

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

US ENERGY CORP

Form: 8-K

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): March 4, 2021

U.S. ENERGY CORP.

(Exact Name of Company as Specified in its Charter)

Wyoming

(State or other jurisdiction
of incorporation or organization)

000-06814

(Commission
File No.)

83-0205516

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

675 Bering Drive, Suite 100, Houston, Texas

(Address of principal executive offices)

77057

(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 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	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 of this chapter).

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.

Item 1.01. Entry into a Material Definitive Agreement.

On March 4, 2021, U.S. Energy Corp. ("U.S. Energy", the "Company", "we" or "us"), entered into and closed the transactions contemplated by a Debt Conversion Agreement (the "Conversion Agreement") with APEG Energy II, L.P. ("APEG"). Patrick E. Duke, a former director of the Company, has shared voting power and shared investment power over APEG. Pursuant to the Conversion Agreement, APEG converted \$412,500 of debt owed to it by the Company pursuant to the terms of that certain Secured Promissory Note issued by the Company to APEG on September 24, 2020, into 97,962 shares of restricted common stock of the Company, based on a conversion price of \$4.21 per share, a 9.9% discount to the ten day volume weighted average price of the Company's common stock on the 10 trading days immediately preceding the signing of Conversion Agreement (the "Discounted VWAP"). The Conversion Agreement contains customary representations and warranties of the parties.

Also, on March 4, 2021, APEG entered into a Subscription Agreement with the Company, whereby APEG subscribed to purchase 90,846 shares of restricted common stock of the Company for an aggregate of \$382,536, based on the Discounted VWAP. The \$382,536 subscription price was paid by way of the forgiveness by APEG of the same amount of funds owed by the Company to APEG in reimbursement of APEG's legal costs in connection with those certain shareholder derivative actions brought by APEG against the Company and its former Chief Executive Officer in Texas and Colorado, which were dismissed in August 2020 and May 2020, respectively. The Subscription Agreement contains customary representations and warranties of the parties.

The foregoing summary description of the Conversion Agreement and Subscription Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Conversion Agreement and Subscription Agreement, which are incorporated by reference as Exhibits 10.1 and 10.2 to

Item 3.02. Unregistered Sales of Equity Securities.

As noted in [Item 1.01](#) above, which description is incorporated by reference into this [Item 3.02](#) in its entirety, on March 4, 2021, the Company issued APEG 97,962 shares of restricted common stock of the Company pursuant to the Conversion Agreement. The issuance of the common shares was exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended (the "[Securities Act](#)"), because such shares were exchanged by the Company with an existing security holder of the Company exclusively where no commission or other remuneration was paid or given directly or indirectly for soliciting such exchange.

As noted in [Item 1.01](#) above, which description is incorporated by reference into this [Item 3.02](#) in its entirety, on March 4, 2021, the Company sold APEG 90,846 shares of restricted common stock. The issuance of the common shares pursuant to the Subscription Agreement was exempt from registration pursuant to Section 4(a)(2) and/or Rule 506(b) of Regulation D of the Securities Act, since the foregoing issuance did not involve a public offering, the recipient was an "[accredited investor](#)", and the recipient acquired the securities for investment only and not with a view towards, or for resale in connection with, the public sale or distribution thereof. The securities were offered without any general solicitation by us or our representatives. The securities are subject to transfer restrictions, and the certificates evidencing the securities contain an appropriate legend stating that such securities have not been registered under the Securities Act and may not be offered or sold absent registration or pursuant to an exemption therefrom.

Item 9.01. Financial Statements and Exhibits.

(d) [Exhibits](#).

Exhibit

No.	Description
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10.1*	Debt Conversion Agreement by and between U.S. Energy Corp. and APEG Energy II, L.P. dated as of March 4, 2021
10.2*	Subscription Agreement of APEG Energy II, L.P., dated as of March 4, 2021

*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: March 9, 2021

DEBT CONVERSION AGREEMENT

This Debt Conversion Agreement (this "**Agreement**") dated March 4, 2021 (the "**Effective Date**"), is by and between, U.S. Energy Corp., a Wyoming corporation (the "**Company**") and APEG Energy II, L.P. (the "**Creditor**"), each a "**Party**" and collectively the "**Parties.**"

WITNESSETH:

WHEREAS, as of the date of this Agreement, the Company owes the Creditor an aggregate of \$412,500 pursuant to the terms of that certain Secured Promissory Note issued by the Company to the Creditor on September 24, 2020¹ (which amount includes all principal and interest due to the Creditor from the Company as of the Effective Date)(the "**Amount Owed**");

WHEREAS, the Company and the Creditor desire to convert the entire Amount owed into shares of restricted common stock of the Company at a conversion price equal to the lower of: (i) a 9.9% discount to the ten day volume weighted average price ("VWAP") from the Nasdaq Official Closing Price of the common stock (as reflected on Nasdaq.com) for the 10 trading days immediately preceding the signing of Agreement which was \$4.21 (the "**Agreed Conversion Price**" and the "**Conversion**"); and

WHEREAS, the Company and the Creditor desire to set forth in writing herein the terms and conditions of their agreement and understanding concerning Conversion.

NOW, THEREFORE, in consideration of the premises and the mutual covenants, agreements, and considerations herein contained, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties hereto agree as follows:

1. Consideration.

(a) Effective on the Effective Date, and in consideration and in full satisfaction of the forgiveness of the entire Amount Owed, the Company shall issue the Creditor an aggregate of 97,962 shares of restricted common stock of the Company (the "**Shares**").

(b) The Shares shall be issued in book-entry/non-certificated form.

(c) Creditor represents that it is the sole owner of the Amount Owed and has good and marketable title to the Amount Owed, free and clear of any liens, claims, charges, options, rights of tenants or other encumbrances. Creditor has sole managerial and dispositive authority with respect to the Amount Owed.

¹ <https://www.sec.gov/Archives/edgar/data/101594/000149315220020151/ex10-17.htm>

2. Full Satisfaction.

Creditor agrees that it is accepting the Shares in full satisfaction of the Amount Owed which is being converted into Shares as described above and that as such, the Creditor will no longer have any rights of repayment against the Company as to the Amount Owed which is being converted into Shares according to this Agreement. Creditor further agrees that the Shares are being issued in full consideration of the Amount Owed.

3. Mutual Representations, Covenants and Warranties.

(a) The Parties have all requisite power and authority, corporate or otherwise, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and thereby. The Parties have duly and validly executed and delivered this Agreement and, assuming the due authorization, execution and delivery of this Agreement by the Parties hereto and thereto, this Agreement constitutes, the legal, valid and binding obligation of the Parties enforceable against each Party in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general equitable principles.

(b) The execution and delivery by the Parties of this Agreement and the consummation of the transactions contemplated hereby and thereby do not and shall not, by the lapse of time, the giving of notice or otherwise: (a) constitute a violation of any law; or (b) constitute a breach or violation of any provision contained in the document(s) regarding organization and/or management of the Parties, if applicable; or (c) constitute a breach of any provision contained in, or a default under, any governmental approval, any writ, injunction, order, judgment or decree of any governmental authority or any contract to which either the Company or the Creditor is a party or by which either the Company or the Creditor is bound or affected.

(c) The Parties hereby covenant that they will, whenever and as reasonably requested by the other Party hereto, at such acting Party's sole cost and expense, do, execute, acknowledge and deliver any and all such other and further acts, deeds, assignments, transfers, conveyances, confirmations, powers of attorney and any instruments of further assurance, approvals and consents as the other Party may reasonably require in order to complete, insure and perfect the transactions contemplated herein.

(d) Any individual executing this Agreement on behalf of a Party has the authority to act on behalf of such Party and has been duly and properly authorized to sign this Agreement on behalf of such Party.

4. Representations of Creditor.

(a) Creditor is acquiring the Shares, for its own account, for investment purposes only and not with a view to, or for sale in connection with, a distribution, as that term is used in Section 2(11) of the Securities Act of 1933, as amended (the "**Securities Act**," or the "**Act**") in a manner which would require registration under the Securities Act or any state securities laws. Creditor can bear the economic risk of investment in the Shares, has knowledge and experience in financial business matters, is capable of bearing and managing the risk of investment in the Shares and is an "**accredited investor**" as defined in Regulation D under the Securities Act. Creditor recognizes that the Shares are not registered under the Securities Act, nor under the securities laws of any state and, therefore, cannot be resold unless the resale of the Shares is registered under the Securities Act or unless an exemption from registration is available. Creditor has carefully considered and has, to the extent it believes such discussion necessary, discussed with its professional, legal, tax and financial advisors, the suitability of an investment in the Shares for its particular tax and financial situation and its respective advisers, if such advisers were deemed necessary, have determined that the Shares are a suitable investment for it. Creditor has not been offered the Shares by any form of general solicitation or advertising, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or other similar media or television or radio broadcast or any seminar or meeting where, to Creditor's knowledge, those individuals that have attended have been invited by any such or similar means of general solicitation or advertising. Creditor has had an opportunity to ask questions of, and receive satisfactory answers from, the Company, or persons acting on behalf of the Company, concerning the terms and conditions of the Shares and the Company, and all such questions have been answered to the full satisfaction of Creditor. The Company has not supplied Creditor any information regarding the Shares or an investment in the Shares other than as contained in this Agreement, and Creditor is relying on its own investigation and evaluation of the Company and the Shares and not on any other information.

(b) Creditor understands and agrees that a legend has been or will be placed on any certificate(s) or other document(s) evidencing the Shares in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES ACT. THE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS (I) THEY SHALL HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND ANY APPLICABLE STATE SECURITIES ACT, OR (II) THE CORPORATION SHALL HAVE BEEN FURNISHED WITH AN OPINION OF COUNSEL, SATISFACTORY TO COUNSEL FOR THE CORPORATION, THAT REGISTRATION IS NOT REQUIRED UNDER ANY SUCH ACTS."

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(c) Creditor hereby covenants that it will, whenever and as reasonably requested by the Company and at Creditor's sole cost and expense, do, execute, acknowledge and deliver any and all such other and further acts, deeds, assignments, transfers, conveyances, confirmations, powers of attorney and any instruments of further assurance, approvals and consents as the Company may reasonably require in order to complete, insure and perfect the transactions contemplated herein.

5. Miscellaneous.

(a) *Assignment*. All of the terms, provisions, and conditions of this Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Parties hereto and their respective successors and permitted assigns.

(b) *Applicable Law*. This Agreement shall be construed under and governed by the laws of the State of Texas, excluding any provision which would require the use of the laws of any other jurisdiction.

(c) *Entire Agreement, Amendments, and Waivers*. This Agreement constitutes the entire agreement of the Parties regarding the subject matter of the Agreement and expressly supersedes all prior and contemporaneous understandings and commitments, whether written or oral, with respect to the subject matter hereof. No variations, modifications, changes or extensions of this Agreement or any other terms hereof shall be binding upon any Party hereto unless set forth in a document duly executed by such Party or an authorized agent of such Party.

(d) *Headings; Gender*. The paragraph headings contained in this Agreement are for convenience only, and shall in no manner be construed as part of this Agreement. All references in this Agreement as to gender shall be interpreted in the applicable gender of the Parties.

(e) *Binding Effect*. This Agreement shall be binding on the Company and each and Creditor. Upon such execution, this Agreement shall be binding on and inure to the benefit of each of the Parties and their respective heirs, successors, assigns, directors, officers, agents, employees, and personal representatives.

(f) *Severability*. Should any clause, sentence, paragraph, subsection, Section or Article of this Agreement be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement, and the Parties agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom by the Parties, and the remainder will have the same force and effectiveness as if such stricken part or parts had never been included herein.

(g) *Arm's Length Negotiations*. Each Party herein expressly represents and warrants to all other Parties hereto that (a) before executing this Agreement, said Party has fully informed itself of the terms, contents, conditions, and effects of this Agreement; (b) said Party has relied solely and completely upon its own judgment in executing this Agreement; (c) said Party has had the opportunity to seek and has obtained the advice of its own legal, tax and business advisors before executing this Agreement; (d) said Party has acted voluntarily and of its own free will in executing this Agreement; and (e) this Agreement is the result of arm's length negotiations conducted by and among the Parties and their respective counsel.

(h) *Counterparts, Effect of Facsimile, Emailed and Photocopied Signatures*. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "**Electronic Delivery**") shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party, each other Party shall re-

execute the original form of this Agreement and deliver such form to all other Parties. No Party shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such Party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first written above.

"COMPANY"

U.S. Energy Corp.

/s/ Ryan L. Smith

Ryan L. Smith
Chief Executive Officer

"CREDITOR"

APEG Energy II, L.P.

By: */s/ Paul Haarman*

Its: Paul Haarman

Printed Name: Managing Partner

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**U.S. ENERGY CORP.
COMMON STOCK
SUBSCRIPTION AGREEMENT**

Common Stock Shares

Date: **March 4, 2021**

Subscription Commitment: **US \$382,535.65**

1. Subscription:

(a) APEG Energy II, L.P., a Texas limited partnership (the "**Participant**") hereby applies to purchase restricted Common Stock (the "**Common Stock**" or the "**Shares**" or the "**Securities**") of U.S. Energy Corp., a Wyoming corporation (the "**Company**"), in the amount set forth below its signature on the signature page of this Agreement, in accordance with the terms and conditions of this Subscription Agreement (the "**Subscription**" or "**Agreement**").

(b) Each Share has a price per share of **US \$4.21** (the "**Purchase Price**", which term, depending on its context shall also refer to the aggregate consideration due from Participant for the aggregate amount of Shares purchased by such Participant hereunder, in an amount equal to the Purchase Price multiplied by the number of Shares purchased). The Purchase Price per share represents a 9.9% discount to the ten-day volume weighted average price ("VWAP") from the Nasdaq Official Closing Price of the common stock (as reflected on Nasdaq.com) for the ten trading days immediately preceding the signing of Agreement.

(c) Before this Subscription is considered, the Participant must complete, execute and deliver to the Company the following:

(i) This Subscription.

(ii) The Certificate of Accredited Investor Status, attached hereto as **Exhibit A**.

(iii) The Participant's wire transfer in the amount set forth on the signature page hereof in the amount of the aggregate Purchase Price in exchange for the Shares purchased, sent according to the Company's instructions.

(d) This Subscription is irrevocable by the Participant.

(e) This Subscription is not transferable or assignable by the Participant.

(f) This Subscription may be rejected in whole or in part by the Company in its sole discretion prior to the Closing (as defined in **Section 1(h)** hereof), regardless of whether Participant's funds have theretofore been deposited by the Company. Participant's execution and delivery of this Subscription will not constitute an agreement between the undersigned and the Company until this Agreement has been accepted and executed by the Company. In the event this Subscription is rejected by the Company, all funds and documents tendered by the Participant shall be returned and the parties' obligations hereunder, shall terminate.

(g) For purposes of this Agreement:

(i) "**Affiliate**" means (x) any Person directly or indirectly controlling, controlled by or under common control with another Person, or (y) any manager, director, officer, partner or employee of a Person; a Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through ownership of voting securities, by contract, or otherwise.

(ii) "**Material Adverse Effect**" means any change, event, development or occurrence, individually or with all other changes, events, developments or occurrences, that has or is reasonably likely to (a) have a material adverse effect on the business, prospects, assets, results of operations or financial condition of the Company or (b) prevent or materially delay consummation of the transactions contemplated hereby or otherwise prevent the Company from performing its obligations under this Agreement on a timely basis in any material respect.

(iii) "**Person**" means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization or governmental entity.

(h) The closing (the "**Closing**") of this offering (the "**Offering**") is scheduled to occur as soon as possible. The date that the Offering closes shall be the "**Closing Date**" for the purposes of this Agreement.

(i) **Conditions to Closing**. Closing shall be conditioned upon the following, unless waived in writing by the Company and the Participant:

(i) **Board Approval**: The Board of Directors of the Company shall have approved the transactions contemplated by this Subscription and the other transaction documents and the issuance of the Securities. The Company shall have performed in all material respects all obligations and covenants herein required to be performed by it on or prior to the Closing.

(j) Participant hereby agrees not to, and will cause its Affiliates not to, enter into any "**put equivalent position**" as such term is defined in Rule 16a-1 under the Securities Exchange Act of 1934, as amended, or short sale position with respect to the Securities either prior to Closing or at any time that Participant holds any Shares.

2. Representations by Participant. In consideration of the Company's potential acceptance of the Subscription, Participant makes the following representations and warranties to the Company, which warranties and representations shall survive any acceptance of the Subscription by the Company:

(a) Without limiting its right to rely upon the representations and warranties of the Company in Section 3, prior to the time of purchase of the Shares, Participant has had an opportunity to review the Company's reports, schedules, forms, statements and other documents filed by it with the United States Securities and Exchange Commission (the "SEC Reports") (which filings can be accessed by going to <http://www.sec.gov/edgar/searchedgar/companysearch.html>, typing "US Energy Corp" in the "Company name" field, and clicking the "Search" button), and Participant has had the opportunity to ask questions and receive any additional information from persons acting on behalf of the Company to verify Participant's understanding of the terms thereof and of the Company's business and status thereof.

(b) Participant acknowledges that Participant has not seen, received, been presented with, or been solicited by any leaflet, public promotional meeting, newspaper or magazine article or advertisement, radio or television advertisement, or any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act of 1933, as amended (the "Securities Act")) with respect to the Securities.

(c) The Securities are being acquired for Participant's own account and not with a view to resale the Securities in violation of the Securities Act.

(d) Participant acknowledges that the Securities have not been registered under the Securities Act or qualified under any blue sky laws, in reliance, in part, on Participant's representations, warranties and agreements made herein.

(e) Other than the rights specifically set forth in this Subscription and disclosed in the SEC Reports, Participant represents, warrants and agrees that the Company and the officers of the Company (the "Company's Officers") are under no obligation to register or qualify the Securities under the Securities Act or under any state securities law, or to assist the undersigned in complying with any exemption from registration and qualification.

(f) Participant represents that Participant is (i) an "accredited investor" as such term is defined in Rule 501 of the Securities Act, and has executed the Certificate of Accredited Investor Status, attached hereto as Exhibit A.

(g) Participant understands that the right to transfer the Securities will be restricted unless the transfer is not in violation of the Securities Act and any other applicable state or foreign securities laws.

(h) Participant has been advised to consult with its own attorney or attorneys regarding all legal matters concerning an investment in the Company and the tax consequences of purchasing the Securities, and has done so, to the extent Participant considers necessary.

(i) Participant acknowledges that the tax consequences of investing in the Company will depend on particular circumstances, and neither the Company, the Company's Officers, any other investors, nor the partners, shareholders, members, directors, agents, officers, employees, affiliates or consultants of any of them, will be responsible or liable for the tax consequences to Participant of an investment in the Company. Participant will look solely to and rely upon its own advisers with respect to the tax consequences of this investment.

(j) All information which Participant has provided to the Company concerning Participant, its financial position and its knowledge of financial and business matters, and any information found in the Certificate of Accredited Investor Status, is truthful, accurate, correct, and complete as of the date set forth herein.

(l) Participant is in full compliance with, and the Participant's payment of the Purchase Price in connection with the Offering will be in full compliance with, all applicable U.S. laws, regulations, directives, and executive orders imposing economic sanctions, embargoes, export controls or anti-money laundering requirements, including but not limited to the following laws: (1) the International Emergency Economic Powers Act, 50 U.S.C. 1701-1706; (2) the National Emergencies Act, 50 U.S.C. 1601-1651; (3) section 5 of the United Nations Participation Act of 1945, 22 U.S.C. 287c; (4) Section 321 of the Antiterrorism Act, 18 U.S.C. 2332d; (5) the Export Administration Act of 1979, as amended, 50 U.S.C. app. 2401-2420; (6) the Trading with the Enemy Act, 50 U.S.C. app. 1 et seq.; (7) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56; and (8) Executive Order 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) of September 23, 2001. The Participant represents that the amounts invested by it in the Company in the Offering were not and are not directly or indirectly derived from activities that contravene federal, state or international laws and regulations, including anti-money laundering laws and regulations (collectively, the "Regulations"). To the best of the Participant's knowledge, none of: (1) the Participant; (2) any person controlling or controlled by the Participant; (3) if the Participant is a privately-held entity, any person having a beneficial interest in the Participant; or (4) any person for whom the Participant is acting as agent or nominee in connection with this investment is a country, territory, individual or entity named on an Office of Foreign Assets Control ("OFAC") list, or a person or entity prohibited under the OFAC Programs. Participant will provide additional information or take such actions as may be necessary or advisable for the Company, in its sole judgment, to comply with any such Regulations.

(m) The Participant (on its own behalf and, if applicable, on behalf of any person for whose benefit the Participant is subscribing) acknowledges and consents to the fact the Company is collecting the Participant's (and any beneficial purchaser's) personal information pursuant to this Agreement. The Participant (on its own behalf and, if applicable, on behalf of any person for whose benefit the Participant is subscribing) acknowledges and consents to the Company retaining the personal information for as long as permitted or required by applicable law or business practices. The Participant (on its own behalf and, if applicable, on behalf of any person for whose benefit the Participant is subscribing) further acknowledges and consents to the fact the Company may be required by applicable securities laws and stock exchange rules to provide regulatory authorities any personal information provided by the Participant respecting itself (and any beneficial purchaser). By executing this Agreement, the Participant is deemed to be consenting to the foregoing collection, use and disclosure of the Participant's (and any beneficial purchaser's) personal information. The Participant also consents to the filing of copies or originals of any of the Participant's documents described herein as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby. The Participant represents and warrants that it has the authority to provide the consents and acknowledgments set out in this paragraph on behalf of all beneficial purchasers.

(n) Each certificate or instrument representing securities issuable pursuant to this Agreement will be endorsed with the following legend:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SECURITIES WHICH IS REASONABLY

3. Representations and Warranties by the Company. The Company represents and warrants to Participant that:

(a) Due Formation. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now being conducted. The Company is duly qualified as a foreign entity to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a Material Adverse Effect on the business, operations or financial condition of the Company.

(b) Capitalization. The Company is authorized to issue an unlimited number of shares of common stock. The Company's disclosure of its issued and outstanding capital stock in its most recent SEC Filing containing such information is accurate in all material respects as of the date indicated in such SEC Filing.

(c) Authority; Enforceability. This Subscription delivered together with this Subscription or in connection herewith have been duly authorized, executed, and delivered by the Company and are legal, valid and binding agreements, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity; and the Company has the requisite corporate power and authority and has taken all requisite corporate action necessary for, and no further action on the part of the Company, its officers, directors and stockholders is necessary for, (i) the authorization, execution and delivery of this Subscription, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the authorization, issuance (or reservation for issuance) and delivery of the Shares.

(d) No General Solicitation. Neither the Company, nor any of its affiliates, nor to its knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of the Securities.

(e) Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Subscription.

(f) No Litigation. There is no action, suit, proceeding or investigation pending or, to the Company's knowledge, currently threatened against the Company or any of its subsidiaries that questions the validity of this Subscription or the right of the Company to enter into it, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any material adverse changes in the assets, condition or affairs of the Company, financially or otherwise, or any change in the current equity ownership of the Company, nor is the Company aware that there is any basis for the foregoing.

(g) Valid Issuance. The Shares have been duly and validly authorized and, when issued and paid for pursuant to this Subscription, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions (other than those created by the Participant), except for restrictions on transfer set forth in the transaction documents or imposed by applicable securities laws.

(h) SEC Filings. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company as of the date of this Agreement, under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the one year preceding the date hereof (collectively, the "SEC Filings"). At the time of filing thereof, the SEC Filings complied in all material respects with the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the SEC thereunder. All material agreements to which the Company is a party or to which the property or assets of the Company is subject are included as part of or identified in the SEC Filings, to the extent such agreements are required to be included or identified pursuant to the rules and regulations of the SEC.

(i) Brokers and Finders. No Person will have, as a result of the transactions contemplated by this Subscription, any valid right, interest or claim against or upon the Company or Participant for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of the Company, other than an advisor who will be compensated directly by the Company. Participant shall not have any obligation with respect to any fees, or with respect to any claims made by or on behalf of other Persons for fees, in each case of the type contemplated by this Section 3(i) that may be due in connection with the transactions contemplated by this Subscription.

4. Agreements to Indemnify.

(a) The Company agrees to indemnify and hold harmless the Participant and its Affiliates, and their respective directors, officers, members, managers, employees, and agents, from and against any and all losses, claims, damages, liabilities and expenses (including without limitation reasonable and documented attorney fees and disbursements and other documented out-of-pocket expenses reasonably incurred in connection with investigating, preparing or defending any action, claim or proceeding, pending or threatened and the costs of enforcement thereof) (collectively, "Losses") to which such Person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the Company under this Subscription, and will reimburse any such Person for all such amounts as they are incurred by such Person solely to the extent such amounts have been finally judicially determined not to have resulted from such Person's fraud or willful misconduct.

(b) Participant agrees to indemnify and hold harmless the Company and its Affiliates, and their respective directors, officers, members, managers, employees, and agents, from and against any and all Losses to which such Person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the Participant under this Subscription, and will reimburse any such Person for all such amounts as they are incurred by such Person.

5. Subscription Binding on Heirs, etc. This Subscription, upon acceptance by the Company, shall be binding upon the heirs, executors, administrators, successors and assigns of the Participant. If the undersigned is more than one person, the obligations of the undersigned shall be joint and several and the representations and warranties shall be deemed to be made by and be binding on each such person and his or her heirs, executors, administrators, successors,

and assigns.

6. Execution Authorized. If this Subscription is executed on behalf of a corporation, partnership, trust or other entity, the undersigned has been duly authorized and empowered to legally represent such entity and to execute this Subscription and all other instruments in connection with the Securities and the signature of the person is binding upon such entity.

Subscription Agreement

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U.S. Energy Corp.

7. Governing Law. This Subscription shall be construed in accordance with the laws of the State of Texas.

8. Dispute Resolution. In the event of any dispute arising out of or relating to this Subscription, then such dispute shall be submitted to binding arbitration with the Houston, Texas branch of the American Arbitration Association ("**AAA**") to be governed by AAA's Commercial Rules of Arbitration (the "**AAA Rules**") and heard before one arbitrator. The parties shall attempt to mutually select the arbitrator. In the event they are unable to mutually agree, the arbitrator shall be selected by the procedures prescribed by the AAA Rules. Notwithstanding anything in the AAA Rules to the contrary, discovery shall be limited exclusively to the mutual production of documents, and written submissions to the arbitrator shall be limited to one brief from each party and one responsive brief from each party.

9. Further Assurances. The Company and Participant hereby covenant that they will, whenever and as reasonably requested by the other party, do, execute, acknowledge and deliver any and all such other and further acts, deeds, confirmations, and any instruments of further assurance, approvals and consents as may reasonably be requested in order to complete, insure and perfect the transactions contemplated herein.

10. Commercially Reasonable Efforts. Each party shall use commercially reasonable efforts to timely satisfy each of the conditions to the Closing, subject to the Company's ability to reject this Subscription pursuant to Section 1(f) hereof. No party shall intentionally perform or fail to perform any act that, if performed or omitted to be performed, would prevent or excuse the performance of this Agreement or any of the transactions contemplated hereby, subject to the Company's ability to reject this Subscription pursuant to Section 1(f) hereof.

11. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to affect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

12. Entire Agreement, Amendments and Waivers. This Agreement constitutes the entire agreement of the parties regarding the subject matter of the Agreement and expressly supersedes all prior and contemporaneous understandings and commitments, whether written or oral, with respect to the subject matter hereof. No variations, modifications, changes or extensions of this Agreement or any other terms hereof shall be binding upon any party hereto unless set forth in a document duly executed by such party or an authorized agent of such party.

13. Extended Meanings. In this Agreement words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders.

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U.S. Energy Corp.

14. Counterparts, Effect of Facsimile, Emailed and Photocopied Signatures. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in one or more counterparts, all of which shall constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "**Electronic Delivery**") shall be treated in all manner and respects as an original executed counterpart and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party, each other party shall re execute the original form of this Agreement and deliver such form to all other parties. No Party shall raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each such party forever waives any such defense, except to the extent such defense relates to lack of authenticity.

[Remainder of page left intentionally blank. Signature pages follow.]

Subscription Agreement

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U.S. Energy Corp.

Subject to acceptance by the Company, the undersigned has completed this Subscription Agreement to evidence its subscription for the purchase of Shares of the Company, this 4th day of March, 2021.

PARTICIPANT:

APEG Energy II, LP

By: APEG Energy II GP, LLC, its general partner

By: /s/

Name: Paul Haarman

Title: Managing member of Angelus Private Equity Group, LLC, as sole member of Angelus Capital, LLC, as sole member of APEG Energy II GP, LLC, as general partner of APEG Energy II, LP

Tax Identification No.:

Jurisdiction of Organization: Texas

Investment Amount (# of Shares): 90,846

Purchase Price Paid (\$): 382,535.65

Address for Notice: Delivery Instructions (if different from above):

Address for Notice:
2808 Flintrock Trace, Suite 373
Austin, TX 78738

Attention: Paul Haarman

Subscription Agreement

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U.S. Energy Corp.

The Company has accepted this Subscription this 4th day of March, 2021.

"COMPANY"

**U.S. ENERGY CORP.,
a Wyoming corporation**

By: /S/

Name: Ryan Smith

Title: CEO

Address for notice:

U.S. Energy Corp.
675 Bering Dr, Suite 390,
Houston, Texas 77057
Attn: Chief Executive Officer

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U.S. Energy Corp.

Exhibit A

CERTIFICATE OF ACCREDITED INVESTOR STATUS

The undersigned, has indicated that it is an "**accredited investor**," as that term is defined in Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**"), by initialing the appropriate box below. This Certificate of Accredited Investor Status is being executed at the request of U.S. Energy Corp., a Wyoming corporation (the "**Company**"), in order to allow the undersigned to subscribe for shares of restricted common stock of the Company and for the Company to confirm an exemption from registration under Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**") for such offering.

_____ a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "**Securities Exchange Act**"); an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, and such plan has total assets in excess of \$5,000,000; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are "**accredited investors**";

_____ a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

_____ an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;

_____ a natural person whose individual net worth, or joint net worth with the undersigned's spouse, at the time of this purchase exceeds \$1,000,000. For purposes of this item, "**net worth**" means the excess of total assets at fair market value (including personal and real property, but excluding the estimated fair market value of a person's primary home) over total liabilities. Total liabilities excludes any mortgage on the primary home in an amount of up to the home's estimated fair market value as long as the mortgage was incurred more than 60 days before the Securities are purchased, but includes (i) any mortgage amount in excess of the home's fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the closing date for the sale of Securities for the purpose of investing in the Securities;

_____ a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the undersigned's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

- _____ a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment;
- _____ an entity in which all of the equity holders are "**accredited investors**" by virtue of their meeting one or more of the above standards; or
- _____ an individual who is a director or executive officer of U.S. Energy Corp.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Accredited Investor Status as of **March 4, 2020**.

APEG Energy II, LP

By: APEG Energy II GP, LLC, its general partner

By: /s/

Name: Paul Haarman

Title: Managing member of Angelus Private Equity Group, LLC, as sole member of Angelus Capital, LLC, as sole member of APEG Energy II GP, LLC, as general partner of APEG Energy II, LP