SECURITIES & EXCHANGE COMMISSION EDGAR FILING

US ENERGY CORP

Form: 8-K/A

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Corporate Issuer CIK: 101594

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

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

Date of Report (date of earliest event reported): September 24, 2020*

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

Wyoming	**000-06814**	**83-0205516**
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

675 Bering Drive, Suite 100, Houston, Texas	**77057**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(303) 993-3200**

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

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value	**USEG**	**The NASDAQ Stock Market LLC (Nasdaq Capital Market)**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2).

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

EXPLANATORY NOTE

On September 29, 2020, U.S. Energy Corp. (the "Company", "we" or "us") filed a Current Report on Form 8-K (the "Original Report") to report, among other things, the September 25, 2020, acquisition, pursuant to the terms of an Asset Purchase Agreement (the "APA") with Randolph N. Osherow, as Chapter 7 trustee, for FieldPoint Petroleum Corporation's Chapter 7 bankruptcy proceedings (the "Seller"), of all of the Seller's rights to, and interest in, both operated and non-operated properties primarily in Lea County, New Mexico, and Converse County, Wyoming (the "FieldPoint Properties"). We paid an aggregate of $500,000 in consideration for the Fieldpoint Properties.

Subsequent to the date the Original Report was filed, the Company determined that the acquisition of the Fieldpoint Properties was significant and required the disclosure of financial statements and pro forma financial information pursuant to Item 9.01 of Form 8-K and Rules 8-04(b) and 8-05 of Regulation S-X. By this Amendment No. 1 to the Original Report, the Company is amending and restating Item 9.01 thereof to include the required financial statements and pro forma financial information. This Current Report on Form 8-K does not amend or modify the Original Report, except as to Item 9.01.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The Audited Statements of Revenues and Direct Operating Expenses of the Fieldpoint Properties for the year ended December 31, 2019 and for the six months ended June 30, 2020 (unaudited), and the notes thereto, including the related report of the independent public accounting firm, are filed as Exhibit 99.1 to this Form 8-K/A.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Combined Financial Statements of U.S. Energy Corp. for the year ended December 31, 2019 and for the six months ended June 30, 2020, are filed as Exhibit 99.2 to this Form 8-K/A.

(d) Exhibits.

Exhibit No.	Description
10.1	Asset Purchase Agreement dated September 25, 2020, by and among U.S. Energy Corp. as Buyer, and Mr. Randolph N. Osherow, as Chapter 7 trustee in the Bankruptcy Case of FieldPoint Petroleum Corporation (Filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on October 30, 2020, and incorporated herein by reference)(File No. 333-249738)
10.2	$375,000 Secured Promissory Note dated September 24, 2020 entered into by U.S. Energy Corp., to evidence amounts owed to APEG Energy II, L.P. (Filed as Exhibit 10.17 to the Company's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on October 30, 2020, and incorporated herein by reference)(File No. 333-249738)
23.1*	Consent of Plante & Moran, PLLC
99.1*	Audited Statement of Revenue and Direct Operating Expenses of the Fieldpoint Properties for the year ended December 31, 2019 and Unaudited Statements of Revenues and Direct Operating Expenses for the six months ended June 30, 2020, and the notes thereto, including the related report of the independent public accounting firm
99.2*	Unaudited Pro Forma Combined Financial Information
99.3	Press Release dated September 29, 2020 (Filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 29, 2020, and incorporated herein by reference)(File No. 000-06814)

* Filed herewith.

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.

By: */s/ Ryan Smith*
Ryan Smith
Chief Executive Officer

Dated: December 9, 2020

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in U.S. Energy Corp.'s Registration Statements on Form S-3 (No. 333-248906), Form S-1 (Nos. 333-220363 and 333-249738) and Form S-8 (Nos. 333-108979, 333-166638, 333-180735, and 333-183911) of our report dated December 9, 2020, relating to the Statement of Revenue and Direct Operating Expenses of the FieldPoint Properties for the Year Ended December 31, 2019, which appears in this Current Report on Form 8-K/A.

/s/ Plante & Moran, PLLC

Denver, Colorado
December 9, 2020

Exhibit 99.1

FieldPoint Properties
Statement of Revenue and Direct Operating Expenses
For the Year Ended December 31, 2019
For the Six Months Ended June 30, 2020 (unaudited)

Independent Auditor's Report

To the Board of Directors of
U.S. Energy Corp.

We have audited the accompanying statement of revenue and direct operating expenses of the FieldPoint Properties for the year ended December 31, 2019, and the related notes (collectively referred to as the "financial statement").

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenue and direct operating expenses of the FieldPoint Properties for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statement was prepared for the purpose of complying with rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the results of operations of the FieldPoint Properties. Our opinion is not modified with respect to this matter.

/s/ Plante & Moran, PLLC

Denver, Colorado
December 9, 2020

STATEMENT OF REVENUE AND DIRECT OPERATING EXPENSES OF THE FIELDPOINT PROPERTIES
FOR THE YEAR ENDED DECEMBER 31, 2019 AND SIX MONTHS ENDED JUNE 30, 2020 (unaudited)
(in thousands)

	Year Ended December 31, 2019	Six Months Ended June 30, 2020 (Unaudited)
Revenue:		
Oil	$ 1,174	$ 234
Natural gas and liquids	124	40
Saltwater disposal	82	5
Total revenue	1,380	279
Operating expenses:		
Lease operating expense	414	187
Production taxes	120	25
Saltwater disposal expense	7	-
Total operating expenses	541	212
Revenue in excess of direct operating expenses	$ 839	$ 67

See notes to statements of revenue and direct operating expenses of the FieldPoint Properties

NOTES TO THE STATEMENT OF REVENUE AND DIRECT OPERATING EXPENSES OF THE FIELDPOINT PROPERTIES FOR THE YEAR ENDED DECEMBER 31, 2019 AND THE SIX MONTHS ENDED JUNE 30, 2020 (unaudited)

NOTE 1. BASIS OF PRESENTATION

On September 25, 2020, U.S. Energy Corp. ("U.S. Energy" or the "Company") acquired certain operated and non-operated properties primarily located in Lea County, New Mexico and Converse County, Wyoming. The acquired properties consist of select upstream assets of FieldPoint Petroleum Corporation ("FieldPoint") and were acquired pursuant to FieldPoint's Chapter 7 bankruptcy process (the "FieldPoint Properties"). The purchase price for the FieldPoint Properties was $500 thousand, which was paid in cash plus the assumption of certain liabilities.

The FieldPoint Properties were not accounted for as a separate subsidiary or division during the periods presented. Accordingly, complete financial statements under U.S. generally accepted accounting principles ("GAAP") are not available, or practicable to obtain for the FieldPoint Properties. The accompanying Statements of Revenue and Direct Operating Expenses are not intended to be a complete presentation of the results of operations of the FieldPoint Properties and may not be representative of future operations as they do not include general and administrative expenses, interest income or expense, depreciation, depletion and amortization, income taxes or other income and expense items not directly associated with revenues from oil and natural gas. The accompanying Statements of Revenue and Direct Operating Expenses are presented in lieu of the full financial statements required under Rule 8-04 of the Securities and Exchange Commission ("SEC") Regulation S-X.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the statements of revenue and direct operating expenses in conformity with GAAP required U.S. Energy's management to make various assumptions, judgements and estimates to determine the reported amounts of revenues and direct operating expenses of the FieldPoint Properties for the periods reported. These estimates and assumptions are based on U.S. Energy's best estimates and judgements. Changes in these assumptions, judgements and estimates will occur due to the passage of time and occurrence of future events. Accordingly, actual results could differ materially from amounts previously established.

Revenue Recognition

Oil and natural gas revenues are derived from both operated and non-operated oil and natural gas wells. For wells that it operates, it sells its oil production at the delivery point specified in the contract and collects an agreed-upon index price, net of pricing differentials. The purchaser takes custody, title and risk of loss of the oil at the delivery point, therefore, control passes at the delivery point. The FieldPoint Properties recognize revenue at the net price received when control transfers to the purchaser. For the majority of wells the FieldPoint Properties operate, natural gas and natural gas liquid ("NGL") is sold at the lease location, which is generally when control of the natural gas and NGL transfers to the purchaser, and revenue is recognized as the amount received from the purchaser.

For wells that the FieldPoint Properties do not operate, revenues are derived from its interest in the sales of oil and natural gas production. The sales of oil and natural gas are made under contracts that third-party operators of oil and natural gas have negotiated with customers. The FieldPoint Properties receive payment from the sale of oil and natural gas production between one to three months after delivery. At the end of each period when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued. Variances between the FieldPoint Properties estimated revenue and actual payments are recorded in the month the payment is received; however, differences have been insignificant. Accordingly, the variable consideration is not constrained. As a non-operator of oil and natural gas properties, the FieldPoint Properties record its share of the revenues and expenses based on information provided by the operators within the revenue statements.

Direct Operating Expenses

Direct operating expenses are recognized when incurred and include amounts required to produce oil and natural gas, gather, transport, process, treat and store. Direct operating expenses also include expenses with support personnel, support services, equipment and facilities related to oil and natural gas production and the operation of a saltwater disposal well.

Concentration of Credit Risk

The FieldPoint Properties have exposure to credit risk in the event of nonpayment of oil and natural gas receivables by joint interest operators of its oil and gas properties and purchasers of produced quantities of oil and natural gas. The following table presents joint interest operators and purchasers that accounted for 10% or more of the FieldPoint Properties total revenue in at least one of the periods presented:

	Year Ended December 31, 2019	Six Months Ended June 30, 2020
Joint interest operators		
A	43%	48%
Purchasers		
B	22%	15%
C	13%	4%

NOTE 3. CONTINGENCIES

The activities of the FieldPoint Properties are subject to potential claims and litigation in the normal course of operations. There is no pending or threatened litigation that will have a material adverse effect on the operations or financial results of the FieldPoint Properties.

NOTE 4. EXCLUDED EXPENSES

Indirect general and administrative expenses, interest expense, income taxes and other indirect expenses have not been allocated to the FieldPoint Properties by FieldPoint and as such, have been excluded from the accompanying statements. Any allocation of such indirect expenses may not be indicative of costs which would have been incurred by U.S. Energy on a stand-alone basis. Depreciation, depletion and amortization expense has also been excluded from the accompanying statements of revenue and direct operating expenses as such amounts would not be indicative of the depletion calculation by U.S. Energy on the FieldPoint Properties on a stand-alone basis.

NOTE 5. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 9, 2020 the date the accompanying Statements of Revenues and Direct Operating Expenses were available to be issued. There were no material subsequent events that require recognition or additional disclosure in the accompanying Statements of Revenue and Direct Operating Expenses.

NOTE 6. SUPPLEMENTAL OIL AND NATURAL GAS INFORMATION (UNAUDITED)

Oil and Natural Gas Reserves (Unaudited)

The estimates of proved oil and natural gas reserves and discounted future net cash flows for the FieldPoint Properties as of December 31, 2019 were prepared using historical data and other information by qualified petroleum engineers engaged by the U.S. Energy Corp. Users of this information should be aware that the process of estimating quantities of proved oil and natural gas reserves is very complex, requiring significant subjective decisions to be made in the evaluation of available geologic, engineering and economic data for each reservoir. The data for any given reservoir may also change substantially over time as the result of numerous factors, including but not limited to, additional development activity, production history and continual reassessment of the viability of production under varying economic conditions. As a result, revisions to existing reserve estimates may occur from time to time.

The estimated proved net recoverable reserves presented below include only those quantities of oil and natural gas that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic, operating, and regulatory practices. In accordance with the Securities and Exchange Commission's (SEC's) guidelines, estimates of proved reserves from which present values are derived were based on unweighted 12-month average of the first day of the month price for the period, and held constant. Proved developed reserves represent only those reserves estimated to be recovered through existing wells. All the FieldPoint Properties reserves set forth herein are in the United States and are proved developed producing reserves.

The FieldPoint Properties estimated quantities of proved oil and natural gas reserves and changes in net proved reserves are summarized below for the year ended December 31, 2019:

	2019	
	Oil (bbls)	**Gas (mcfe) (1)**
Total proved developed reserves:		
Reserve quantities, beginning of year	231,700	650,790
Revisions of previous estimates	(26,152)	(181,028)
Discoveries and extensions	-	-
Sale of minerals in place	-	-
Production	(22,328)	(70,922)
Reserve quantities, end of year	183,220	398,840

(1) Mcf equivalents (Mcfe) consist of natural gas reserves in thousand cubic feet (mcf) plus natural gas liquids (NGLs) converted to mcf using a factor of 6 mcf for each barrel (bbl) of NGL.

Standardized Measure (Unaudited)

The FieldPoint Properties compute a standardized measure of future net cash flows and changes therein relating to estimated proved reserves in accordance with authoritative accounting guidance. The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board (FASB) and the SEC. These assumptions do not necessarily reflect the FieldPoint Properties expectations of actual revenues to be derived from those reserves, nor their present value amount. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these reserve quantity estimates are the basis for the valuation process.

Future cash inflows and production and development costs are determined by applying prices and costs, including transportation, quality, and basis differentials, to the year-end estimated future reserve quantities. The following prices as adjusted for transportation, quality, and basis differentials were used in the calculation of the standardized measure:

	2019
Oil per Bbl	$ 52.19
Gas per Mcfe (1)	$ 1.38

(1) Consists of the weighted average price for natural gas in mcf plus NGLs converted to mcf using a factor of 6 mcf for each barrel of NGL.

Future operating costs are determined based on estimates of expenditures to be incurred in developing and producing the proved reserves in place at the end of the period using year-end costs and assuming continuation of existing economic conditions. Estimated future income taxes are computed using the current federal statutory income tax rate of 21%. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The standardized measure of discounted future net cash flows relating to the FieldPoint Property's proved oil and natural gas reserves is as follows as of December 31, 2019 (in thousands):

		2019
Future cash inflows	$	9,913
Future cash outflows:		
Production costs		(4,536)
Income taxes		(1,320)
Future net cash flows		4,057
10% annual discount factor		(1,545)
Standardized measure of discounted future net cash flows	$	2,512

Changes in Standardized Measure (Unaudited)

The changes in the standardized measure of the FieldPoint Properties future net cash flows relating to proved oil and natural gas reserves for the year ended December 31, 2019 are as follows (in thousands):

		2019
Standardized measure, beginning of year	$	3,437
Sales of oil and natural gas, net of production costs		(763)
Net changes in prices and production costs		(701)
Revisions in previous quantity estimates		(751)
Net changes in income taxes		488
Accretion of discount		304
Changes in timing and other		498
Standardized measure, end of year	$	2,512

Exhibit 99.2

PRO FORMA FINANCIAL INFORMATION OF U.S. ENERGY CORP.

Unaudited Pro Forma Condensed Combined Financial Information of U.S. Energy Corp.

Introduction

On September 25, 2020, U.S. Energy Corp. ("U.S. Energy" or the "Company") acquired certain operated and non-operated properties primarily located in Lea County, New Mexico and Converse County, Wyoming. The acquired properties consist of select upstream assets of FieldPoint Petroleum Corporation ("FieldPoint") and were acquired pursuant to FieldPoint's Chapter 7 bankruptcy process (the "FieldPoint Properties"). The purchase price for the FieldPoint Properties was $500 thousand, which was paid in cash plus the assumption of certain liabilities.

The following unaudited pro forma condensed combined financial statements reflect the acquisition of the FieldPoint Properties on a pro forma basis. The unaudited pro forma condensed combined balance sheet of the combined company is based on the historical consolidated balance sheet of U.S. Energy Corp as of December 31, 2019 with adjustments to the accounts to reflect the acquisition of the FieldPoint Properties as if it had occurred on December 31, 2019. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and for the six months ended June 30, 2020 reflect the historical condensed consolidated statements of U.S. Energy for those periods with adjustments to reflect the acquisition of the FieldPoint Properties had it occurred on January 1, 2019.

The unaudited pro forma data presented herein reflects events that are directly attributable to the acquisition of the FieldPoint Properties, are factually supportable, and as they relate to the unaudited pro forma condensed combined statement of operations are expected to have a continuing impact. The unaudited pro forma information presented herein also reflects certain assumptions which management believes are reasonable. Such pro forma financial information is not necessarily indicative of financial results that would have been attained had the acquisition of the FieldPoint Properties occurred on the dates indicated above, or the results of the combined company that may be achieved in the future. The adjustments are based on currently available information and certain estimates and assumptions. Therefore, the actual results may differ from the pro forma results indicated herein. However, management believes that the assumptions provide a reasonable basis for presenting the significant effects of the acquisition of the FieldPoint Properties.

The unaudited pro forma condensed combined financial statements have been derived from, and should be read in conjunction with, the historical consolidated financial statements.

U.S. ENERGY CORP. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
(in thousands)

	December 31, 2019 (as reported)	Pro forma Adjustments	December 31, 2019 (Pro forma)
ASSETS			
Current assets:			
Cash and equivalents	$ 1,532	$ (609)(a)	$ 1,298
		$ 375(b)	
Oil and natural gas sales receivable	716		716
Marketable equity securities	307		307
Prepaid and other current assets	138		138
Real estate assets held for sale	-		-
Total current assets	2,693	(234)	2,459
Oil and natural gas properties under full cost method:			
Unevaluated properties	3,741		3,741
Evaluated properties	89,113	845(a)(c)	89,958
Less accumulated depreciation, depletion, amortization and impairment	(84,400)		(84,400)
Net oil and natural gas properties	8,454	845	9,299
Other assets:			
Property and equipment, net	2,115		2,115
Right of use asset	179		179
Other assets	26		26
Total other assets	2,320	-	2,320
Total assets	$ 13,467	$ 611	$ 14,078
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	$ 974		$ 974
Accrued compensation and benefits	191		191
Current lease obligation	58		58
Total current liabilities	1,223	-	1,223
Noncurrent liabilities:			
Related party secured note payable	-	375(b)	375
Asset retirement obligations	819	236(c)	1,055
Warrant liability	73		73
Long-term lease obligation, net of current portion	142		142
Total noncurrent liabilities	1,034	611	1,645
Total liabilities	2,257	611	2,868
Preferred stock	2,000		2,000
			-
Shareholders' equity:			-
Common stock	13		13
Additional paid-in capital	136,876		136,876
Accumulated deficit	(127,679)		(127,679)
Total shareholders' equity	9,210	-	9,210
Total liabilities, preferred stock and shareholders' equity	$ 13,467	$ 611	$ 14,078

U.S. ENERGY CORP. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(in thousands)

	Year ended December 31, 2019 (as reported)	Pro forma Adjustments	Year ended December 31, 2019 (Pro forma)
Revenue			
Oil	$ 6,149	$ 1,174(d)	$ 7,323
Natural gas and liquids	424	124(d)	548
Saltwater disposal		82(d)	82
Total revenue	6,573	1,380	7,953
Operating expenses			
Oil and natural gas operations:			
Lease operating expense	1,848	421(d)	2,269
Production taxes	429	120(d)	549
Depreciation, depletion, accretion and amortization	693	66(e)	783
		24(f)	
Impairment of oil and natural gas properties	-		-
General and administrative expenses:	4,393	-	4,393
Total operating expenses	7,363	631	7,994
Operating (loss) income	(790)	749	(41)
Other non-operating income (expense):			
Loss on marketable equity securities	(229)	-	(229)
Warrant revaluation loss	352		352
Rental property gain (loss)	(72)		(72)
Other income	200		200
Interest expense, net	(11)	(38)(g)	(49)
Total other income (expense)	240	(38)	202
(Loss) income before income taxes	(550)	711	161
Income tax	-	-(h)	-
Net (loss) income	(550)	711	161
Accrued preferred stock dividends	(372)	-	(372)
Net loss applicable to common shareholders	$ (922)	$ 711	$ (211)
Pro forma net loss per share data:			
Pro forma net loss per share applicable to common shareholders basic and diluted			$ (0.16)
Pro forma weighted average shares outstanding basic and diluted			1,341

U.S. ENERGY CORP. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(in thousands)

	Six Months Ended June 30, 2020 (as reported)	Proforma Adjustments	Six Months Ended June 30, 2020 (Pro forma)
Revenue			
Oil	$ 1,056	$ 234(i)	$ 1,290
Natural gas and liquids	56	40(i)	96
Saltwater disposal		5(i)	5
Total revenue	1,112	279	1,391
Operating expenses			
Oil and natural gas operations:			
Lease operating expense	742	187(i)	929
Production taxes	80	25(i)	105
Depreciation, depletion, accretion and amortization	210	34(j)	256
		12(k)	
Impairment of oil and natural gas properties	1,794		1,794
General and administrative expenses:	939		939
Total operating expenses	3,765	258	4,023
Operating (loss) income	(2,653)	21	(2,632)
Other non-operating income (expense):			
Loss on real estate held for sale	(651)		(651)
Impairment of real estate	(403)		(403)
Loss on marketable equity securities	(121)		(121)
Warrant revaluation loss	(120)		(120)
Rental property gain (loss)	(35)		(35)
Other income	28		28
Interest expense, net	(2)	(19)(l)	(21)
Total other expense	(1,304)	(19)	(1,323)
Net loss	$ (3,957)	$ 2	$ (3,955)
Accrued preferred stock dividends	(203)	-	(203)
Net loss applicable to common shareholders	$ (4,160)	$ 2	$ (4,158)
Pro forma net loss per share data:			
Pro forma net loss per share applicable to common shareholders basic and diluted			$ (3.01)
Pro forma weighted average shares outstanding basic and diluted			1,380

1. Basis of Presentation

On September 25, 2020, U.S. Energy acquired certain operated and non-operated properties from FieldPoint pursuant to its chapter 7 bankruptcy for $500 thousand. In addition, U.S. Energy incurred transaction costs of $109 thousand and assumed liabilities of $236 thousand. To finance the acquisition U.S. Energy issued a $375 thousand secured noted payable to APEG Energy II, LP, a related party.

2. Adjustments to the Pro Forma Balance Sheet

The unaudited pro forma balance sheet has been prepared to show the effect of the acquisition of the FieldPoint Properties as if it had occurred on December 31, 2019. The pro forma balance sheet reflects the following adjustments related to the FieldPoint Properties:

(a) Represents the pro forma adjustment for the payment of the $500 thousand acquisition price plus transaction costs of $109 thousand.

(b) Represents the pro forma adjustment for proceeds from the $375 thousand related party secured note payable from APEG Energy II, LP, which was used to finance the acquisition of the FieldPoint Properties.

(c) Represents the assumption of asset retirement obligations of $236 thousand related to the acquisition of the FieldPoint Properties.

3. Adjustment to Pro Forma Statement of Operations for the Year Ended December 31, 2019

The unaudited pro forma statement of operations for the year ended December 31, 2019 gives effect to the following pro forma adjustments to reflect the acquisition of the FieldPoint Properties had it occurred on January 1, 2019:

(d) Record the revenue and direct operating expenses of the FieldPoint Properties for the year ended December 31, 2019**.**

(e) Record incremental pro forma depreciation, depletion, amortization in accordance with the full cost method of accounting for oil and gas activities for the year ended December 31, 2019.

(f) Record pro forma incremental accretion expense related to asset retirement obligations assumed in the acquisition of the FieldPoint Properties for the year ended December 31, 2019.

(g) Record pro forma interest expense related to the related party secured note payable from APEG Energy II, LP borrowed to finance the acquisition of the FieldPoint Properties.

(h) The company has a full valuation allowance against the net deferred tax assets. There is no pro forma income tax expense associated with the acquisition of the FieldPoint Properties, as any income tax expense is expected to be offset by the existing deferred tax assets of the U.S. Energy.

4. Adjustment to Pro Forma Statement of Operations for the Six Months Ended June 30, 2020

The unaudited pro forma statement of operations for the six months ended June 30, 2020 gives effect to the following pro forma adjustments to reflect the acquisition of the FieldPoint Properties had it occurred on January 1, 2019:

(i) Record the revenue and direct operating expenses of the FieldPoint Properties for the six months ended June 30, 2020.

(j) Record pro forma incremental depreciation, depletion, amortization in accordance with the full cost method of accounting for oil and gas activities for the six months ended June 30, 2020.

(k) Record pro forma incremental accretion expense related to asset retirement obligations assumed in the acquisition of the FieldPoint Properties for the six months ended June 30, 2020.

(l) Record pro forma interest expense for the six months ended June 30, 2020, related to the related party secured note payable from APEG Energy II, LP borrowed to finance the acquisition of the FieldPoint Properties,