

US ENERGY CORP
Form 424B5
December 20, 2016

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Registration No. 333-204350

PROSPECTUS SUPPLEMENT

(To Prospectus dated July 17, 2015)

COMMON STOCK

Pursuant to this prospectus supplement and the accompanying prospectus, we are offering 1,000,000 shares of our common stock, par value \$0.01 per share (the “Common Stock”) and, in a concurrent private placement, we are issuing to the purchasers of our Common Stock warrants for the purchase of up to 100% of the number of shares of common stock offered (the “Warrants”). The Warrants and the shares of our Common Stock issuable upon the exercise of the Warrants, are not being registered under the Securities Act of 1933, as amended (the “Securities Act”) at this time, are not being offered pursuant to this prospectus supplement and the accompanying prospectus and are being offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act and Rule 506(b) promulgated thereunder.

Our common stock is currently listed on the Nasdaq Capital Market under the symbol “USEG.” On December 15, 2016, the last reported sales price per share of our common stock on the Nasdaq Capital Market was \$2.03. As of December 15, 2016, the aggregate market value of our outstanding common stock held by non-affiliates (the public float) was approximately \$9,604,204.05, which was calculated based on 4,731,135 shares of outstanding common stock held by non-affiliates, as of November 16, 2016, and on a price per share of \$2.03, the closing price of our common stock on December 15, 2016. In no event will we sell our common stock in a public primary offering with a value exceeding more than one-third of our public float in any 12-month period so long as our public float remains below \$75.0 million. During the 12 calendar month period that ends on, and includes the date of this prospectus supplement, we have not offered any securities pursuant to General Instruction I.B.6 of Form S-3.

Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described in the section titled “Risk Factors” on page S-5 of this prospectus supplement and the documents incorporated by reference herein and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

We have retained Roth Capital Partners, LLC to act as our exclusive placement agent in connection with this offering. The placement agent has agreed to use its reasonable best efforts to place the securities offered by this prospectus supplement. We have agreed to pay the Placement Agent the fee set forth in the table below:

	Per Share	Total
Offering price	\$ 1.50	\$1,500,000
Placement agent fees (1)	\$ 0.105	\$105,000
Proceeds, before expenses, to us	\$	\$1,395,000

(1) In addition, we have agreed to reimburse the placement agent's actual out-of-pocket expenses of up to \$30,000, in the aggregate. See "Plan of Distribution" beginning on page S-11 of this prospectus supplement for details on the additional compensation to Roth Capital Partners, LLC.

We expect that delivery of the shares of our Common Stock being offered pursuant to this prospectus supplement and the accompanying prospectus will be made to the purchasers on or about December 21, 2016.

ROTH Capital Partners, LLC

Prospectus supplement dated December 20, 2016

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this common stock offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference herein. The second part, the accompanying prospectus, provides more general information. This prospectus supplement and the accompanying prospectus are part of a “shelf” registration statement on Form S-3, Registration Number 333-204350, filed on May 21, 2015, as amended, and declared effective by the Securities and Exchange Commission on July 29, 2015. Since the accompanying prospectus provides general information about us, some of the information may not apply to this offering. This prospectus supplement describes the specific details regarding this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus or any document incorporated by reference therein filed prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement. You should also read and consider the information in the documents to which we have referred you in the sections entitled “Where You Can Find More Information” and “Information Incorporated by Reference” in this prospectus supplement and in the accompanying prospectus.

This prospectus supplement and the accompanying prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. The information contained in this prospectus supplement or the accompanying prospectus, or incorporated by reference herein or therein is accurate only as of the respective dates thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our common stock.

Unless the context otherwise requires, all references to “U.S. Energy,” “we,” “us,” “our,” “company,” or “Company” in this prospectus supplement refer to U.S. Energy Corp., a Wyoming corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Exchange Act. Forward-looking statements can be identified by words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “project,” “goal,” “strategy,” “future,” “likely,” “may,” “should,” “will” and variations of these words and similar references to periods, although not all forward-looking statements contain these identifying words. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent risks, uncertainties, and changes in circumstances, including but not limited to risk factors incorporated by reference under “Item 1A. Risk Factors” to Part I of our Annual Report on Form 10-K as of and for the fiscal year ended December 31, 2015 and other factors described elsewhere in this prospectus supplement or in our current and future filings with the Securities and Exchange Commission (the “SEC”). As a result, our actual results may differ materially from those expressed or forecasted in the forward-looking statements, and you should not rely on such forward-looking statements. You should carefully read this prospectus supplement and the accompanying prospectus, together with the information incorporated by reference in this prospectus supplement and the accompanying prospectus as described under the sections titled “Where You Can Find More Information” in each document, completely and with the understanding that our actual future results may be materially different from what we expect. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

Any forward-looking statement made by us in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise. However, you should carefully review the risk factors set forth in other reports or documents we file from time to time with the SEC.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement, in the accompanying prospectus or in documents incorporated by reference. This summary does not contain all of the information that you should consider before making an investment decision. This prospectus supplement and the accompanying prospectus include or incorporate by reference information about this offering, our business and our financial and operating data. You should carefully read the entire prospectus supplement, the accompanying prospectus, including under the sections titled “Risk Factors” included therein, and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision.

Our Company

U.S. Energy Corp. is a Wyoming corporation organized in 1966. We are an independent energy company focused on the acquisition and development of oil and gas producing properties in the continental United States. Our business activities are currently focused in South Texas and the Williston Basin in North Dakota. However, we do not intend to limit our focus to these geographic areas. We continue to focus on increasing production, reserves, revenues and cash flow from operations while managing our level of debt.

We have historically explored for and produced oil and gas through a non-operator business model. As a non-operator, we rely on our operating partners to propose, permit, drill, complete and produce oil and gas wells. Before a well is drilled, the operator provides all oil and gas interest owners in the designated well the opportunity to participate in the drilling and completion costs and revenues of the well on a pro-rata basis. Our operating partners also produce, transport, market and account for all oil and gas production. We are currently developing our capability to operate properties, most notably with the appointment of David Veltri as President and Chief Operating Officer in December 2014. Mr. Veltri, who became our Chief Executive Officer in September 2015, has over 30 years of oil and gas operating experience.

We believe that additional value can be generated if we have the ability to operate oil and gas properties because operatorship will allow us to control drilling and production timing, capital costs and future planning of operations. We plan to look for opportunities to operate our own wells in the near future through acquisition of new oil and gas properties and/or by consolidating ownership in and around the areas in which we currently participate. We believe the current price climate will make opportunities available for us to acquire and/or develop operated properties, and our objective is to eventually operate the properties which comprise over 50% of our production.

Corporate Information

U.S. Energy Corp. (collectively with its subsidiaries referred to as the “Company”) was incorporated in the State of Wyoming on January 26, 1966. The Company’s principal business activities are focused in the acquisition, exploration and development of oil and gas properties in the United States. Our oil and gas business is currently focused in South Texas and the Williston Basin in North Dakota. Our principal offices are located at 4643 S. Ulster Street, Suite 970, Denver, Colorado 80237. Our telephone number is (303) 993-3200. Our Internet address is www.usnrg.com. None of the information on our website forms a part of, or incorporated by reference into, this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by us 1,000,000 shares

Offering price per share \$1.50

Common stock to be outstanding immediately after this offering (1) 6,134,506 shares

Use of proceeds We currently expect to use the net proceeds from this offering for working capital and general corporate purposes. See "Use of Proceeds."

Risk Factors An investment in our company involves a high degree of risk. Please refer to the sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before investing our securities.

Nasdaq Capital Market Symbol "USEG"

Concurrent Private Placement In a concurrent private placement, we are selling to the purchasers of shares of our Common Stock in this offering Warrants to purchase up to 100% of the number of shares of our Common Stock offered. The Warrants will be exercisable six months after the date of issuance at an exercise price of \$2.05 per share and will expire on the fifth anniversary of the date that the Warrants initially become exercisable. The Warrants and the shares of our Common Stock issuable upon the exercise of the Warrants are not being offered pursuant to this prospectus supplement and the accompanying prospectus and are being offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act and Rule 506(b) promulgated thereunder. See "Private Placement Transaction."

(1) The number of shares of common stock to be outstanding after this offering is based on 5,134,506 shares of common stock outstanding as of November 16, 2016, as reported in the Company's Form 10-Q filed November 21, 2016, for the quarterly period ending September 30, 2016, which excludes as of September 30, 2016:

· As of September 30, 2016, no shares are available for future grants under the Company's stock option plans;

· 376,084 shares of common stock for options exercisable under the Company's stock option plans, with a weighted average exercise price of \$20.97 per share;

390,525 shares of common stock for options outstanding under the Company's stock option plans, with a weighted average exercise price of \$20.64 per share. Based on the closing price of the Company's common stock of \$1.75 per share on September 30, 2016 there was no intrinsic value related to the stock options outstanding; and

1,000,000 shares of Common Stock issuable upon exercise of the Warrants to be issued in the concurrent private placement. See "Private Placement Transaction."

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RISK FACTORS

An investment in our company involves a high degree of risk. Before you make a decision to invest in our securities, you should consider carefully the risks described below, as well as the risks described in or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the risks and uncertainties discussed under the section titled “Risk Factors” in our most recent annual report on Form 10-K and any subsequent quarterly reports on Form 10-Q or current reports on Form 8-K, and all other documents incorporated by reference into this prospectus supplement and accompanying prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Any of these risks could have a material adverse effect on our business, prospects, financial condition and results of operations. In any such case, the trading price of our securities could decline and you could lose all or part of your investment. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations.

You will experience immediate and substantial dilution in the net tangible book value per share of the common stock you purchase.

Since the price per share of our Common Stock being offered is substantially higher than the net tangible book value per share of our Common Stock, you will suffer substantial dilution in the net tangible book value of the Common Stock you purchase in this offering. Based on an offering 1,000,000 shares offered at \$1.50 per share of Common Stock, if you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of approximately \$0.71 per share in the net tangible book value of the common stock. See the section titled “Dilution” in this prospectus supplement for a more detailed discussion of the dilution you will incur if you purchase Common Stock in this offering.

There is no public market for the warrants to purchase shares of our common stock being offered in this offering.

There is no established public trading market for the warrants being offered in this offering, and we do not expect a market to develop. In addition, we do not intend to apply to list the warrants on any securities exchange or nationally recognized trading system, including Nasdaq Capital Market. Without an active market, the liquidity of the warrants will be limited.

There may be future sales of our securities or other dilution of our equity, which may adversely affect the market price of our common stock.

We are generally not restricted from issuing additional common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The market price of our common stock could decline as a result of sales of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, common stock after this offering or the perception that such sales could occur.

Our management has significant flexibility in using the net proceeds of this offering.

We intend generally to use the net proceeds from this offering for working capital and general corporate purposes. Our management will have significant flexibility in applying the net proceeds of this offering. Management's failure to use these funds effectively would have an adverse effect on the value of our common stock and could make it more difficult and costly to raise funds in the future.

Holders of warrants will have no rights as common stockholders until such holders exercise their warrants and acquire our common stock.

Until holders of Warrants acquire shares of our Common Stock upon exercise of the warrants, holders of Warrants will have no rights with respect to the shares of our Common Stock underlying such Warrants. Upon exercise of the Warrants, the holders will be entitled to exercise the rights of a common stockholder only as to matters for which the record date occurs after the exercise date.

Limitation on Liability and Indemnification of Officers and Directors

Our directors and officers are indemnified as provided by the Wyoming Business Corporation Act ("WBCA") and our Bylaws.

Our Bylaws provide that we will indemnify our officers and directors, including the advancement of expenses, to the fullest extent permitted by and in the manner permissible under the WBCA, and that we may maintain insurance, at our expense, to protect against any expense, liability or loss on our behalf or on behalf of our officers, directors, employees or agents, whether or not we would have the power to indemnify such person against such expense, liability or loss under the WBCA.

The WBCA provides that a corporation shall indemnify any director or officer of a corporation against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense of any proceeding to which he or she was a party because he or she was a director or officer of the corporation to the extent that such director or officer has been wholly successful on the merits or otherwise.

The WBCA provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director or officer of the corporation against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he: (a) is not liable pursuant to the WBCA; or (b) acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, Our Bylaws and Wyoming Law

Some provisions of Wyoming law and our certificate of incorporation and our bylaws contain provisions that could have the effect of delaying, deterring or preventing another party from acquiring or seeking to acquire control of us. These provisions are intended to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage anyone seeking to acquire control of us to negotiate first with our board of directors. However, these provisions may also delay, deter or prevent a change in control or other takeover of our company that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our common stock and also may limit the price that investors are willing to pay in the future for our common stock. These provisions may also have the effect of preventing changes in our management.

Our articles of incorporation and bylaws include anti-takeover provisions that:

authorize our board of directors, without further action by the stockholders, to issue shares of preferred stock in one or more series, and with respect to each series, to fix the number of shares constituting that series and establish the rights and other terms of that series;

establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting;

provide that our bylaws may be amended by our board of directors without stockholder approval;

allow our directors to establish the size of the board of directors by action of the board, subject to a minimum of three members; and

provide that vacancies on our board of directors or newly created directorships resulting from an increase in the number of our directors may be filled only by a majority of directors then in office.

Business Combinations

Section 104 of the Wyoming Management Stability Act provides that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the person became an interested stockholder, unless:

prior to the time the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or

on or after the time the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds (2/3) of the outstanding voting stock which is not owned by the interested stockholder.

Generally, a business combination includes a merger, consolidation, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

Other Considerations

Energy One, LLC, a wholly-owned subsidiary of the Company, has a credit facility with Wells Fargo Bank, National Association (“Wells Fargo”), which provides for a maturity date of July 30, 2017. During 2015 and 2016, compliance was not maintained with certain financial ratio covenants in the credit agreement with Wells Fargo. In April 2016, Wells Fargo provided a waiver for non-compliance with the covenants in the credit agreement for the fiscal quarter ended December 31, 2015. In August 2016 Wells Fargo agreed to enter into a fourth amendment to the credit agreement that provides for, among other things, a limited waiver of the negative financial covenants for the fiscal quarters ended March 31, 2016 and June 30, 2016. The Company violated the financial ratio covenants for the fiscal quarter ended September 30, 2016, which constitutes an event of default under the credit agreement. Accordingly, Wells Fargo has the immediate right to demand acceleration of all outstanding borrowings and has the ability to foreclose upon the existing collateral. Management believes that Wells Fargo will not demand repayment until an alternative lender can be obtained. However, no assurance can be provided in this regard unless a waiver is obtained to cure the existing event of default. Additionally, management expects that further non-compliance with the financial ratio covenants is likely when results are reported for the fourth quarter of 2016. The ongoing availability of borrowings under this credit agreement through the maturity date of July 30, 2017, or the receipt of funding from

alternative sources, is critical to the Company's ability to survive until oil and gas prices recover. Additional information regarding the credit facility, amendments thereto, and the Company's non-compliance with its terms are available in the Company's Form 10-Q, for the quarterly period ending September 30, 2016, which was filed on November 21, 2016.

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USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately \$1.28 million after deducting the placement agent fees and our estimated offering expenses, excluding the proceeds, if any, from the exercise of the Warrants issued concurrently with this offering. We currently intend to use the net proceeds from this offering for working capital and general corporate purposes.

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DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share you pay in this offering and the net tangible book value per share of our common stock immediately after this offering.

Net tangible book value per share is determined by subtracting our total liabilities from our total tangible assets, which is total assets less intangible assets, and dividing this amount by the number of shares of common stock outstanding. The historical net tangible book value of our common stock, as of the quarterly period ending September 30, 2016, was approximately \$3,578,000.00, or \$0.70 per share, based on 5,134,506 million shares of our common stock outstanding on November 16, 2016, as reported in the Company's Form 10-Q filed on November 21, 2016, for the quarterly period ending September 30, 2016. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately after this offering.

After giving effect to the sale of shares of common stock in this offering at an offering price of \$1.50 per share, our adjusted net tangible book value at November 16, 2016, would have been approximately \$4.85 million, or \$0.75 per share. This represents an immediate dilution of \$0.71 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution:

Offering price per share	\$1.50
Net tangible book value per share as of September 30, 2016	\$0.70
Increase per share attributable to new investors for this offering	\$0.09
Net tangible book value per share after giving effect to this offering	\$0.79
Dilution per share to new investors	\$0.71

The above discussion and table are based on 5,134,506 shares of our common stock outstanding as of November 16, 2016, which excludes as of September 30, 2016:

- As of September 30, 2016, no shares are available for future grants under the Company's stock option plans;

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376,084 shares of common stock for options exercisable under the Company's stock option plans, with a weighted average exercise price of \$20.97 per share;

390,525 shares of common stock for options outstanding under the Company's stock option plans, with a weighted average exercise price of \$20.64 per share. Based on the closing price of the Company's common stock of \$1.75 per share on September 30, 2016 there was no intrinsic value related to the stock options outstanding; and

1,000,000 shares of Common Stock issuable upon exercise of the Warrants to be issued in the concurrent private placement. See "Private Placement Transaction."

The above illustration of dilution per share to investors participating in this offering assumes no exercise of outstanding options to purchase our common stock or outstanding warrants to purchase shares of our common stock. To the extent that any of these outstanding warrants or options are exercised or we issue additional shares under our equity incentive plans, there will be further dilution to new investors. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

PRIVATE PLACEMENT TRANSACTION

In a concurrent private placement (the “Private Placement Transaction”), we are selling to purchasers of our Common Stock in this offering Warrants to purchase 1,000,000 shares of our Common Stock. The Warrants have an initial exercise price of \$2.05 per share, which exercise price is subject to adjustment. Each Warrant will be exercisable commencing six months from the date of issuance and have a term of exercise equal to five years from the date which it first becomes exercisable. Subject to certain exceptions, the Warrants will not have the right to exercise any portion of its warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% or 9.99% (at election of investor) of the number of shares of our Common Stock outstanding immediately after giving effect to such exercise, which limitation may be increased or decreased upon notice from the holder to us up to 9.99%, provided that any increase in such limitation shall not be effective until 61 days following such notice.

The Warrants and the shares of our Common Stock issuable upon the exercise of the Warrants are not being registered under the Securities Act, are not being offered pursuant to this prospectus supplement and the accompanying prospectus and are being offered pursuant to the exemption provided in Section 4(a)(2) under the Securities Act and Rule 506(b) promulgated thereunder. Accordingly, purchasers may only sell shares of Common Stock issued upon exercise of the Warrants pursuant to an effective registration statement under the Securities Act covering the resale of those shares, an exemption under Rule 144 under the Securities Act or another applicable exemption under the Securities Act.

We will be required to file a registration statement on Form S-3 within 45 calendar days of the issuance of the Warrants to provide for the resale of the shares of Common Stock issuable upon the exercise of the Warrants and will be obligated to use our commercially reasonable efforts to keep such registration statement effective until the earlier of (a) the common stock issuable upon exercise of the Warrants are sold under such registration statement or pursuant to Rule 144 or other exemption under the Securities Act, (b) the common stock issuable upon exercise of the Warrants may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 under the Securities Act, and (c) the five (5) year anniversary of the date of the issuance of the Warrants, whichever is the earliest to occur.

PLAN OF DISTRIBUTION

Roth Capital Partners, LLC, which we refer to as the placement agent, has agreed to act as our exclusive placement agent in connection with this offering subject to the terms and conditions of the placement agency agreement dated December 16, 2016. The placement agent is not purchasing or selling any shares of common stock or warrants to purchase common stock offered by this prospectus supplement and the accompanying prospectus, nor is it required to arrange the purchase or sale of any specific number or dollar amount of the shares of common stock and the warrants to purchase common stock, but has agreed to use its reasonable best efforts to arrange for the sale of all of the shares of common stock and warrants to purchase common stock offered hereby.

We will make offers only to a limited number of qualified institutional buyers and institutional accredited investors. Roth Capital Partners, LLC is also acting as placement agent for the private placement transaction.

Commissions and Expenses

We have agreed to pay the placement agent an aggregate cash placement fee equal to 7% of the aggregate gross proceeds of the shares of our Common Stock in this offering.

We have also agreed to pay the placement agent up to \$30,000 in expense reimbursement.

The following table shows the per share of common stock and total cash placement agent fees we will pay to the placement agent in connection with the sale of our shares of common stock offered pursuant to this prospectus supplement and the accompanying prospectus, assuming the purchase of all of the shares of Common Stock we are offering.

Public offering price	\$ 1.50
Placement agent fees	\$ 105,000
Proceeds, before expenses, to us	\$ 1,395,000

In addition, we have granted a right of first refusal to the placement agent to act as the book running manager in any underwritten offering, registered direct or private placement of equity securities or securities convertible into equity securities of more than \$3 million for 12 months following termination of our engagement of the placement agent.

We estimate the total expenses of this offering which will be payable by us, excluding the placement agent fees, will be approximately \$115,000. After deducting the fees due to the placement agent and our estimated offering expenses, we expect the net proceeds from this offering to be approximately \$1.28 million.

Indemnification

We have agreed to indemnify the placement agent and certain other persons against certain liabilities under the Securities Act relating to or arising out of the placement agent's activities under the Placement Agency Agreement. We have also agreed to contribute to payments the placement agent may be required to make in respect of such liabilities.

Regulation M Restrictions

The placement agent may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act, and any commissions received by it and any profit realized on the resale of the common stock and warrants sold by it while acting as a principal might be deemed to be underwriting discounts or commissions under the Securities Act. As an underwriter, the placement agent would be required to comply with the requirements of the Securities Act and the Exchange Act, including, without limitation, Rule 415(a)(4) under the Securities Act and Rule 10b-5 and Regulation M under the Exchange Act. These rules and regulations may limit the timing of purchases and sales of shares of common stock and warrants by the placement agent acting as a principal. Under these rules and regulations, the placement agent:

- must not engage in any stabilization activity in connection with our securities; and
- must not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities, other than as permitted under the Exchange Act, until it has completed its participation in the distribution.

Other

A copy of the placement agency agreement with the placement agent and the form of securities purchase agreement with the investors are included as exhibits to our current report on Form 8-K that will be filed with the SEC and incorporated by reference into the Registration Statement of which this prospectus supplement forms a part.

The transfer agent for our common stock to be issued in this offering is ComputerShare Trust Company, N.A.

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LEGAL MATTERS

The validity of the issuance of the securities offered hereby will be passed upon for us by Kutak Rock LLP, Denver, Colorado. Ellenoff Grossman & Schole LLP, New York, New York, acted as counsel to the placement agent in connection with this offering.

EXPERTS

Our annual consolidated financial statements incorporated in this prospectus by reference to our annual report on Form 10-K for the year ended December 31, 2015 have been audited by Hein & Associates LLP, independent registered public accounting firm, to the extent indicated in their report thereon. Such consolidated financial statements are incorporated by reference into this prospectus supplement in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents that we have filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the operation of the Public Reference Room. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us. The SEC's Internet site can be found at <http://www.sec.gov>. In addition, we make available on or through our Internet site copies of these reports as soon as reasonably practicable after we electronically file or furnished them to the SEC. Our Internet site can be found at <http://usnrg.com/>.

INFORMATION INCORPORATED BY REFERENCE

We are incorporating by reference into this prospectus supplement and the accompanying prospectus certain information that we file with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus supplement and accompanying prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus supplement and accompany prospectus. This means that you must look at all of the SEC filings that we incorporate by reference to determine if any statements in the prospectus or any document previously

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incorporated by reference have been modified or superseded. This prospectus supplement and accompanying prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC (other than, in each case, documents or information deemed to be furnished and not filed in accordance with SEC Rules):

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed April 14, 2016, as amended by our Form 10-K/A, filed April 29, 2016;
 - our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016, filed November 21, 2016, as amended by our Form 10-Q/A, filed December 8, 2016;
 - Our Current Report on Form 8-K, filed on June 21, 2016 and December 15, 2016; and
- the description of our common stock contained in our registration statement on Form S-3 filed with the SEC on May 21, 2015, as amended.

Any information in any of the foregoing documents will automatically be deemed to be modified or superseded to the extent that information in this prospectus supplement or accompanying prospectus or in a later filed document that is incorporated or deemed to be incorporated herein by reference modifies or replaces such information.

We also incorporate by reference all documents we file in the future pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and until we file a post-effective amendment that indicates the termination of the offering of the securities made by this prospectus supplement and accompanying prospectus. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (except, in any such case, the portions furnished and not filed in accordance with SEC Rules), as well as any proxy statements.

You may request, orally or in writing, a copy of these documents, which will be provided to you at no cost by contacting:

U.S. Energy Corp.
Attention: Secretary
4643 South Ulster Street
Suite 970
Denver, Colorado 80237
(303) 993-3200

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

SUBJECT TO COMPLETION, DATED JULY 17, 2015

\$100,000,000
COMMON STOCK
PREFERRED STOCK
DEPOSITARY SHARES
DEBT SECURITIES
WARRANTS
UNITS
RIGHTS

We may offer and sell, from time to time in one or more offerings, any combination of debt and equity securities that we describe in this prospectus with a maximum aggregate offering price of \$100 million.

This prospectus provides a general description of the securities we may offer for sale from time to time. Each time we sell securities under this prospectus, we will provide specific terms of the securities offered in a supplement to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. Any statement contained in this prospectus is deemed modified or superseded by any inconsistent statement contained in an accompanying prospectus supplement. You should read this prospectus and any prospectus supplement, as well as the documents incorporated by reference into this prospectus, carefully before you invest.

We may offer and sell these securities, or any combination of these securities, from time to time, to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis, at prices and on other terms to be determined at the time of offering.

Our common stock is listed on The NASDAQ Capital Market® under the symbol "USEG." Any common stock sold pursuant to a prospectus supplement will be listed on The NASDAQ Capital Market® subject to official notice of issuance to the extent required. We may elect to list any of the other securities on any exchange, but are not obligated to do so, and, unless stated otherwise in the applicable prospectus supplement, such other securities will not be listed on any securities exchange.

As of July 13, 2015, the aggregate market value of our outstanding common stock held by non-affiliates, or public float, was approximately \$12.4 million, based on 26,340,759 shares of outstanding common stock held by non-affiliates, at a price of \$0.47 per share, which was the last reported sale price

of our common stock on The NASDAQ Capital Market on July 13, 2015. Pursuant to General Instruction I.B.6 of Form S-3, in no event will we sell common stock in a public primary offering with a value exceeding more than one-third of our public float in any 12-month period so long as our public float remains below \$75,000,000. We have not sold any common stock pursuant to General Instruction I.B.6 of Form S-3 during the 12 calendar months prior to and including the date of this prospectus.

Investing in our securities involves risks. You should carefully read and evaluate the risks described under "Risk Factors" on page 2 of this prospectus as well as the risk factors and other information contained or incorporated by reference in this prospectus and the applicable prospectus supplement before investing in our securities.

You should carefully read this prospectus and any applicable prospectus supplement and free writing prospectus, together with any additional information described under the heading "Where You Can Find More Information," before you invest in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2015.

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PROSPECTUS SUMMARY

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the "SEC" or the "Commission", using a "shelf" registration process. Under the shelf registration, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$100 million. This prospectus provides you with a general description of the securities that we may offer. Each time that we sell securities under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement also may add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with the additional information incorporated by reference in this prospectus, before making an investment in our securities. See "Where You Can Find More Information." We may use this prospectus to sell securities only if it is accompanied by a prospectus supplement.

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement to this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus, any accompanying prospectus supplement, or any document incorporated by reference, is accurate as of any date other than the date of such document.

This prospectus does not contain all of the information included in the registration statement. For a more complete understanding of the offering, you should refer to the registration statement, including its exhibits.

In this prospectus, references to "U.S. Energy," "the Company," "the Registrant," "we," "us" or "our" refer to U.S. Energy Corp. and its subsidiaries, unless the context suggests otherwise.

THE COMPANY

U.S. Energy is a Wyoming corporation organized in 1966. We are an independent energy company focused on the acquisition and development of oil and gas producing properties and other mineral properties in the continental United States. Our oil and gas business is currently focused in South Texas and the Williston Basin in North Dakota. Our principal offices are located at 877 North 8th West, Riverton, Wyoming 82501. Our telephone number is 307-856-9271.

RISK FACTORS

Investing in our securities involves risks. Before you make a decision to buy our securities, in addition to the risks and uncertainties discussed below under "Cautionary Statement Regarding Forward-Looking Statements," you should carefully read and consider the risks and uncertainties and the risk factors set forth under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which is incorporated by reference in this prospectus, and under the caption "Risk Factors" or any similar caption in the other documents and reports that we file with the SEC after the date of this prospectus that are incorporated or deemed to be incorporated by reference in this prospectus as well as any risks described in any applicable prospectus supplement or free writing prospectus that we provide you in connection with an offering of securities pursuant to this prospectus. Additionally, the risks and uncertainties discussed in this prospectus or in any document incorporated by reference into this prospectus are not the only risks and uncertainties that we face, and our business, financial condition, liquidity and results of operations and the market price of any securities we may sell

could be materially adversely affected by additional factors that apply to all companies generally, as well as other risks that are not known to us or that we currently do not consider to be material.

If our common stock is delisted from the NASDAQ Capital Market, its liquidity and value could be reduced.

In order for us to maintain the listing of our shares of common stock on the NASDAQ Capital Market®, the common stock must maintain a minimum bid price of \$1.00 as set forth in NASDAQ Marketplace Rule 5550(a)(2). If the closing bid price of the common stock is below \$1.00 for 30 consecutive trading days, then the closing bid price of the common stock must be \$1.00 or more for 10 consecutive trading days during a 180-day grace period to regain compliance with the rule. On July 9, 2015, the closing bid price of our common stock had been below \$1.00 for 30 consecutive trading days, starting the 180-day grace period to regain compliance with the rule. On July 10, 2015, we received a letter from The Nasdaq Stock Market indicating that for 30 consecutive business days the common stock had not maintained a minimum closing bid price of \$1.00 per share as required by Nasdaq Listing Rule 5550(a)(2). Accordingly, the grace period provided by the rule has commenced. We cannot guarantee that we will be able to regain compliance with the minimum price requirement within the grace period or satisfy other continued listing requirements. If our common stock is delisted from trading on the NASDAQ Capital Market, it may be eligible for trading over the counter, but the delisting of our common stock from NASDAQ could adversely impact the liquidity and value of our common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus, any prospectus supplement and any free writing prospectus that we may provide to you in connection with an offering of our securities, including information incorporated by reference, may contain "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. The use of any of the words "may," "will," "should," "could," "believe," "expect," "anticipate," "project," "plan," "schedule," "expect," "estimate," "objective," "forecast," "goal," "potential," "opportunity," "focus," "intend," "committed," "continue," "will likely result" or "will continue" and similar expressions that concern our strategy, plans, intentions or beliefs about future occurrences or results may constitute forward-looking statements. For example, forward-looking statements may include statements relating to estimated and projected expenditures, cash flows, results of operations, financial condition and liquidity; plans and objectives for future operations, growth or initiatives; and the expected outcome or effect of pending or threatened litigation are forward-looking statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, those expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are discussed under the heading "Risk Factors" and in documents incorporated in this prospectus by reference and may be so included in any prospectus supplement, including, without limitation, in conjunction with the forward-looking statements. All forward-looking statements speak only as of the date made. We undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances arising