

US ENERGY CORP
Form 10-K/A
December 23, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A

(Mark One)

- Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year Ended December 31, 2009
- Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 000-6814

U.S. ENERGY CORP.
(Exact Name of Company as Specified in its Charter)

Wyoming
(State or other jurisdiction of
incorporation or organization)

83-0205516
(I.R.S. Employer
Identification No.)

877 North 8th West, Riverton, WY
(Address of principal executive offices)

82501
(Zip Code)

Registrant's telephone number, including area
code:

(307) 856-9271

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.01 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers, pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2009): \$40,215,356.

| Class | Outstanding at March 11, 2010 |
|-------------------------------|-------------------------------|
| Common stock, \$.01 par value | 26,499,324 |

Documents incorporated by reference: None.

This Amendment No. 1 to the Annual Report on Form 10-K is made in response to comments issued by the Securities and Exchange Commission in July, August and December 2010, for the purpose of (i) amending Item 10 of Part III to make certain disclosures regarding Mr. Steven Conrad (elected a director in June 2010), (ii) amending Item 11 of Part III to make certain disclosures regarding the personal goals of executives under the Company's Performance Compensation Plan, and (iii) amending Item 15 of Part IV (Exhibits, Financial Statements, Schedules, Reports, and Forms 8-K)

PART III

In the event a definitive proxy statement containing the information being incorporated by reference into this Part III is not filed within 120 days of December 31, 2009, we will file such information under cover of a Form 10-K/A.

Item 10 - Directors and Executive Officers of the Registrant

The information required by Item 10 with respect to directors and certain executive officers is incorporated herein by reference to our Proxy Statement for the Meeting of Shareholders to be held in June 2010, under the captions Proposal 1: Election of Directors, Filing of Reports Under Section 16(a), and Business Experience and Other Directorships of Directors and Nominees.

Information Regarding a Person Nominated, After the Date the Form 10-K for Year Ended December 31, 2009, to Stand for Election as a Director at the June 2010 Annual Meeting.

Stephen V. Conrad (63) Nominated in April 2010 to stand for election as an Independent Director. Mr. Conrad is a Certified Public Accountant with more than 35 years of experience providing tax services to numerous public and privately-held natural resource companies. He began his career with Deloitte & Touche (formerly Haskins & Sells) in 1970 and obtained his CPA certificate later that year. Mr. Conrad became a partner in 1980 and was the national oil and gas industry director from 1982 until 1984. His duties included providing due diligence and tax structuring advice related to oil and gas mergers and acquisitions. Mr. Conrad joined Arthur Andersen in 1984 and became the Tax Partner-in-Charge of Andersen's Denver Office from 1987 until 1999. Mr. Conrad was an active participant in Andersen's firm-wide tax specialty team on oil and gas taxation and co-author of the firm's Oil and Gas Federal Income Tax Manual.

After leaving Arthur Andersen, Mr. Conrad was a partner with Deloitte & Touche from 2002 to 2005, and from 2006 until 2008, he was a partner with the firm Conrad & Henderson LLP.

He has written several articles on natural resource taxation and has been an adjunct professor at the University of Denver teaching a course on Natural Resource Taxation, and also has been a frequent speaker at the American Petroleum Institute's annual tax forum. Mr. Conrad has served as expert witness in several income tax related court proceedings and has significant experience in IRS dispute resolution proceedings, and he has testified before the Treasury Department on numerous proposed oil and gas regulations.

Mr. Conrad is a CPA and a member of the American Institute of Certified Public Accountants. He is also a past member of the Colorado Society of Certified Public Accountants, the Petroleum Accountants Society, the Denver Estate Planning Council, the Independent Petroleum Association of America, IPAMS, the Colorado Mining Association, and the AICPA National Resource Tax Committee. Mr. Conrad received his B.S., Accounting from Montana State University.

During the past five years, Mr. Conrad has been, directly or indirectly, a co-managing member of three privately-held oil and gas drilling partnerships. These partnerships generally participate in exploration and production programs with reputable oil and gas companies as a non-operating industry partner.

The partnerships, and his interest in them, are as follows:

- Mr. Conrad is a co-managing member of Conrad Wildes Development GP, L.L.C. (the "Development LLC"). The Development LLC is the general partner of the Conrad Wildes Development Program, LTD
- Mr. Conrad is the co-managing member of Conrad Wildes Oil & Gas II, LLC and W. S. Vecta Exploration, LLC.

There is no relationship between U.S. Energy and these two partnerships.

In 2007, U.S. Energy Corp. entered into a Transfer Agreement with Wildes Exploration Mid-Miocene, LP ("WEMM"). Mr. Conrad owns approximately 50% of WEMM which is entitled to the assignment of a working interest equal to 15% of U.S. Energy's 20% working interest (a 3% net working interest) after U.S. Energy has recovered 100% of all of its costs plus 6% interest compounded annually for each producing well drilled and completed by PetroQuest within any of the three areas of mutual interest ("AMIs"). This arrangement was pursuant to the 2007 Exploration and Area of Mutual Interest Agreement with PetroQuest Energy, Inc. for exploration activities in three AMIs in the Gulf Coast region. WEMM's working interest will increase to 20% of the Company's 20% working interest (a 4% net working interest) after the Company has recovered 200% of its costs from each producing well within each of the AMIs. Mr. Conrad will receive from WEMM one-half of its net revenues out of the working interest (after payout plus interest has been attained by U.S. Energy), after working interest expenses.

Currently, there is only one producing PetroQuest well (the Leghorn well) in the AMIs, although it is possible that additional wells may be drilled by PetroQuest in the AMIs with U.S. Energy's participation. This current well has not attained payout for U.S. Energy. If payout is attained, the U.S. Energy Board of Directors will monitor WEMM's payments to Mr. Conrad to determine whether the payments will result in his losing status as an "independent director" (should he be elected a director at the 2010 Annual Meeting) of U.S. Energy.

For the period January 1, 2009 through March 12, 2010, Mr. Conrad received no compensation or other payments (in cash or otherwise), directly or indirectly, from U.S. Energy Corp.

The Company has adopted a Code of Ethics. A copy of the Code of Ethics will be provided to any person without charge upon written request addressed to Steven R. Youngbauer, Secretary, 877 North 8th West, Riverton, Wyoming 82501.

Information Concerning Executive Officers Who Are Not Directors

Steven R. Youngbauer is not a director of USE. Mr. Youngbauer (age 60) has been General Counsel and Corporate Secretary for USE since January 23, 2007. He serves at the will of the board of directors. There are no understandings between Mr. Youngbauer and any other person pursuant to which he was named an officer or General Counsel. He has no family relationships with any of the other executive officer or directors of USE. During the past five years, Mr. Youngbauer has not been involved in any Reg. S-K Item 401(f) proceeding.

Item 11 - Executive Compensation

The information required by Item 11 is incorporated herein by reference to the Proxy Statement for the Meeting of Shareholders to be held in June 2010, under the captions "Executive Compensation and Director's Fees" and "Other Compensation."

Each of U.S. Energy's four executives is eligible for an annual cash bonus based on the PCP, under which a maximum of 10% of base pay is allocated for attainment of personal goals, and the remaining 90% is allocated to various other non-personal goals. The personal goals are set annually by each executive, then reviewed for accomplishment by the other executives and ultimately approved, or not approved, by the Compensation Committee. The goals for 2009 were as follows:

Keith G. Larsen, Chief Executive Officer, and Mark J. Larsen, President and Chief Operating Officer

Maintain a hard working and knowledgeable employee staff; preserve cash and maximize yield on cash investments; develop a strong investor relations program to sustain and increase market interest in the Company's stock; increase oil and gas production to an equivalent of 700 barrels per day by December 31, 2009; obtain long term financing for Remington Village; participate in alternative renewable energy investments; continue the search for either an oil and gas acquisition target or purchase existing production; insure long term advancement of the Mt. Emmons molybdenum project; and meet the departmental and corporate annual budgets.

Robert Scott Lorimer, Chief Financial Officer

Improve clarity of disclosures in SEC filings; help improve communications to shareholders and the market on U.S. Energy's complimentary business focus (oil and gas for recurring revenues, Mt. Emmons for long-term potential); serve on management committees for the Mt. Emmons and geothermal projects; keep all audit and quarterly financial statement review adjustments to less than five per year, with no material weaknesses for internal controls; attend seminars on upcoming IFRS implementation matters; and cross-train accounting staff for general ledger responsibilities.

Steven R. Youngbauer, General Counsel and Secretary

Advise management and the Board of Directors on corporate governance and legal issues to achieve the Company's business strategy, increase shareholder value, and minimize litigation exposure; draft, review and negotiate contracts for the Company's business as directed; advise management on compliance and enforcement of existing agreements; manage outside legal counsel in all legal matters by providing guidance, coordination and oversight to achieve a ten percent reduction on the Company's budget for overall legal costs during the year.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Matters

The information required by Item 12 is incorporated herein by reference to the Proxy Statement for the Meeting of Shareholders to be held in June 2010, under the caption "Principal Holders of Voting Securities."

Item 13 - Certain Relationships and Related Transactions

The information required by Item 13 is incorporated herein by reference to the Proxy Statement for the Meeting of Shareholders to be held in June 2010, under the caption "Certain Relationships and Related Transactions."

Item 14 - Principal Accountant Fees and Services

The information required by Item 14 is incorporated herein by reference to the Proxy Statement for the Meeting of Shareholders to be held in June 2010, under the caption "Principal Accountant Fees and Services."

PART IV

Item 15 - Exhibits, Financial Statements, Schedules, Reports, and Forms 8-K

(a) Exhibit

| No. | Title of Exhibit |
|----------|---|
| 2.1** | Agreement and Plan of Merger dated as of January 23, 2007, by and between U.S. Energy Corp. and Crested Corp. (incorporated by reference from Exhibit 10.3 to the Company's Annual Report on Form 10-K filed April 2, 2007) |
| 3.1** | Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 to the Company's Annual Report on Form 10-K filed September 14, 1990) |
| 3.1(a)** | Articles of Amendment to Restated Articles of Incorporation (incorporated by reference from Exhibit 3.1 to the Company's Annual Report on Form 10-K filed September 14, 1992) |
| 3.1(b)** | Articles of Amendment (Second) to Restated Articles of Incorporation (establishing Series A Convertible Preferred Stock) (incorporated by reference from Exhibit 3.1(B) to the Company's Annual Report on Form 10-K filed September 13, 2000) |
| 3.1(c)** | Articles of Amendment (Third) to Restated Articles of Incorporation (increasing number of authorized shares) (incorporated by reference from Exhibit 3.1(C) to the Company's Registration Statement on Form S-3 (333-75864), filed December 21, 2001) |
| 3.1(d)** | Articles of Amendment to Restated Articles of Incorporation (providing that directors may be removed by the shareholders only for cause) (incorporated by reference from Exhibit 10.1 to the Company's Report on Form 8-K filed June 26, 2006) |
| 3.1(e)** | Articles of Amendment to Restated Articles of Incorporation (creating Series P Preferred Stock) (see exhibit 4.11 below) |
| 3.2** | Restated Bylaws, as amended through April 17, 2009 (incorporated by reference from Exhibit 3.2 to the Company's Report on Form 8-K filed April 21, 2009) |
| 4.1** | Amendment to 1998 Incentive Stock Option Plan (incorporated by reference from Exhibit 4.1 to the Company's Annual Report on Form 10-K filed August 29, 2001, and amended on June 18, 2002 and September 25, 2002) |
| 4.2** | 2001 Incentive Stock Option Plan (amended in 2003) (incorporated by reference from Exhibit 4.2 to the Company's Annual Report on Form 10-K filed April 15, 2005) |
| 4.3** | 2008 Stock Option Plan for Independent Directors and Advisory Board Members (incorporated by reference from Exhibit 4.3 to the Company's Annual Report on Form 10-K filed March 13, 2009) |

- 4.4 – 4.8 Intentionally omitted
- 4.9** Warrant to Purchase Common Shares, effective October 15, 2005, between R. Jerry Falkner and U.S. Energy Corp. (incorporate by reference from exhibit 4.9 to the Company's Annual Report on Form 10-KA filed November 4, 2009)
- 4.10** Class B Warrant to Purchase Common Shares dated March 2, 2004 as amended through July 16, 2007, between Bourne Capital, LLC and U.S. Energy Corp.

- 4.11** Rights Agreement dated as of September 19, 2001, amended as of September 30, 2005, between U.S. Energy Corp. and Computershare Trust Company, Inc. as Rights Agent. The Articles of Amendment to the Restated Articles of Incorporation creating the Series P Preferred Stock are included as Exhibit C to the Rights Agreement, as well as the form of Right Certificate and Summary of Rights (incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form 8-A12G/A filed November 17, 2005)
- 4.12 – 4.20 [intentionally left blank]
- 4.21** USE 2001 Officers' Stock Compensation Plan (incorporated by reference from Exhibit 4.21 to the Company's Annual Report on Form 10-K filed September 13, 2002)
- 10.1** Exploration, Development and Mine Operating Agreement dated August 19, 2008, by and between U.S. Energy Corp. and Thompson Creek Metals Company USA – Redacted(1) (incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 10, 2008)
- 10.2** Form of Production Payment Royalty Agreement (Exhibit A to the Asset Purchase Agreement with sxr Uranium One, Inc.) (incorporated by reference from Exhibit 10.2 to the Company's Report on Form 8-K filed February 23, 2007)
- 10.3** Agreement to Establish a Rule 10b5-1 Buying Plan (Stock Buyback Plan), dated September 19, 2008 between U.S. Energy Corp. and RBC Capital Markets Corporation (incorporated by reference from Exhibit 8.1 to the Company's Report on Form 8-K filed September 19, 2008)
- 10.4** Voting Agreement dated as of January 23, 2007 between U.S. Energy Corp. and Crested Corp. and Certain Shareholders of Crested Corp. (incorporated by reference from Exhibit 10.4 to the Company's Annual Report on Form 10-K filed April 2, 2007)
- 10.5** Amendment to Agreements, effective January 31, 2007, between Uranium Power Corp. and U.S. Energy Corp., Crested Corp., and USECC (incorporated by reference from Exhibit 10.5 to the Company's Annual Report on Form 10-K filed April 2, 2007)
- 14.0** Code of Ethics (incorporated by reference from Exhibit 14 to the Company's Annual Report on Form 10-K filed March 30, 2004)
- 16.0** Concurrence letter of former accountants (incorporated by reference from Exhibit 16(B) to the Company's Report on Form 8-K/A filed February 1, 2007)

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- 21.1** Subsidiaries of Registrant (incorporated by reference from Exhibit 21.1 to the Company's Report on Form 10-KA filed November 4, 2009)
- 23.0* Consent of Ryder Scott Company L.P.
- 23.1** Consent of Independent Registered Accounting Firm (Hein & Associates LLP)
- 23.2** Consent of Independent Registered Accounting Firm (Moss Adams LLP)
- 23.3* Consent of Cawley, Gillespie & Associates, Inc.

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|--------|---|
| 31.1 * | Certification under Rule 13a-14(a) Keith G. Larsen |
| 31.2 * | Certification under Rule 13a-14(a) Robert Scott Lorimer |
| 32.1 * | Certification under Rule 13a-14(b) Keith G. Larsen |
| 32.2 * | Certification under Rule 13a-14(b) Robert Scott Lorimer |
| 99.1* | Reserve Report (Ryder Scott Company L.P.) |
| 99.2* | Reserve Report (Cawley, Gillespie & Associates, Inc.) |

* Filed herewith

** Previously filed.

(1) This agreement was filed in redacted format and a request for confidential treatment was submitted to the Securities and Exchange Commission in 2008. On February 13, 2009, the Commission granted the request.

(b) Reports on Form 8-K. In the last quarter of 2009, the Registrant filed nine (9) reports on Form 8-K:

October 16, 2009 - Production from Brad Olson 9-16 well.

October 22, 2009 - Filing of Form S-3 registration statement.

November 3, 2009 – Production from BCD Farms 16-21 well.

November 17, 2009 –Production from Lee 16-21 well.

December 1, 2009 - Production from Strand 16-9 well.

December 1, 2009 - Commencement of underwritten public offering.

December 7, 2009 - Election to participate in additional wells with Brigham Exploration Company.

December 16, 2009 - Underwriting Agreement.

December 16, 2009 - Flow back rate of Williston 25-36 well.

(c) See paragraph a(3) above for exhibits.

(d) Financial statement schedules, see above. No other financial statements are required to be filed.

