January 27, 2026

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

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

scr.zacks.com

101 N. Wacker Drive, Chicago, IL 60606

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

USEG: U.S. Energy continues to advance the full-cycle development of its industrial gas assets in Montana. We maintain our price target of $3.00 as we await further progress announcements and 10-K filing.

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 (1/26/26)	$0.98
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 **$11.4 million** in available liquidity as of 9/30/25. We believe the company is well positioned for long-term profitable growth forward.

SUMMARY DATA

52-Week High	**$3.56**
52-Week Low	**$0.91**
One-Year Return (%)	**-64.1**
Beta	**0.50**
Average Daily Volume (sh)	**864,939**
Shares Outstanding (mil)	**34.0**
Market Capitalization ($mil)	**35.1**
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	$2.2 A	$2.0 A	$1.8 A	$1.9 E	$7.8 E
2026					$12.0 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	-$0.10 A	-$0.19 A	-$0.10 A	-$0.06 E	-$0.44 E
2025					-$0.24 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

Helium Industry Update

Helium has become a strategically important input for the **AI and data center ecosystem**, largely driven by its important role in advanced semiconductor manufacturing and next-generation cooling systems. It is used in the production of high-performance AI chips, including GPUs and TPUs, and is increasingly adopted for advanced cooling systems that reduce reliance on water and air based methods. Its inert nature and strong thermal characteristics make helium uniquely suited for cryogenic applications, which positions it as a critical enabler of energy-efficient, high-density computing.

Within AI and data center infrastructure, helium serves several important functions. In semiconductor fabrication, it is used to create controlled vacuum environments and provide cooling during etching and deposition processes which prevents contamination and enables the production of increasingly small and powerful chips. In data centers and high-performance computing systems, helium's very low boiling point enables efficient cryogenic cooling of advanced processors and superconducting components. It is also used as a tracer gas for ultra-sensitive leak detection in closed-loop cooling systems and to enhance performance and reliability in sealed hard drives by reducing drag and maintaining airtight conditions.

The importance of helium is accelerating due to structural shifts in computing workloads and infrastructure design. AI-driven workloads generate unprecedented heat, pushing traditional cooling methods toward their physical and economic limits and increasing the appeal of helium-based solutions. In addition, helium-enabled cooling can materially reduce or eliminate water consumption, aligning with growing ESG priorities and regulatory scrutiny in many states. These demand drivers, combined with historically constrained supply, have elevated helium to a critical raw material, prompting the U.S. and EU to prioritize domestic sourcing and supply chain resilience as AI and data center buildouts continue to scale.

Upstream Development

U.S. Energy continues to achieve major milestones while advancing the full-cycle development of its industrial gas assets across the Kevin Dome structure in Montana.

During the 3rd quarter of 2025, two additional industrial gas wells were drilled, bringing the total to three high-deliverability wells in the CO_2 and helium-rich Duperow Formation with each positioned to deliver strong economic returns. The three wells achieved a combined peak rate of 12.2 MMcf/d, with a high-value composition of approximately 0.5% helium and 85% CO_2.

Following testing, flows were restricted to about 8.0 MMcf/d and subsequently shut in to preserve reservoir value until the plant infrastructure is online which sets the stage for an efficient production ramp-up. The company is planning one additional industrial gas well in the Spring of 2026 in the same formation. The company is also advancing enhanced oil recovery (EOR) opportunities using recycled CO_2 on nearby company-owned oil assets in Montana. In addition, the company is conducting helium offtake negotiations with third-party end users to support commercialization.

Infrastructure Development

The design for the initial gas processing facility was finalized, targeting high-purity recovery of helium and recycled CO_2. An 80-acre site in Toole County, MT, was acquired for $240,000 to host the facility.

The infill gathering system (pipelines) design was also completed, with construction planned for early 2026 to directly connect wells to processing and sequestration operations. Permitting, land access, and utility connections are advancing in parallel to enable a timely startup. Initial construction of the plant is expected to begin in the 3rd quarter of 2026. We believe the cost of the plant would be in the $20-$30

million range. Once operational, the facilities are expected to generate diversified cash flow from helium sales, incremental oil through enhanced oil recovery, and carbon management.

Carbon Management Initiatives

The EPA Monitoring, Reporting, and Verification (MRV) plan was submitted in October 2025, with approval expected by spring or summer 2026. This would make the company eligible for federal carbon credits. A second MRV plan for enhanced oil recovery (EOR) operations is being prepared, with submission planned for December 2025. The company continues sustained injection of 17.0 MMcf/d across two company-owned wells, equivalent to approximately 240,000 metric tons of CO_2 sequestered annually, while advancing near-term EOR projects utilizing recycled CO_2 on legacy oil assets in Montana. Additionally, a second Class II injection well was approved by Montana regulators in August 2025.

Well Summary

The company has three active industrial gas wells currently with another one planned to be drilled in the spring of 2026. The company also owns two CO2 injection wells.

Industrial Gas

#1) In January 2025, the company acquired 24,000 net acres across the Kevin Dome which included the already drilled Kiefer Farms well targeting the CO2 rich Duperow formation. CO2 wells are drilled at a shallower formation than nitrogen wells at approximately 3,000 feet. This well is expected to become a near-term economic contributor to the industrial gas processing facility that is being developed.

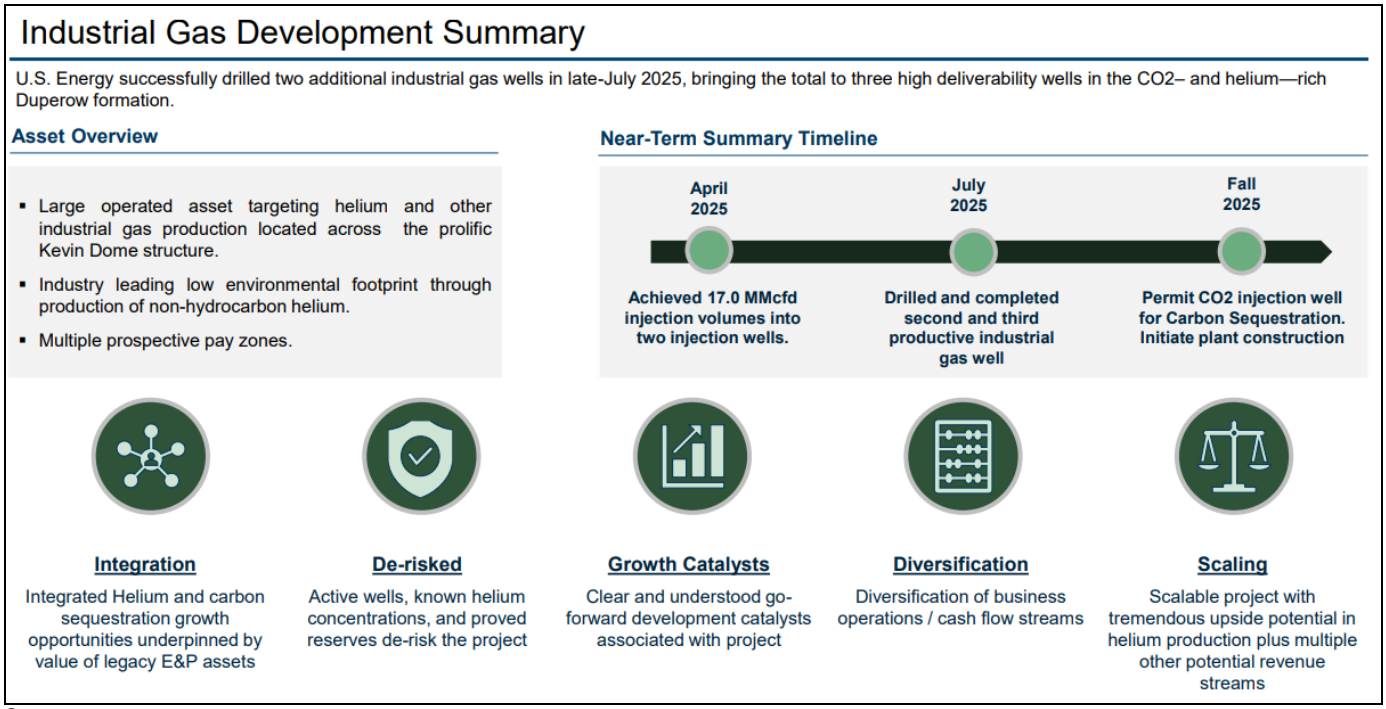
#2) and #3) In July 2025, the company drilled and completed two producing wells in CO2 zones with helium concentrations in the 0.4%-0.5% range. These wells, located within 1-2 miles of the Keifer Farms well (#1 well), together with the Keifer well make three productive wells.

#4) A 4th producing well may be drilled in Spring 2026. This is expected to be located in the same area as wells #1, #2 and #3. This will be an industrial gas well similar to the three active wells described above.

Carbon Sequestration

#1) This was the company's first well of its industrial gas program and was completed in October 2024. It was drilled to the nitrogen rich Precambrian formation at approximately 5,000 feet and produced helium concentrations of 1.5%. However, the volumetric flow was not sufficient to make this a viable well to develop required helium extraction at the processing plant. This well is being converted to a CO2 injector well has been approved for Class II status. The MRV has been filed on this well with approval expected in the summer of 2026.

#2) In April 2025, the company acquired approximately 2,300 net acres with CO2 rights that are contiguous to its existing positions across Montana's Kevin Dome structure. This acquisition includes an active Class II injection well to sequester CO2 captured from the company's industrial gas processing facility (see below for more details).



Source: usnrg.com

New Industrial Gas Resource Report

In the 2nd quarter of 2025, the company had an industrial gas resource report prepared for the volumes in place on its initial target development area across its Kevin Dome asset. The report concluded 1.28 billion cubic feet ("BCF") of net helium resources and 443.8 BCF of net CO2 resources, contingent upon economics and future development. The gas concentrations used for the report was 0.4% - 0.5% helium and 84% - 85% CO2, reflecting the composition of the company's recent development activities.

	Contingent Resource (1C)	
	Gross Volumes (BCF)	Net Volumes (BCF)
Helium resource	2.3	1.3
CO2 resource	1,322.6	443.8

Source: usnrg.com

Potential Opportunities in Gas Liquification Markets

There are only eight helium liquefiers in the U.S. with some being out of commission or not accepting third-party gas. None of these operating plants are currently geographically located to service helium production in the northern U.S. or Canada, so small operators face significant barriers to liquefaction, creating a unique opportunity for the company. USEG is well-positioned to capitalize on the helium liquefaction market, where limited capacity restricts third-party processing and transportation.

Strategically located in Montana, USEG's operations are ideally suited for a West of the Rockies helium liquefier, enhancing internal economics by producing liquefied helium, which commands a 25-50% premium over gaseous form, and attracting strategic capital by serving West Coast and export markets.

The company sees significant potential to support emerging helium producers in the Rocky Mountain region, many lacking processing infrastructure, by offering third-party tolling services that diversify plant revenues through gaseous helium trucked to the facility, independent of throughput volumes. Acquiring

iso-container helium trucks would enable downstream transportation, further expanding access to domestic and international buyers. By targeting smaller, early-stage producers, the company can integrate valuable assets, achieve economies of scale, and leverage untapped industrial gas streams for diversified growth.

3rd Quarter 2025 Financial and Operating Results

On November 12, 2025, U.S. Energy reported 3rd quarter 2025 financial and operating results. The year over year revenue comparisons were mostly irrelevant due to the oil & gas divestitures that occurred in 2024. Total oil and gas revenue in the 3rd quarter was approximately $1.74 million, of which $1.59 million was oil and $151,000 was natural gas and liquids.

In the 3rd quarter, lease operating expenses (LOE) were approximately $1.04 million, or $29.36 per Boe, compared to $3.1 million, or $28.95 per Boe, in the prior year period. The reduction in LOE is primarily due to fewer producing wells as a result of recent asset divestitures..

Cash general and administrative expenses in the 3rd quarter of 2025 were approximately $1.5 million compared to $2.0 million in the 3rd quarter of 2024. This primarily reflects lower acquisition related costs.

The company recorded a non-cash impairment charge of $0.87 million related to lower oil & gas prices.

The company generated an adjusted EBITDA loss of ($1.2) million in the 3rd quarter of 2025. The reported net loss was ($3.3) million, or ($0.10) per diluted share.

As of 9/30/25, the company had no outstanding debt, cash balances of $1.4 million, and $10.0 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 October 2025, the company filed for an equity line of credit for up to $25.0 million in gross proceeds.

Oil & Gas Business

In the 3rd quarter of 2025, the company produced 35,326 BOE, or an average of 384 BOE per day, as compared to 105,699 BOE or an average of 1,149 BOE per day during the prior year period. The decrease in production quantities primarily relates to the divestitures of properties in the Karnes County, East Texas and Mid-con regions which occurred in the second half of 2024 and the natural decline in production in remaining producing assets. During the 3rd quarter of 2025, production was 91% oil and 9% natural gas and liquids.

The company's proved developed producing oil and gas reserve base as of October 1, 2025 consisted of approximately 1.5 million barrels of oil equivalent ("BOE") comprised of approximately 75% oil. The PV-10 value of the company's reserves was approximately **$20.5 million** at SEC pricing, with assumed pricing of $67.45/bbl, $3.10/mcf, and $33.01/boe for oil, gas, and natural gas liquids, respectively.

	Three months ended September 30,		Change	
	2025	2024	Amount	Percent
	(in thousands except average prices and production quantities)			
Revenue:				
Oil	$ 1,587	$ 4,375	$ (2,788)	(64)%
Natural gas and liquids	151	582	(431)	(74)%
Total revenue	$ 1,738	$ 4,957	$ (3,219)	(65)%
Production quantities:				
Oil (Bbls)	26,399	61,185	(34,786)	(57)%
Natural gas and liquids (Mcfe)	53,562	267,089	(213,527)	(80)%
BOE	35,326	105,699	(70,373)	(67)%
BOE/Day	384	1,149	(765)	(67)%
Average sales prices:				
Oil (Bbls)	$ 60.12	$ 71.50	$ (11.38)	(16)%
Natural gas and liquids (Mcfe)	$ 2.82	$ 2.18	$ 0.64	29%
BOE	$ 49.20	$ 46.90	$ 2.30	5%

Source: usnrg.com

Valuation & Estimates

We maintain our price target of **$3.00** per share as we await further announcements on its industrial gas development program as well as the release of the company's 10-K filing.

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 the 4th quarter of 2026. For calendar year 2026, we believe that helium revenues could total approximately $4.0 million, and EBITDA generation would be in the range of $1.0 to $2.0 million. We assume the oil and gas properties produce steady state revenues in the $6.0-$7.0 million range with EBITDA generation of approximately $1.0 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 benefits into our model at this time.

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

April 2025 C02 Sequestration Acquisition

On April 16, 2025, the company announced the closing of a strategic acquisition that included approximately 2,300 net acres with CO2 rights that are highly contiguous to its existing position across Montana's Kevin Dome structure. The acquisition includes an active Class II injection well to sequester CO2 captured from the company's industrial gas processing facility currently under development. The acreage was purchased from a privately held company for $0.2 million.

The Class II injection well is a critical component of the company's plan to securely store CO2 captured from its upcoming industrial gas processing facility. The well maintains active permits approved by the EPA and issued under the Safe Drinking Water Act's Underground Injection Control Program (UIC), ensuring compliance with federal and state regulations for safe and permanent CO2 storage.

The acquisition expands U.S. Energy's CCUS-ready infrastructure and reflects the Company's broader strategy to develop scalable, low-emission industrial gas operations while positioning itself as a U.S.-based supplier of clean helium and other critical gases.

January 2025 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.

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 continue 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 appear to make the well economically viable. This well has since been converted to a CO2 injection well.
- 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 SEC PV-10 proved oil & gas reserves as of October 1, 2025 totaled **$20.5** million.
- The company currently has no debt, approximately $1.4 million in cash, and $10.0 million in availability on its bank line of credit for total liquidity of **$11.4 million** as of 9/30/25.
- 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 opportunities that it believes will enhance stockholder value.

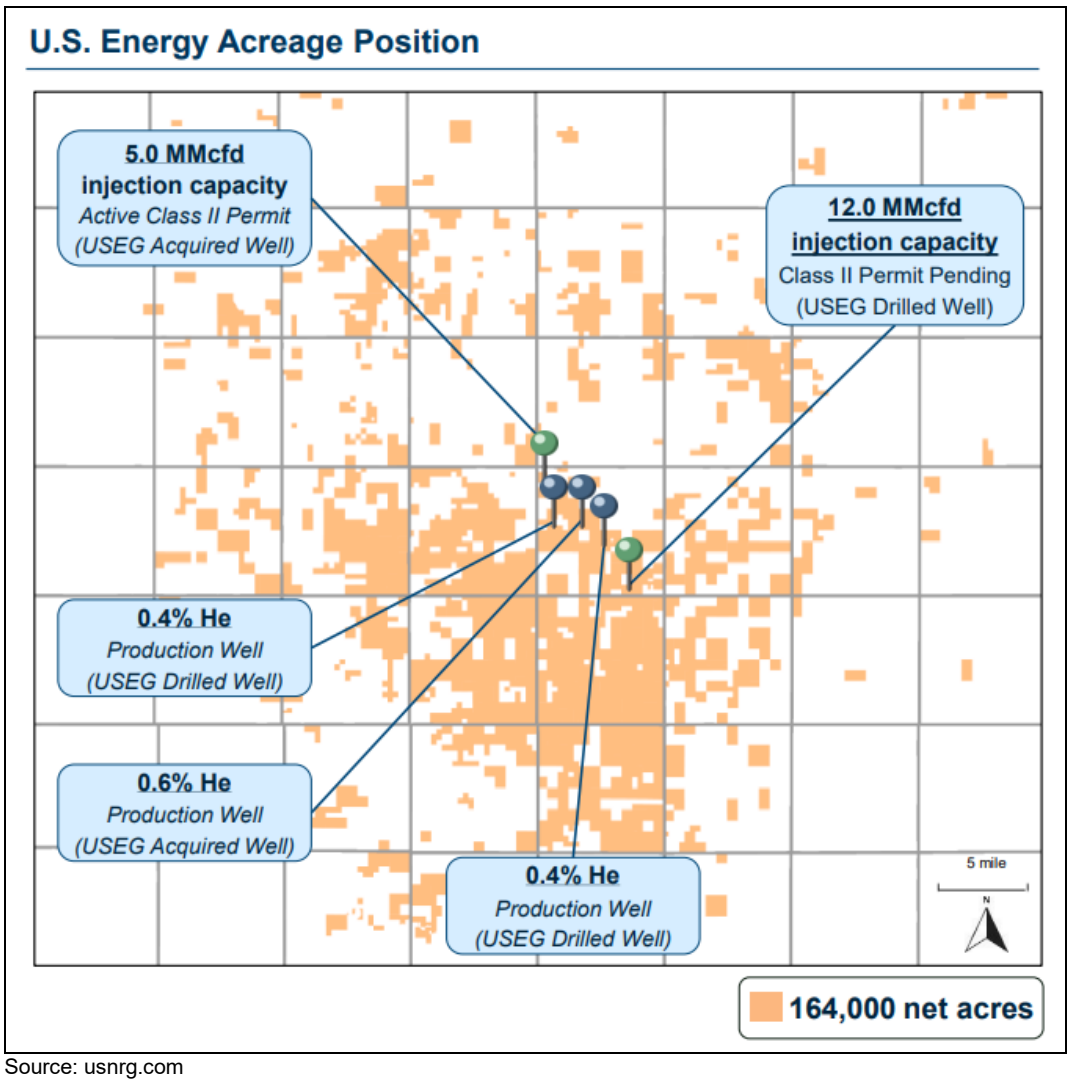
After the transformative June 2024 acquisition of 140,000 acres in Northwestern Montana with the goal of producing and marketing helium gas, the company will focus on producing industrial gases in the region and advancing its existing carbon sequestration opportunities. Third party engineering studies 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 approximately $1.0 million in EBITDA annually depending on prevailing commodity prices.

PROPERTIES

Helium & Industrial Gases

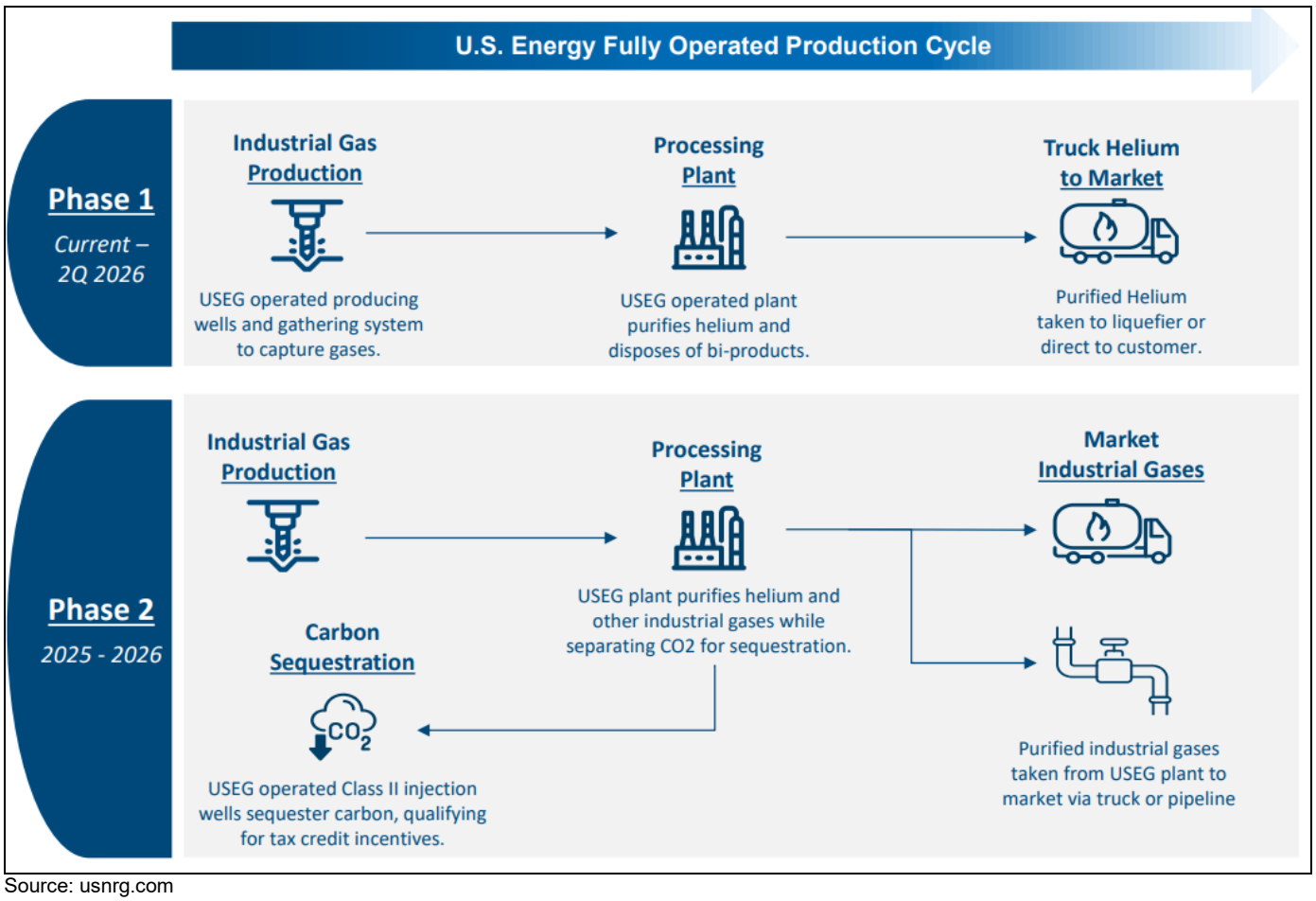
The company's helium producing properties encompass 164,000 acres in Northwest Montana stretching across the Kevin Dome geological structure. Kevin Dome covers 750 square miles and contains naturally occurring CO2, Helium, Nitrogen and other gases that have been trapped in place for millions of years.



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.

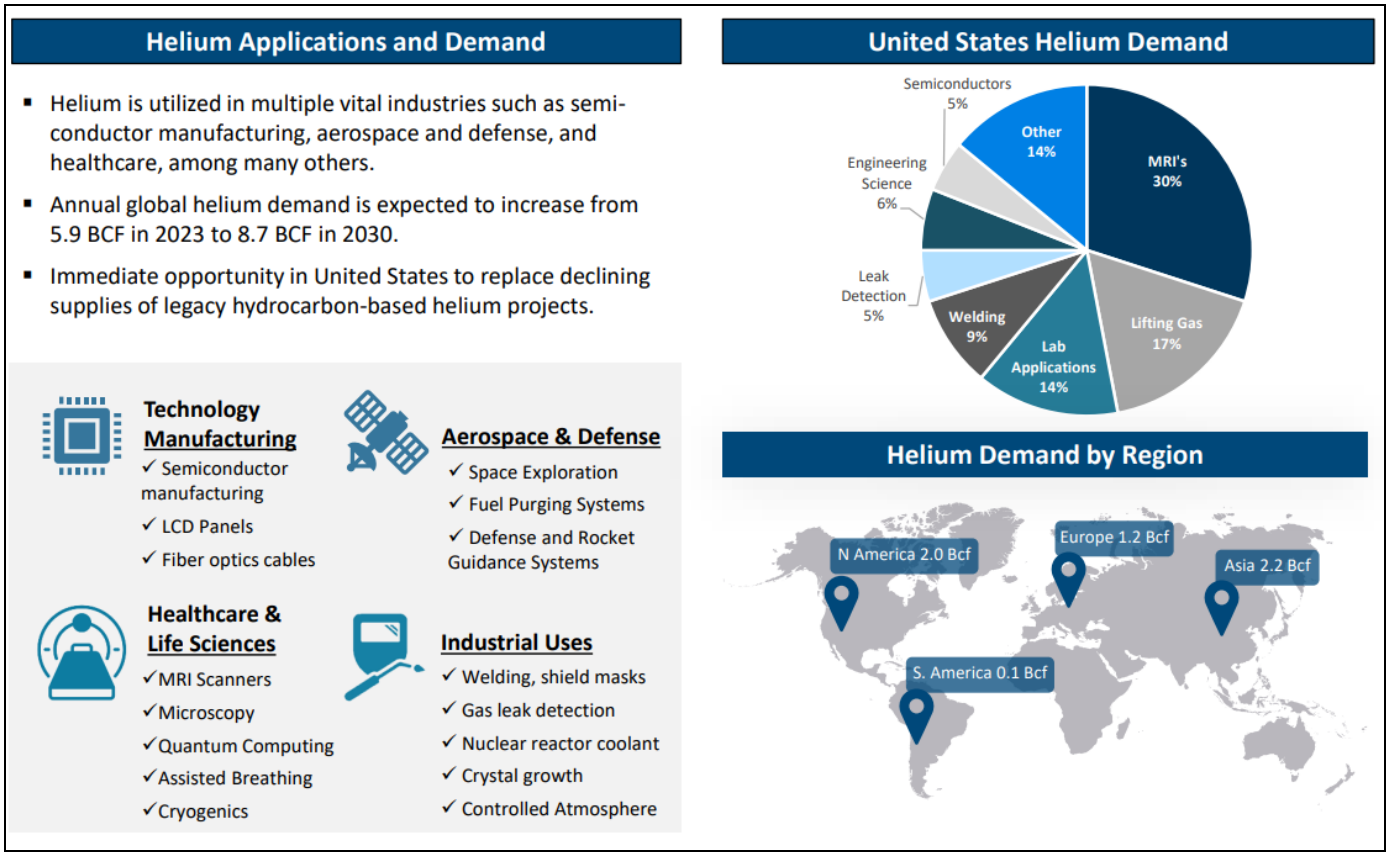


Source: usnrg.com

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.



Source: usnrg.com

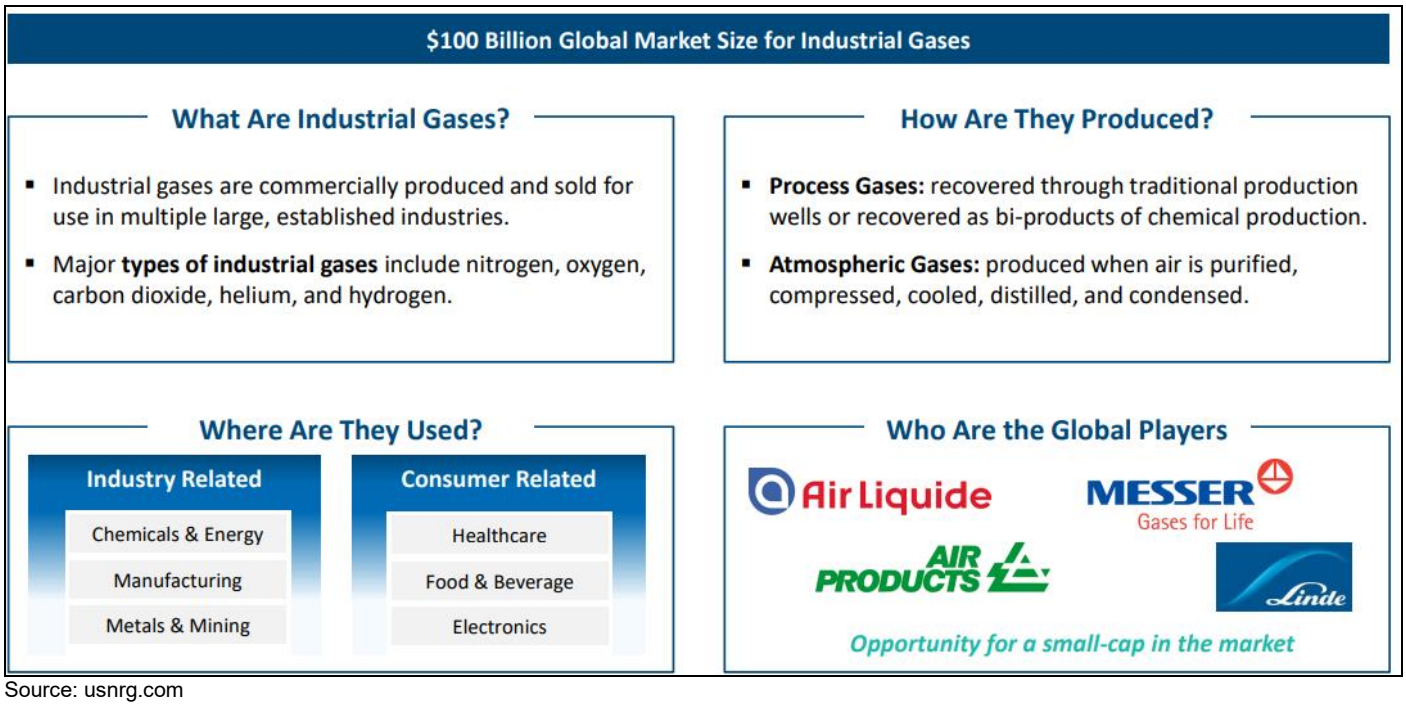
The amount of helium gas that can be found in a natural gas or nitrogen/CO2 well varies from negligible to 4.0% by its volume. The company projects the helium recovery rate for their wells will range from 0.5% to 1.5%. The total extracted gases containing helium undergoes a process of cryogenic distillation 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.



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.

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.

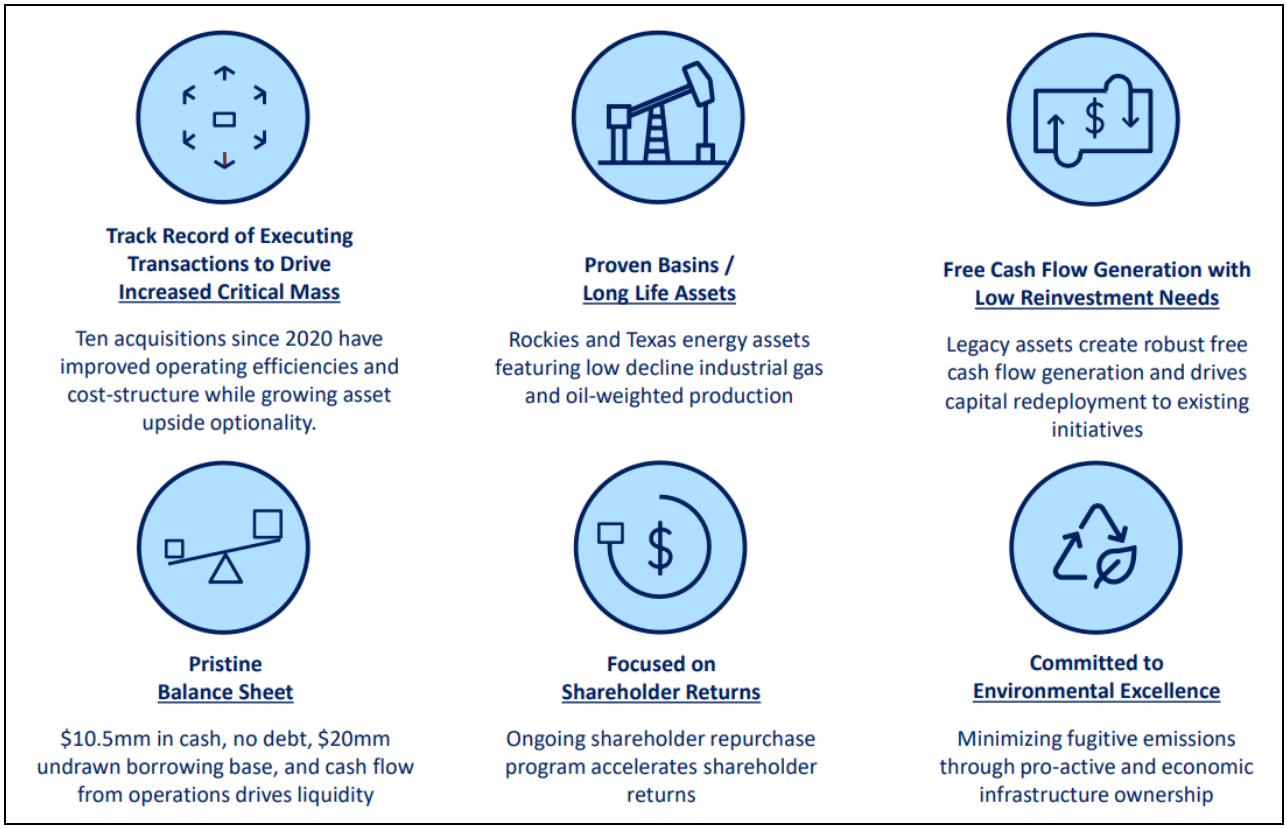
SUMMARY

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 three helium wells in the books, and the completion of the processing plant in late 2026, we believe the company could potentially generate helium revenues in the 4th quarter of 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 USEG 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**	**7,836**	**11,993**
Growth	*569.0%*	*-27.4%*	*-36.2%*	*-62.0%*	*53.0%*
Operating Expenses	**17,240**	**15,811**	**11,365**	**5,367**	**7,375**
%	*38.7%*	*48.9%*	*55.1%*	*68.5%*	*61.5%*
Production Taxes	**3,010**	**2,107**	**1,276**	**545**	**556**
% of sales	*6.8%*	*6.5%*	*6.2%*	*7.0%*	*4.6%*
Depreciation, Depletion, Amortization	**9,607**	**11,235**	**8,254**	**3,870**	**3,909**
% of sales	*21.6%*	*34.8%*	*40.0%*	*49.4%*	*32.6%*
Impairments (or unusual loss)	**0**	**26,680**	**11,918**	**3,629**	**0**
% of sales	*0.0%*	*82.6%*	*57.8%*	*46.3%*	*0.0%*
SG&A Expenses	**11,157**	**11,523**	**8,197**	**9,110**	**8,199**
% of sales	*25.0%*	*35.7%*	*39.8%*	*116.3%*	*68.4%*
Operating Income	**3,528**	**(35,040)**	**(20,391)**	**(14,685)**	**(8,045)**
Margin	*7.9%*	*-108.4%*	*-98.9%*	*-187.4%*	*-67.1%*
Adjusted EBITDA	**16,152**	**5,168**	**929**	**(6,612)**	**(3,551)**
Margin	*36.3%*	*16.0%*	*4.5%*	*-84.4%*	*-29.6%*
Other Expenses/(Income)	**5,850**	**(2,907)**	**(504)**	**(437)**	**40**
%	*13.1%*	*-9.0%*	*-2.4%*	*-5.6%*	*0.3%*
EBIT	**(2,322)**	**(32,133)**	**(19,887)**	**(14,248)**	**(8,086)**
%	*-5.2%*	*-99.4%*	*-96.4%*	*-181.8%*	*-67.4%*
Total Interest Exp (net)	**544**	**1,114**	**530**	**238**	**105**
%	*1.2%*	*3.4%*	*2.6%*	*3.0%*	*0.9%*
Net Profit Before Tax	**(2,866)**	**(33,247)**	**(20,417)**	**(14,486)**	**(8,191)**
%	*-6.4%*	*-102.9%*	*-99.0%*	*-184.9%*	*-68.3%*
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)**	**(14,486)**	**(8,191)**
%	*-2.2%*	*-100.1%*	*-99.1%*	*-184.9%*	*-68.3%*
	0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-recurring income (expense)		26,680	5,347		
Average Diluted Shares Outstanding	24,668	25,322	26,720	32,746	34,000
Reported FD EPS		(1.28)	(0.96)		
Zacks EPS	**(0.04)**	**(0.25)**	**(0.56)**	**(0.44)**	**(0.24)**

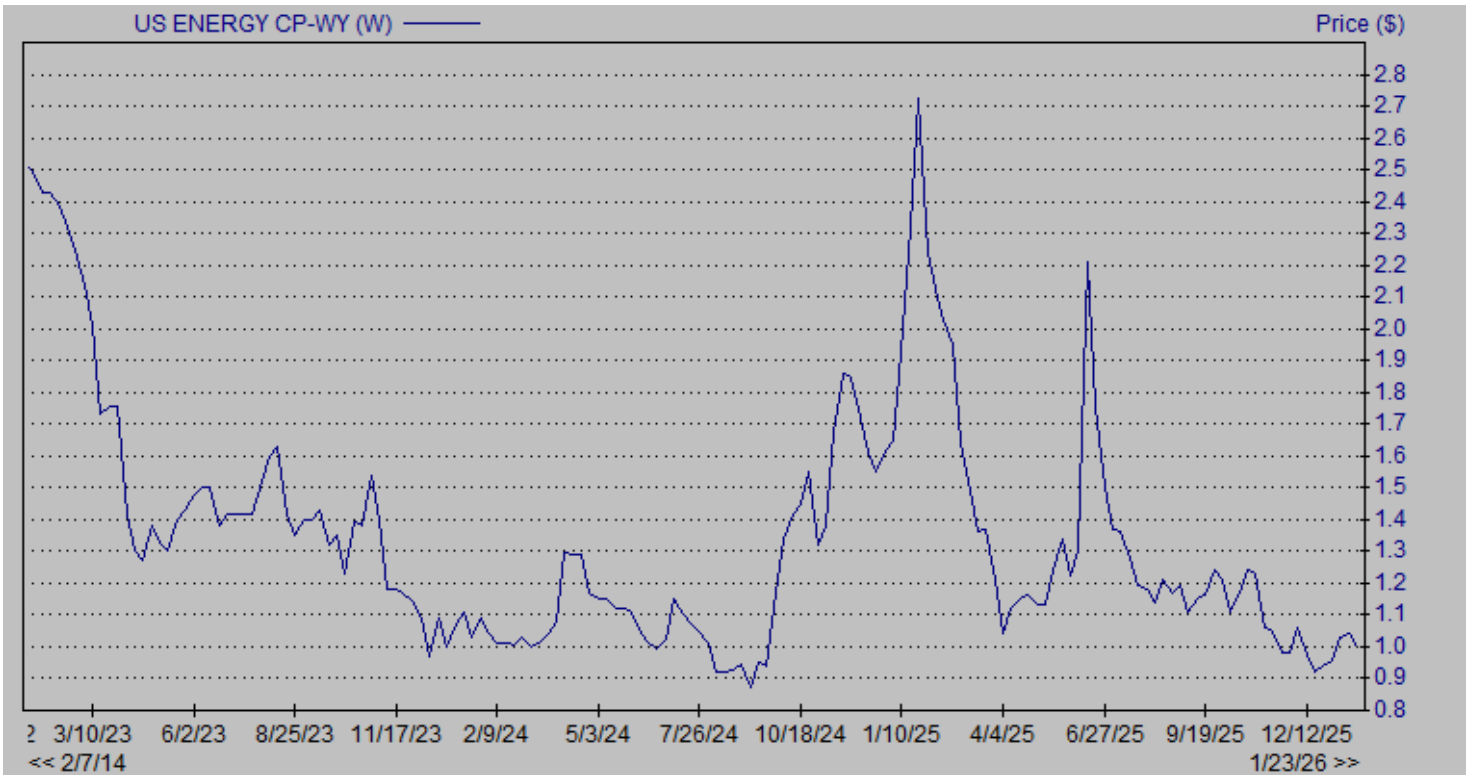
Source: Zacks analyst
Zacks EBITDA may not match USEG adjusted EBITDA

PROJECTED QUARTERLY INCOME STATEMENT

Income Statement	Q1/25A	Q2/25A	Q3/25A	Q4/25E
Net Sales	**2,193**	**2,028**	**1,738**	**1,877**
Growth				
Operating Expenses	**1,625**	**1,571**	**1,045**	**1,126**
%	*74.1%*	*77.5%*	*60.1%*	*60.0%*
Production Taxes	**148**	**148**	**136**	**113**
% of sales	*6.7%*	*7.3%*	*7.8%*	*6.0%*
Depreciation, Depletion, Amortization	**1,119**	**1,118**	**816**	**817**
% of sales	*51.0%*	*55.1%*	*47.0%*	*43.5%*
Impairments	**0**	**2,760**	**869**	**0**
% of sales	*0.0%*	*136.1%*	*50.0%*	*0.0%*
SG&A Expenses	**2,389**	**2,670**	**2,241**	**1,810**
% of sales	*108.9%*	*131.7%*	*128.9%*	*96.4%*
Operating Income	**(3,088)**	**(6,239)**	**(3,379)**	**(1,989)**
%				
Adjusted EBITDA	**(1,498)**	**(2,361)**	**(1,326)**	**(1,172)**
%	*-68.3%*	*-116.4%*	*-76.3%*	*-62.4%*
Other Expenses/(Income)	**(24)**	**(228)**	**(110)**	**(75)**
%	*-1.1%*	*-11.2%*	*-6.3%*	*-4.0%*
EBIT	**(3,064)**	**(6,011)**	**(3,269)**	**(1,914)**
%	*-139.7%*	*-296.4%*	*-188.1%*	*-102.0%*
Total Interest Exp. (net)	**47**	**47**	**72**	**72**
%	*2.1%*	*2.3%*	*4.1%*	*3.8%*
Net Profit Before Tax	**(3,111)**	**(6,058)**	**(3,341)**	**(1,986)**
%	*-141.9%*	*-298.7%*	*-192.2%*	*-105.8%*
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	**(3,111)**	**(6,058)**	**(3,341)**	**(1,986)**
%	*-141.9%*	*-298.7%*	*-192.2%*	*-105.8%*
Non-recurring income (expense)				
Shares Outst.	32,725	32,672	32,793	32,793
Reported FD EPS				
Zacks EPS	**(0.10)**	**(0.19)**	**(0.10)**	**(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.