024, U.S. Energy entered into a purchase and sale agreement with Wavetech Helium. Under the terms of this agreement, the company acquired 82.5% of Wavetech's rights under a farmout agreement for approximately 140,000 net acres located across the Kevin Dome geological structure in Toole County, Montana.

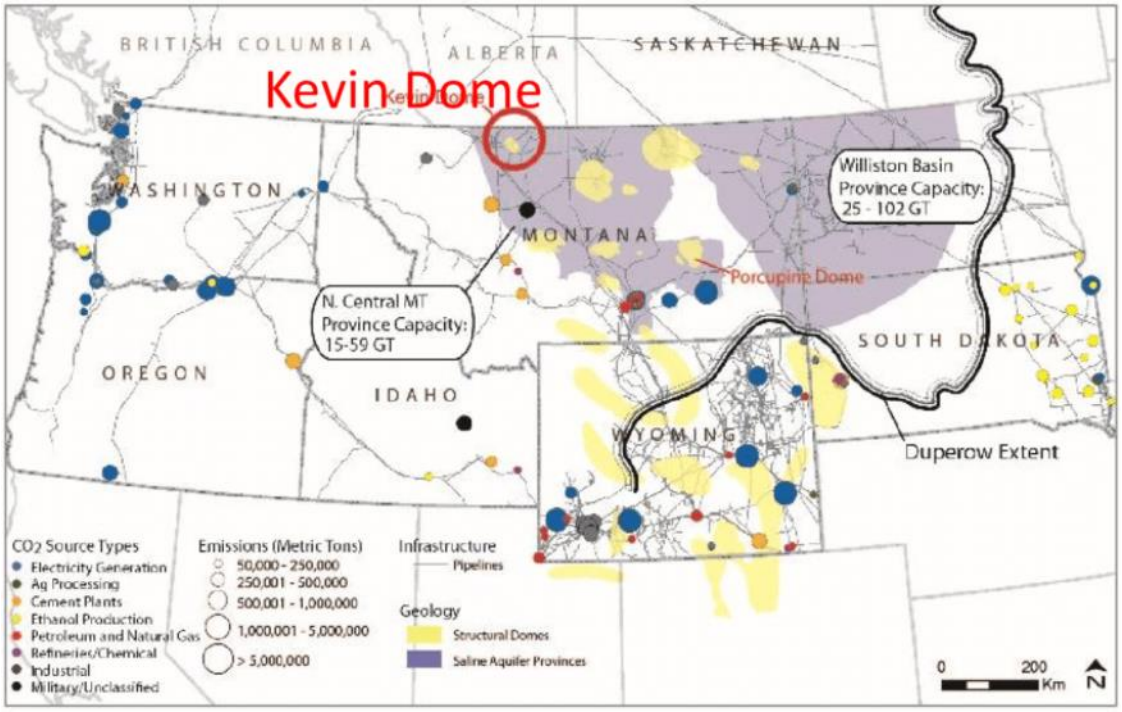
Source: usnrg.com

The assigned rights vest upon the drilling of two wells on the property. The company paid Wavetech $2.0 million in cash and 2.6 million shares of USEG restricted common stock, valued at $2.7 million on June 26, 2024. U.S. Energy is to be responsible for 100% of capital costs, including costs related to project exploration, appraisal, development drilling and completion until $20 million has been incurred related to Wavetech's 17.5% interest. Wavetech is still responsible for their 17.5% share of the operating expenses of the wells. Acquisition, exploration and development costs related to the helium acreage are accounted for under the full cost method of accounting in a separate cost center from the company's domestic oil and gas activities.

PROPERTIES

Helium & Industrial Gases

The company's helium producing properties encompass 140,000 acres in Northwest Montana stretching across the Kevin Dome geological structure. Kevin Dome covers 750 square miles and contains naturally occurring CO2, Helium, Nitrogen and other gases that have been trapped in place for millions of years.



Source: usnrg.com

The company's position across the Kevin Dome structure in Northwest Montana is supported by a contingent and prospective resource report prepared by a third-party engineering firm. When considering both contingent and prospective resources, at the mid-point of estimates, it is believed there could be 37 Bcf of helium resources.

Although the near-term focus is on extracting helium, the company plans on marketing nitrogen and CO2 as well as developing the area into a regional carbon sequestration hub. The global nitrogen market is approximately 43 million tons and is expected to grow at a CAGR of over 5.0%. Nitrogen is crucial across many industries including fertilizer production, manufacturing, packaging and the food & beverage industry. Carbon capture and utilization is a growing industry and uses include fertilizer production, beverage industry, enhanced oil recovery, synthetic fuels and aggregates. The company continues to make progress on carbon sequestration initiatives and has begun the planning and engineering phase of its owned infrastructure to both sequester and monetize carbon.

Contingent Resources

	Discovered Gas initially in Place (Bcf)			Remaining Helium Resource (Bcf)		
Formation	1c (Low)	2c (Best)	3c (High)	1c (Low)	2c (Best)	3c (High)
Middle Duperow:	1,293.0	1,947.0	2,904.0	8.1	16.8	31.5
Lower Duperow:	428.2	806.4	1,459.0	2.9	6.9	14.8
Totals:	**1,721.2**	**2,753.4**	**4,363.0**	**10.9**	**23.7**	**46.3**

Prospective Resources

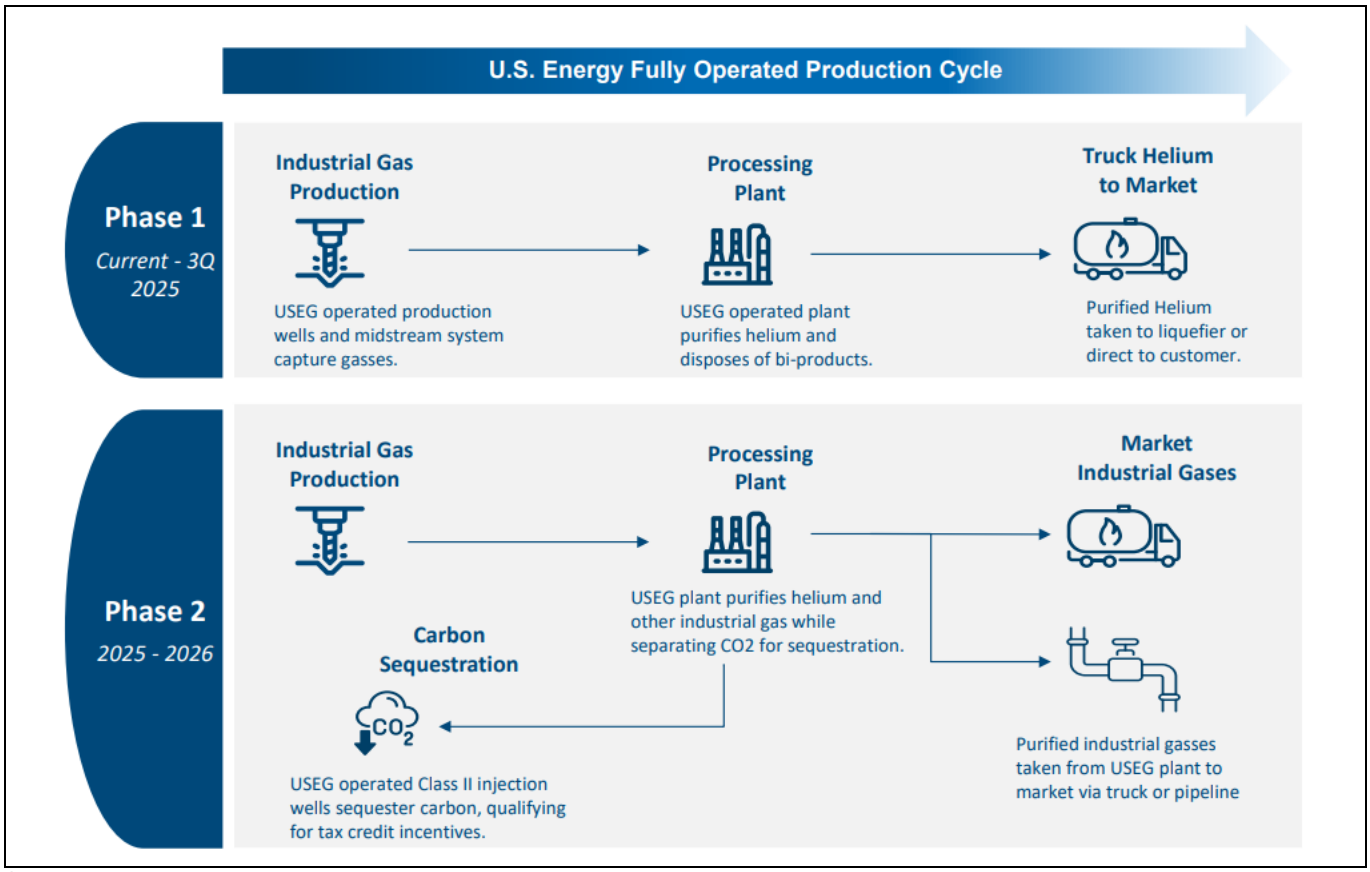
	Undiscovered Gas initially in Place (Bcf)			Remaining Helium Resource (Bcf)		
Formation	1u (Low)	2u (Best)	3u (High)	1u (Low)	2u (Best)	3u (High)
Souris River:	428.4	995.3	20.7	3.3	9.1	21.7
Flathead:	114.1	282.6	701.7	1.6	4.2	10.8
Totals:	**542.5**	**1,277.9**	**722.4**	**4.9**	**13.3**	**32.5**

(1) Gross volumes in the ground before applying any commercial or economic parameters.

(2) Discovered Gas Initially in Place is raw gas volumes, predominately CO2 and nitrogen, before applying helium content.

Source: usnrg.com

On October 31, 2024, the company announced it had completed the 1st helium well and preliminary results showed positive results in Nitrogen based formations. Independent lab results confirm high-quality, non-hydrocarbon-based helium with concentrations up to approximately 1.5%. This is at the high range of company expectations. The results validate the company's expansion into industrial gases and potential value of these Montana properties. In addition, additional helium was also discovered in CO2-based formations, which positions the company to leverage these assets into future carbon sequestration initiatives. This could eventually lead to this area evolving into a major regional carbon sequestration hub.



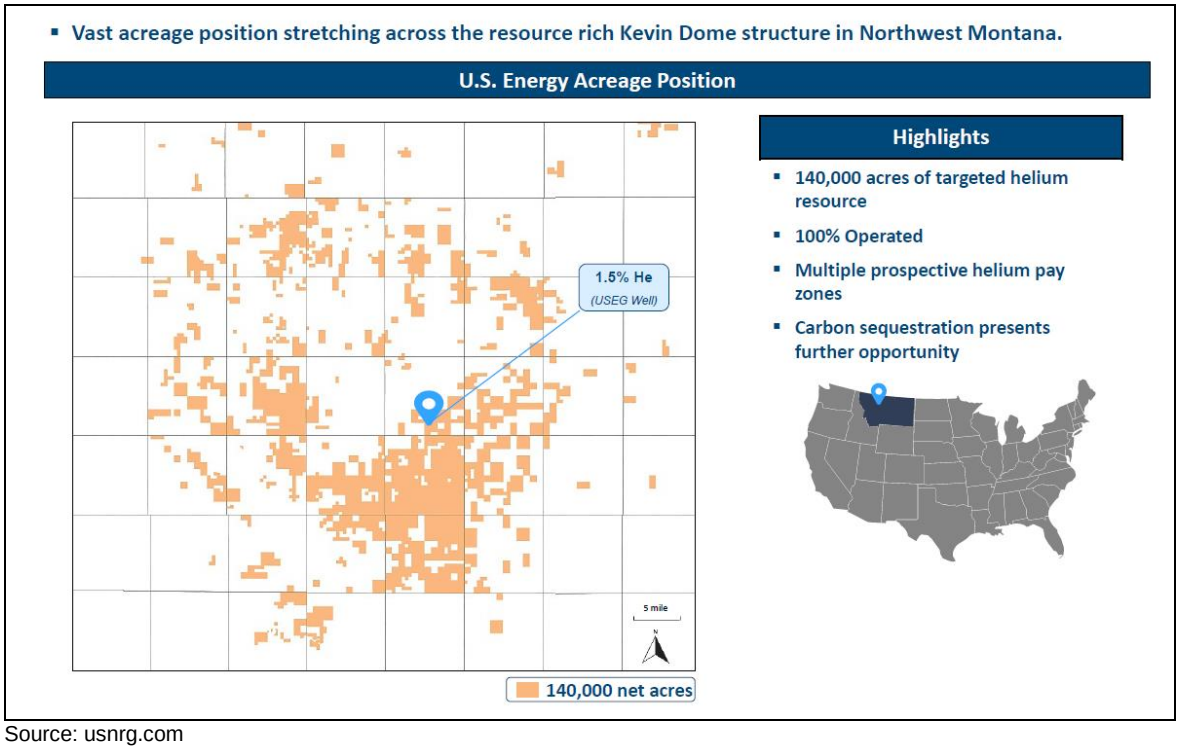
Source: usnrg.com

U.S. Energy will now conduct extended pressure flow tests across multiple zones to further its analysis and further validate the economic viability of this multi-zone resource. This can potentially establish how many successful wells are needed to economically operate the processing plant (see below)

CEO Ryan Smith stated, *"I am pleased to report a significant milestone for U.S. Energy with this major helium discovery as part of our industrial gas development strategy around our newly acquired assets in Montana. The independent analysis not only validates our geologic model and the high potential of the asset but also enables us to move forward confidently toward full-cycle program completion, expected in 2025. The expertise of our newly expanded operational team, with extensive experience in similar projects, was evident throughout, resulting in efficient, on-target, and under budget drilling operations. With our debt-free position, strong balance sheet, robust asset base, and solid cash flow from legacy operations, U.S. Energy has the financial flexibility to accelerate our program's development in an economically sound way while enhancing shareholder value."*

Source: U.S. Energy

After the successful completion of the first helium well, the company will begin development on a helium processing plant capable of producing purified gaseous helium. The pure gaseous helium will then be transported via truck to a nearby liquefication facility. Helium is liquified in a process similar to LNG for easier transportation and storage. Liquid helium products also appeal to a larger market, including end-users who require the low temperatures of liquid helium. Helium can also be economically shipped regionally as a gas in high-pressure tube trailers, although transportation costs for helium gas are higher than for liquid helium.



Source: usnrg.com

The company's nitrogen-based plant development cost is expected to be in the range of $6.0-$7.0 million and will be funded by free cash flow and existing liquidity availability, or the opportunistic monetization of legacy, non-core oil and gas assets. The plant capacity is expected to process 8,000 Mcf of gas per day.

The company projects the helium recovery rate for their wells will range from 0.5% to 1.5% of total gas produced. Using 1.0% as the realized recovery rate, the plant at full capacity can produce 80 Mcf of helium per day. With current contract helium prices per Mcf in the $450-$650 range, U.S. Energy could generate substantial levels of revenues from its industrial gas operations when operating at full capacity.

HELIUM INDUSTRY & INDUSTRIAL GAS MARKETS

Helium (He) is a colorless, odorless, non-toxic, inert gas with many commercial and industrial applications. Its boiling point is the lowest of all the elements, and it does not have a melting point at standard pressures. Helium's distinctive combination of physical and chemical characteristics makes it a highly valued commodity with numerous applications in important fields of industry and technology.

Helium is produced by the long-time, slow radioactive decay of elements within ancient continental crust and released when this ancient crust is broken up by large plate tectonic forces. There is no way of manufacturing helium artificially, nor can it be commercially derived from the atmosphere. Helium gets entrapped and mixes with the natural gas or other industrial gases found under layers beneath the earth's surface. Helium is then extracted from the ground with wells drilled to release it, similar to the natural gas drilling process. Traditionally, helium is extracted from natural gas wells, however the wells that U.S. Energy will be drilling will extract the helium from other industrial gases such as nitrogen and carbon dioxide.

The amount of helium gas that can be found in a natural gas or nitrogen/CO2 well varies from negligible to 4.0% by its volume. The company projects the helium recovery rate for their wells will range from 0.5% to 1.5%. The total extracted gases containing helium undergoes a process of cryogenic distillation to obtain the helium particles. Once separated from the other gases, helium goes through another process of refining after which it is brought to various levels of purity ranging from 97.5% to 99.9999%. As a highly valued product, liquid helium can be transported through ISO containers mounted onto trucks with no pipeline infrastructure needed.

Global demand for helium is estimated to be around 6.0 billion cubic feet (Bcf) annually, with China importing 1.0 Bcf per year. Annual demand is expected to increase from approximately 6.0 Bcf to 8.7 Bcf by 2030.

The current global market for bulk liquid helium is worth over $2.8 billion with the import price to China now exceeding $450 per thousand cubic feet (mcf) in 2022. Market growth is based on sustained demand growth driven by the growing need for helium due to its high-value, high-tech uses.
There has been an ongoing supply crisis of helium since the closure of the US federal reserve in 2019.

Applications include:

- Manufacturing – semiconductors, LCD panels, fiber optics
- Aerospace & Defense – space exploration, fuel purging systems, rocket guidance systems
- Healthcare & Life Sciences – MRI scanners, microscopy, quantum computing, assisted breathing, cryogenics
- Industrial – welding masks, gas leak detection, nuclear reactor coolant, crystal growth, controlled atmosphere.

Helium Applications and Demand

- Helium is utilized in multiple vital industries such as semi-conductor manufacturing, aerospace and defense, and healthcare, among many others.
- Annual global helium demand is expected to increase from 5.9 BCF in 2023 to 8.7 BCF in 2030.
- Immediate opportunity in United States to replace declining supplies of legacy hydrocarbon-based helium projects.

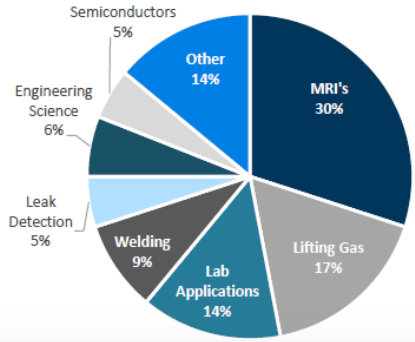
Technology Manufacturing
- ✓ Semiconductor manufacturing
- ✓ LCD Panels
- ✓ Fiber optics cables

Aerospace & Defense
- ✓ Space Exploration
- ✓ Fuel Purging Systems
- ✓ Defense and Rocket Guidance Systems

Healthcare & Life Sciences
- ✓ MRI Scanners
- ✓ Microscopy
- ✓ Quantum Computing
- ✓ Assisted Breathing
- ✓ Cryogenics

Industrial Uses
- ✓ Welding, shield masks
- ✓ Gas leak detection
- ✓ Nuclear reactor coolant
- ✓ Crystal growth
- ✓ Controlled Atmosphere

United States Helium Demand



Helium Demand by Region

Source: usnrg.com

$100 Billion Global Market Size for Industrial Gases

What Are Industrial Gases?

- Industrial gases are commercially produced and sold for use in multiple large, established industries.
- Major **types of industrial gases** include nitrogen, oxygen, carbon dioxide, helium, and hydrogen.

How Are They Produced?

- **Process Gases:** recovered through traditional production wells or recovered as bi-products of chemical production.
- **Atmospheric Gases:** produced when air is purified, compressed, cooled, distilled, and condensed.

Where Are They Used?

Industry Related	Consumer Related
Chemicals & Energy	Healthcare
Manufacturing	Food & Beverage
Metals & Mining	Electronics

Who Are the Global Players

Air Liquide, MESSER Gases for Life, AIR PRODUCTS, Linde

Opportunity for a small-cap in the market

Source: usnrg.com

MANAGEMENT

Ryan Smith
President, Chief Executive Officer and Director

Mr. Smith has served as the Company's Chief Executive Officer and President since December 2019. Mr. Smith joined the Company in January 2017 and served as Chief Financial Officer from that time through June 2023. Prior to U.S. Energy, Mr. Smith served as Emerald Oil Inc.'s Chief Financial Officer from September 2014 to January 2017 and Vice President of Capital Markets and Strategy from July 2013 to September 2014. Prior to joining Emerald, Mr. Smith was a Vice President in Canaccord Genuity's Investment Banking Group focused solely on the energy sector. Mr. Smith joined Canaccord Genuity in 2008 and was responsible for the execution of public and private financing engagements along with mergers and acquisitions advisory services. Prior to joining Canaccord Genuity, Mr. Smith was an Analyst in the Wells Fargo Energy Group, working solely with upstream and midstream oil and gas companies. Mr. Smith holds a Bachelor of Business Administration degree in Finance from Texas A&M University.

Mark Zajac
Chief Financial Officer

Mr. Zajac began his public accounting career in 1994 with Arthur Andersen and later joined KPMG where he was a partner and national industry leader for many years prior to his retirement. Mr. Zajac's career includes serving a variety of public and private companies throughout the energy value chain, including exploration and production, master limited partnerships, trading and marketing, independent power sectors and Special Purpose Acquisition Companies as well as extensive experience with securities and exchange offerings, mergers and acquisitions and global accounts. These experiences have exposed him to a wide variety of business experiences including PCAOB requirements, IPOs, emerging accounting and industry views, internal control effectiveness assessments, security offerings and various rules and regulations of the Securities and Exchange Commission. Mr. Zajac earned his Bachelor of Business Administration and Master of Business Administration, from Texas Tech University. He is a licensed Texas Certified Public Accountant.

Tug Eiden
Vice President of Production and Commercial Development

Mr. Eiden has served as the Company's VP of Production and Commercial Development since October 2024. Prior to U.S. Energy, Mr. Eiden served in executive roles at multiple private ventures focused on the acquisition of E&P companies within the Rocky Mountain region. Prior to this, Mr. Eiden was a corporate advisor at Anadarko Petroleum where he was focused on the development strategies of Anadarko's domestic and international unconventional asset portfolio. He is a licensed PE and holds a Bachelor of Science in Petroleum Engineering from Montana Technological University and a Master of Business Administration from Southern Methodist University.

Kip Ferguson
Vice President of Exploration and Business Development

Mr. Ferguson has served as Exploration and Business Development team lead since January 2022. He brings over thirty-five years of executive management experience in public and private corporations encompassing energy evaluation, drilling & completion operations, acquisitions & divestitures and project management for both fossil fuels and green sustainability programs. Mr. Ferguson served as EVP of Magnum Hunter Corp. and President of the Eagle Ford division building it into a $1 billion asset and property using successful development strategies with technical evaluations, optimization and efficiencies. Mr. Ferguson has managed large oil and gas reserve evaluations that follow Securities

Exchange Commission guidelines for public company disclosures. Mr. Ferguson received a Bachelor of Science degree in Geology from The University of Texas at Austin.

Jakob Hulcy
Vice President of Operations

Mr. Hulcy has most recently served as the Company's Vice President of Operations and has been with the company since January 2022. Prior to U.S. Energy, Mr. Hulcy served at H2O Midstream, LLC. from 2020 to 2022 and at Delaware Energy Services as the Senior Facilities Engineer from 2018 to 2020, managing pipelines, facility designs and construction, as well as daily operations. Prior to his time in the midstream sector, he served various operational engineering roles from 2012 to 2018 at Murex Petroleum Corporation with a primary focus on unconventional Bakken wells. Mr. Hulcy earned his B.S. in Petroleum Engineering from Texas Tech University.

Mason McGuire
Vice President of Finance and Strategy

Mr. McGuire has most recently served the company's Vice President of Finance and has been with the company since April of 2022 and is largely responsible for acquisition and divestiture diligence and corporate finance related functions. Prior to joining U.S. Energy, he served as a Consultant at Opportune LLP in their Restructuring and Complex Financial Reporting group. While at Opportune, his efforts were focused on transactional due diligence and in- and out-of-court restructuring advisory services to a variety of public and private clients primarily within the upstream and oilfield service space. Mr. McGuire earned his B.A. in Finance and Energy Management from the University of Oklahoma.

RISKS

- The company has written down and may in the future be forced to further write down, material portions of its assets due to low oil and natural gas prices. The full cost method of accounting is used for oil and gas acquisition, exploration, development and production activities. Under the full cost method, all costs associated with the acquisition, exploration, and development of oil and natural gas properties are capitalized and accumulated in a country-wide cost center.

- The company's operations are subject to disruption from natural or human causes beyond its control, including risks from hurricanes, severe storms, floods, lightning strikes, heat waves, severe weather, wildfires, ambient temperature increases, sea level rise, war, accidents, civil unrest, political events, fires, earthquakes, system failures, cyber threats, terrorist acts and epidemic or pandemic diseases which could result in suspension of operations or harm to people or the natural environment.

- The future value and resources associated with helium development are unknown and the company may never realize the value of any resources. No reserves have been assigned in connection with helium property interests to date, given their early stage of development. The future value of the company may be dependent on the success of helium drilling and development activities.

- The helium, oil and natural gas operations are subject to environmental, legislative and regulatory initiatives that can materially adversely affect the timing and cost of operations and the demand for helium, crude oil, natural gas, and NGLs. The company's operations are subject to stringent and complex federal, state and local laws and regulations relating to the protection of human health and safety, the environment and natural resources.

- The company has never had any helium producing properties and these newly acquired properties may not result in profitable helium production. The company's helium interests are in exploration stage only at this point. Even with application of best science, there is no assurance that commercial

quantities of helium will be discovered at any of the company's properties, nor is there any assurance that these exploration or development programs will yield any positive results.

- The company may need to raise additional capital to complete future potential acquisitions and will be required to raise additional funds through public or private debt or equity financing to fund operations and complete workovers and acquire assets. Adequate funds may not be available when needed or may not be available on favorable terms.

SUMMARY

We believe U.S. Energy has the potential to generate substantial levels of free cash flow over a mid-to-long-term time frame as the company's foray into industrial gases becomes successful. The company's diversification across traditional oil & gas cash flow and industrial gas projects should help reduce the inherent cyclicality in the hydrocarbon markets.

With the successful results of its first two helium wells in the books, and the completion of the processing plant in late 2025, we believe the company could potentially generate helium revenues in early 2026 and could show full cycle industrial gas revenue generation in the $12.0-$14.0 million range.

The company's current stock price does not likely reflect that potential level of profitable growth going forward and does not reflect the value of proven reserves in the oil & gas business and potential industrial gas resources. We believe the stock to be undervalued at this time, particularly when compared to competitors.

We believe multiple valuation methods support our DCF valuation which provides a target price of **$3.00** per share.

Source: usnrg.com

PROJECTED INCOME STATEMENT

Income Statement	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Net Sales	**44,542**	**32,316**	**20,619**	**14,073**	**23,713**
Growth	*569.0%*	*-27.4%*	*-36.2%*	*-31.7%*	*68.5%*
Operating Expenses	**17,240**	**15,811**	**11,365**	**8,518**	**13,878**
%	*38.7%*	*48.9%*	*55.1%*	*60.5%*	*58.5%*
Production Taxes	**3,010**	**2,107**	**1,276**	**844**	**1,399**
% of sales	*6.8%*	*6.5%*	*6.2%*	*6.0%*	*5.9%*
Depreciation, Depletion, Amortization	**9,607**	**11,235**	**8,254**	**5,214**	**5,735**
% of sales	*21.6%*	*34.8%*	*40.0%*	*37.0%*	*24.2%*
Impairments	**0**	**26,680**	**11,918**	**0**	**0**
% of sales	*0.0%*	*82.6%*	*57.8%*	*0.0%*	*0.0%*
SG&A Expenses	**11,157**	**11,523**	**8,197**	**7,248**	**6,523**
% of sales	*25.0%*	*35.7%*	*39.8%*	*51.5%*	*27.5%*
Operating Income	**3,528**	**(35,040)**	**(20,391)**	**(7,751)**	**(3,822)**
Margin	*7.9%*	*-108.4%*	*-98.9%*	*-55.1%*	*-16.1%*
Adjusted EBITDA	**16,152**	**5,168**	**929**	**(1,963)**	**2,498**
Margin	*36.3%*	*16.0%*	*4.5%*	*-14.0%*	*10.5%*
Other Expenses/(Income)	**5,850**	**(2,907)**	**(504)**	**(136)**	**(128)**
%	*13.1%*	*-9.0%*	*-2.4%*	*-1.0%*	*-0.5%*
EBIT	**(2,322)**	**(32,133)**	**(19,887)**	**(7,615)**	**(3,694)**
%	*-5.2%*	*-99.4%*	*-96.4%*	*-54.1%*	*-15.6%*
Total Interest Exp (net)	**544**	**1,114**	**530**	**0**	**105**
%	*1.2%*	*3.4%*	*2.6%*	*0.0%*	*0.4%*
Net Profit Before Tax	**(2,866)**	**(33,247)**	**(20,417)**	**(7,615)**	**(3,799)**
%	*-6.4%*	*-102.9%*	*-99.0%*	*-54.1%*	*-16.0%*
Income Tax	**(1,893)**	**(891)**	**20**	**0**	**0**
% Effective Rate	*66.1%*	*2.7%*	*-0.1%*	*0.0%*	*0.0%*
% Cash Tax Rate	*66.1%*	*2.7%*	*-0.1%*	*0.0%*	*0.0%*
Minority Interests or Preferred Stock	**0**	**0**	**0**	**0**	**0**
Net Profit	**(973)**	**(32,356)**	**(20,437)**	**(7,615)**	**(3,799)**
%	*-2.2%*	*-100.1%*	*-99.1%*	*-54.1%*	*-16.0%*
Non-recurring income (expense)		26,680	5,347		
Average Diluted Shares Outstanding	24,668	25,322	26,720	34,800	35,200
Reported FD EPS		(1.28)	(0.96)		
Zacks EPS	**(0.04)**	**(0.25)**	**(0.56)**	**(0.22)**	**(0.11)**

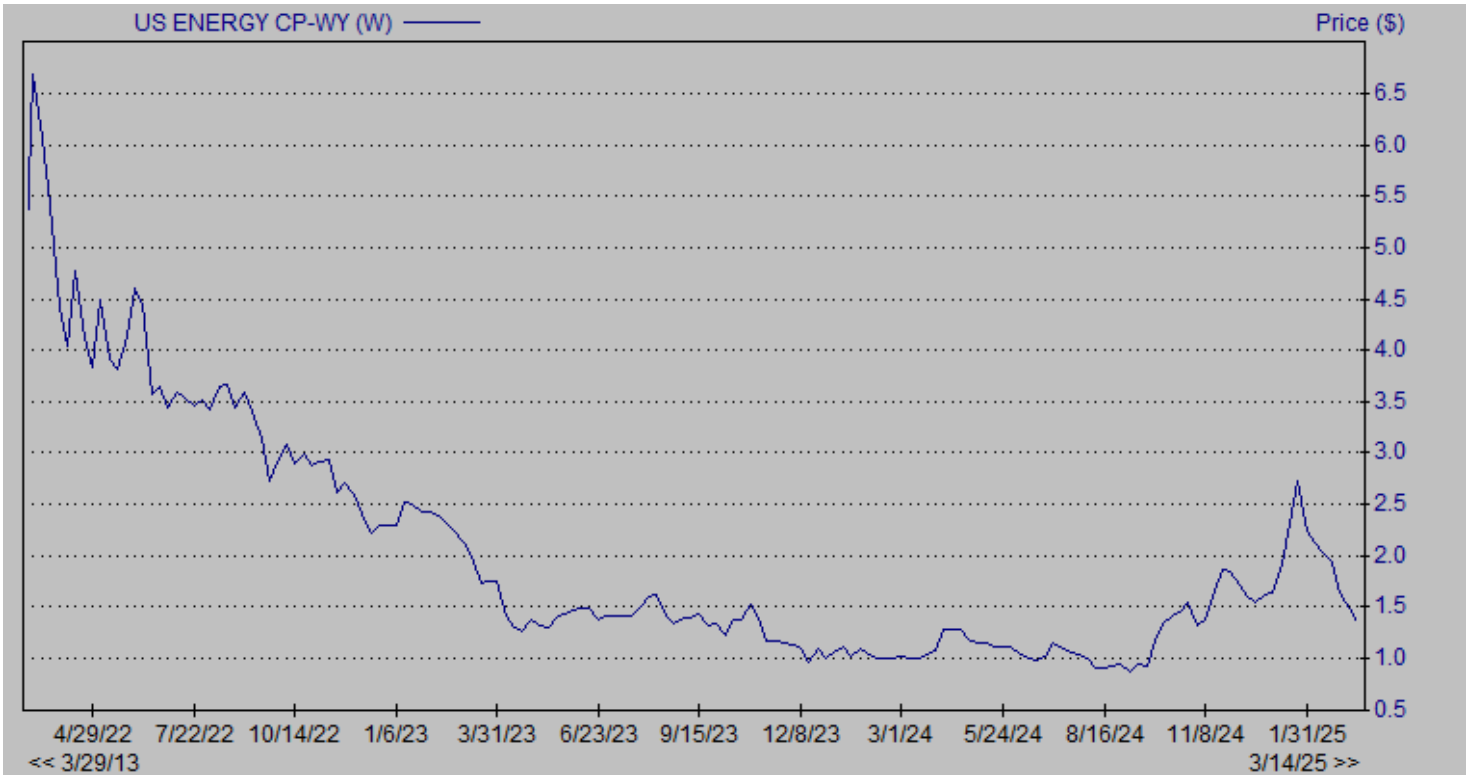
Source: Zacks analyst
Zacks EBITDA may not match USEG adjusted EBITDA

PROJECTED QUARTERLY INCOME STATEMENT

Income Statement	Q1/25E	Q2/25E	Q3/25E	Q4/25E
Net Sales	**3,504**	**3,930**	**3,470**	**3,169**
Growth				
Operating Expenses	**2,102**	**2,397**	**2,117**	**1,901**
%	*60.0%*	*61.0%*	*61.0%*	*60.0%*
Production Taxes	**210**	**236**	**208**	**190**
% of sales	*6.0%*	*6.0%*	*6.0%*	*6.0%*
Depreciation, Depletion, Amortization	**1,303**	**1,303**	**1,303**	**1,303**
% of sales	*37.2%*	*33.2%*	*37.6%*	*41.1%*
Impairments	**0**	**0**	**0**	**0**
% of sales	*0.0%*	*0.0%*	*0.0%*	*0.0%*
SG&A Expenses	**1,648**	**1,750**	**1,900**	**1,950**
% of sales	*47.0%*	*44.5%*	*54.8%*	*61.5%*
Operating Income	**(1,760)**	**(1,757)**	**(2,058)**	**(2,176)**
%	*-837.1%*	*-744.9%*	*-988.7%*	*-1144.5%*
Adjusted EBITDA	**(457)**	**(453)**	**(387)**	**(873)**
%	*-13.0%*	*-11.5%*	*-11.2%*	*-27.5%*
Other Expenses/(Income)	**(34)**	**(34)**	**(34)**	**(34)**
%	*-1.0%*	*-0.9%*	*-1.0%*	*-1.1%*
EBIT	**(1,726)**	**(1,723)**	**(2,024)**	**(2,142)**
%	*-49.3%*	*-43.8%*	*-58.3%*	*-67.6%*
Total Interest Exp. (net)	**0**	**0**	**0**	**0**
%	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Profit Before Tax	**(1,726)**	**(1,723)**	**(2,024)**	**(2,142)**
%	*-49.3%*	*-43.8%*	*-58.3%*	*-67.6%*
Income Tax	**0**	**0**	**0**	**0**
% Effect Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Minority Interest & Preferred Stock	**0**	**0**	**0**	**0**
Net Profit	**(1,726)**	**(1,723)**	**(2,024)**	**(2,142)**
%	*-49.3%*	*-43.8%*	*-58.3%*	*-67.6%*
Non-recurring income (expense)				
Shares Outst.	33,600	35,200	35,200	35,200
Reported FD EPS				
Zacks EPS	**(0.05)**	**(0.05)**	**(0.06)**	**(0.06)**

Source: Zacks analyst
Zacks EBITDA may not match USEG adjusted EBITDA

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Tom Kerr, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.