

US ENERGY CORP
Form 8-K
November 27, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): November 27, 2007 (November 26, 2007)

U.S. ENERGY CORP.

(Exact Name of Company as Specified in its Charter)

Wyoming

(State or other jurisdiction of
incorporation or organization)

0-6814

(Commission File No.)

83-0205516

(I.R.S. Employer
Identification No.)

Glen L. Larsen Building

877 North 8th West

Riverton, WY

(Address of principal executive
offices)

82501

(Zip Code)

Registrant's telephone number, including area code: **(307) 856-9271**

Not Applicable

Former Name, Former Address or Former Fiscal Year,
If Changed From Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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Section 2: Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets

At the special meeting of shareholders of Crested Corp. (“Crested”) held on November 26, 2007, a majority of the minority shareholders of Crested voted to approve the January 23, 2007 (as amended as of July 31, 2007) Agreement and Plan of Merger (the “Agreement”) for the merger of Crested into U.S. Energy Corp. (“USE”). Immediately following receipt of such approval from the majority of the minority Crested share owners, USE (and those of its affiliates that owned Crested stock) voted their Crested shares in favor of the Agreement.

The merger was completed on November 27, 2007, and Crested has been merged into USE pursuant to Colorado and Wyoming law as of the date of this report. As a result, Crested has ceased to exist and all outstanding shares of Crested have been converted into the right to receive USE shares. In accordance with the Agreement and USE’s effective Form S-4 registration statement for the transaction, USE will issue up to 2,876,188 shares of common stock to all former shareholders of Crested (except USE), on an exchange ratio of 1 USE share for every 2 Crested shares. Computershare Trust Company, transfer agent for USE and the exchange agent for the merger consideration, will issue USE shares to the former Crested shareholders in due course as the Crested shares are presented for exchange. USE shares issued to the former minority shareholders of Crested will not be restricted.

Section 9. Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information

UNAUDITED U.S. ENERGY CORP. PRO FORMA COMBINED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Basis of Presentation The pro forma financial statements filed with this report reflect what USE's financial position would have been had the merger with Crested closed on January 1, 2006 and September 30, 2007. The balance sheet, and statement of operations, at December 31, 2006, and for the year then ended, as well as at September 30, 2007 and for the nine months then ended, have been condensed.

Basic earnings per share are based upon the weighted average number of common shares outstanding. Diluted earnings per common share are based on the assumption that all of the Crested options were converted into common shares using the treasury stock method. There are no differences in net earnings for purposes of computing basic and diluted earnings per share as conversion of the common stock options would have no effect on net earnings.

The unaudited pro forma information is based on the historical financial statements of USE and Crested under the purchase method of accounting, and includes the adjustments described in the accompanying notes. The pro forma combined condensed consolidated balance sheet and the pro forma combined condensed consolidated statements of operations and accompanying notes are qualified in their entirety and should be read in conjunction with the historical financial statements of USE and Crested included with or incorporated by reference into this proxy statement/prospectus.

The pro forma adjustments are based on estimates and assumptions available on the date of this report that USE believes are reasonable under the circumstances. The pro forma combined condensed consolidated financial information has been prepared in accordance with the rules and regulations of the SEC. This information is intended for informational purposes only and is not necessarily indicative of the future financial position of USE after the merger, or of its financial position that would have actually occurred had the acquisition been effected as of the dates indicated above.

U.S. ENERGY CORP. and SUBSIDIARIES
PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
(Unaudited)
ASSETS

| | September 30, 2007 | | | December 31, 2006 | | |
|-------------------------------|--------------------|---------------|----------------|-------------------|---------------|---------------|
| | Actual | Adjustment | Pro Forma | Actual | Adjustment | Pro Forma |
| Current Assets | \$ 83,099,700 | | \$ 83,099,700 | \$ 43,325,200 | | \$ 43,325,200 |
| Investments | 27,000 | | 27,000 | 27,000 | | 27,000 |
| Properties and Equipment | 24,322,400 | 12,712,800 | 37,035,200 | 11,563,500 | 14,524,700 | 26,088,200 |
| Less Accumulated Depreciation | (4,561,700) | | (4,561,700) | (5,454,200) | | (5,454,200) |
| | 19,760,700 | 12,712,800 | 32,473,500 | 6,109,300 | 14,524,700 | 20,634,000 |
| Other Assets | 5,645,000 | | 5,645,000 | 2,439,900 | | 2,439,900 |
| Total Assets | \$ 108,532,400 | \$ 12,712,800 | \$ 121,245,200 | \$ 51,901,400 | \$ 14,524,700 | \$ 66,426,100 |

LIABILITIES AND STOCK HOLDERS' EQUITY

| | September 30, 2007 | | | December 31, 2006 | | |
|--|--------------------|-------------|--------------|-------------------|------------|---------------|
| | Actual | Adjustment | Pro Forma | Actual | Adjustment | Pro Forma |
| Current Liabilities | \$ 6,005,400 | | \$ 6,005,400 | \$ 11,595,200 | | \$ 11,595,200 |
| Long-Term Debt, net of current portion | 228,400 | | 228,400 | 294,900 | | 294,900 |
| Asset Retirement Obligations | 131,300 | | 131,300 | 124,400 | | 124,400 |
| Other Accrued Liabilities | 1,051,000 | | 1,051,000 | 462,700 | | 462,700 |
| Minority Interests | 8,391,900 | (3,555,900) | 4,836,000 | 4,700,200 | | 4,700,200 |

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| | | | | | | |
|---|----------------|---------------|----------------|---------------|---------------|---------------|
| Forfeitable Shares | - | - | 1,746,600 | | | 1,746,600 |
| Preferred Stock | - | - | - | - | - | - |
| Shareholders Equity | | | | | | |
| Common Stock | 211,600 | 28,800 | 240,400 | 196,600 | 28,800 | 225,400 |
| Additional paid-in capital | 79,152,900 | 12,684,000 | 91,836,900 | 72,990,700 | 14,495,900 | 87,486,600 |
| Retained earnings (accumulated deficit) | 16,017,000 | 3,555,900 | 19,572,900 | (39,101,900) | | (39,101,900) |
| Treasury stock at cost | (1,970,800) | | (1,970,800) | (923,500) | | (923,500) |
| Unrealized (loss) gain on marketable securities | (195,800) | | (195,800) | 306,000 | | 306,000 |
| Unallocated ESOP contribution | (490,500) | | (490,500) | (490,500) | | (490,500) |
| Total Shareholder's equity | 92,724,400 | 16,268,700 | 108,993,100 | 32,977,400 | 14,524,700 | 47,502,100 |
| Total liabilities and shareholder's equity | \$ 108,532,400 | \$ 12,712,800 | \$ 121,245,200 | \$ 51,901,400 | \$ 14,524,700 | \$ 66,426,100 |

U.S. ENERGY CORP. and SUBSIDIARIES
PRO FORMA CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS
(Unaudited)

| | Nine Months Ended September 30, 2007 | | | Year Ended December 31, 2006 | | |
|---|---|------------|--------------|---------------------------------|------------|--------------|
| | Actual | Adjustment | Pro Forma | Actual | Adjustment | Pro Forma |
| Operating Revenues | \$ 931,900 | | \$ 931,900 | \$ 813,400 | | \$ 813,400 |
| Operating Costs and Expenses: | | | | | | |
| Mineral holding costs | 2,369,800 | | 2,369,800 | 2,312,800 | | 2,312,800 |
| Asset retirement obligations | | | - | 854,600 | | 854,600 |
| General and administrative | 12,156,800 | | 12,156,800 | 14,007,000 | | 14,007,000 |
| Other | 250,400 | | 250,400 | 309,700 | | 309,700 |
| | 14,777,000 | - | 14,777,000 | 17,484,100 | - | 17,484,100 |
| Loss before investment and property transactions: | (13,845,100) | | (13,845,100) | (16,670,700) | | (16,670,700) |
| Other Income & (Expenses): | | | | | | |
| Gain on sale of assets | 1,962,000 | | 1,962,000 | 3,063,600 | | 3,063,600 |
| Loss on sale of marketable securities | (8,318,400) | | (8,318,400) | (867,300) | | (867,300) |
| Gain on foreign exchange | 430,000 | | 430,000 | - | | |
| Gain on sale of uranium assets | 111,728,200 | | 111,728,200 | - | | |
| Gain on sale of investments | | | - | 10,815,600 | | 10,815,600 |
| Loss on gain from valuation of derivatives | | | - | (630,900) | | (630,900) |
| Loss on Enterra share | | | - | (3,845,800) | | (3,845,800) |

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| | | | | | | | | |
|--|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| exchange | | | | | | | | |
| Settlement of litigation | | | | - | (7,000,000) | | (7,000,000) | |
| Other | 1,959,700 | | 1,959,700 | | 767,500 | | 767,500 | |
| | 107,761,500 | | - | 107,761,500 | 2,302,700 | | - | 2,302,700 |
| Loss before minority interest, | | | | | | | | |
| discontinued operations and income taxes | 93,916,400 | | 93,916,400 | | (14,368,000) | | (14,368,000) | |
| Minority interest in loss of consolidated subsidiaries | | | | | | | | |
| | (3,551,400) | 3,555,900 | | 4,500 | 88,600 | | 88,600 | |
| Loss before income taxes | | | | | | | | |
| | 90,365,000 | 3,555,900 | | 93,920,900 | (14,279,400) | | - | (14,279,400) |
| Income Taxes: | | | | | | | | |
| Current (provision for) benefit | (18,625,100) | | (18,625,100) | | 235,000 | | 235,000 | |
| Deferred (provision for) benefit | (14,512,700) | | (14,512,700) | | 15,096,600 | | 15,096,600 | |
| | (33,137,800) | | - | (33,137,800) | 15,331,600 | | - | 15,331,600 |
| Net Income Loss | | | | | | | | |
| | \$ 57,227,200 | \$ 3,555,900 | \$ 60,783,100 | \$ 1,052,200 | \$ - | \$ 1,052,200 | | |
| Per Share Data | | | | | | | | |
| Basic earnings per share | \$ 2.86 | \$ 0.17 | \$ 3.04 | \$ 0.06 | \$ 0.06 | \$ 0.06 | \$ 0.06 | |
| Diluted earnings per share | \$ 2.61 | \$ 0.16 | \$ 2.78 | \$ 0.05 | \$ 0.05 | \$ 0.05 | \$ 0.05 | |

**NOTES TO U.S. ENERGY COPR. UNAUDITED PRO FORMA COMBINED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, AND DECEMBER 31, 2006**

1. Basis of Pro Forma Presentation

The unaudited pro forma combined condensed consolidated financial statements of USE have been prepared on the basis of assumptions relating to the allocation of consideration paid for the acquired assets and liabilities of Crested based on the best preliminary estimates of USE's management. The actual allocation of the amount of the consideration may differ from that reflected in these unaudited pro forma combined condensed consolidated financial statements, based upon the completion of a valuation. The table below sets forth the estimated purchase price allocation for USE at September 30, 2007:

| | |
|---|---------------|
| Fair value of USE common stock issued, not including stock-based compensation allocable to USE shares issued for Crested shares underlying Crested options: | \$ 11,841,200 |
| Estimated fair value of: stock-based compensation (USE shares issued for Crested shares underlying Crested options): | \$ 871,600 |
| Total Pro Forma Consideration | \$ 12,712,800 |

2. Pro Forma Adjustments

These adjustments reflect the components of the aggregate purchase consideration and related transaction costs, which includes USE common stock with a market value of \$12,712,800 at September 30, 2007 and \$14,524,700 at December 31, 2006 (including shares issued for the Crested shares underlying the Crested options).

The USE shares' market value is based on a per share value of approximately \$4.42, which was the market price at the close on September 28, 2007 and \$5.05 on December 29, 2006. The calculation of the number of USE shares to be issued, 2,876,188 total shares, is based upon the agreed upon exchange ratio of 2 shares of Crested for 1 share of USE based on the price per share as computed by the independent consultants to the Special Committees of USE and Crested which was recommended by the Special Committees of both companies and ratified by the full boards of directors of each company on December 20, 2006 of \$4.74 per share for USE and \$2.32 per share for Crested. The ratio of 2 shares of Crested for 1 share of USE represented a premium of about 12% in the value of the Crested minority shares (if the merger had closed that day) to the relative stock prices between the two companies for the 30 days ended December 18, 2006.

3. Allocation of Pro Forma Purchase Consideration

The pro forma purchase consideration of \$12,712,800 at September 30, 2007 is allocated to mining claims. This allocation represents consideration of Crested's interest in the Lucky Jack Molybdenum property near Crested Butte, Colorado not owned by USE. Management believes that the fair value of this property is substantially greater than Crested's book value. At this time, management intends to conduct a formal valuation of this property to confirm that valuation estimate.

(d) Exhibits. None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

U.S. ENERGY CORP.

Dated: November 27, 2007

By:

/s/ Keith G. Larsen
Chief Executive Officer

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