

US ENERGY CORP
Form S-3
July 21, 2006

As filed with the Securities and Exchange Commission on July 21, 2006

Registration No. 333- _____
Securities and Exchange Commission
Washington, D.C. 20549 - 2001

FORM S-3

Registration Statement
Under the Securities Act of 1933

U.S. ENERGY CORP.

(Exact name of registrant as specified in its charter)

Wyoming

(State or other jurisdiction of incorporation or organization)

83 0205516

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

877 North 8th West, Riverton, Wyoming 82501; Tel. 307.856.9271

(Address, including zip code, and telephone number, including area code,
of issuer's principal executive offices)

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Riverton, WY 82501; Tel. 307.856.9271

(Name, address, including zip code, and telephone number of agent for service)

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Approximate date of commencement and end of proposed sale to the public: From time to time after the registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [] _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [] _____

If this Form is a registration statement pursuant to General Instruction 1.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. []

If this Form is a post effective amendment to a registration statement filed pursuant to General Instruction 1.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. []

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount of Securities to be Registered In the Offering	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Dollar Price of Securities to be Registered	Amount of Fee
Common Stock Shares (1)	68,531	\$ 4.33	\$ 296,739	\$ 31.75
Common Stock Shares (2)	10,000,000	\$ 4.33	\$ 43,300,000	\$ 4,633.10
Common Stock Shares (3)	1,399	\$ 4.33	\$ 6,058	\$ 0.65
Common Stock Shares (4)	1,000,000	\$ 4.33	\$ 4,330,000	\$ 463.31
Common Stock Shares (5)	100,000	\$ 7.15	\$ 715,000	\$ 76.51
Total No. of Securities to be Registered	11,169,930		\$ 48,647,797	\$ 5,205.31

- (1) These issued shares are registered for resale by Cornell Capital Partners, LP (“Cornell”).
- (2) These shares are registered for resale after issuance to Cornell under the registrant’s Standby Equity Distribution Agreement (“SEDA”) with Cornell.
- (3) These issued shares are registered for resale by Newbridge Securities Corporation.
- (4) These shares are registered for resale upon exercise of a total of ten milestone warrants (100,000 shares per such warrant). One such warrant shall be issued for each \$5,000,000 of shares sold to Cornell under the SEDA. The exercise price of each warrant will equal the average volume weighted average market price of the registrant’s common shares for the ten trading days immediately preceding the date when one or a group of SEDA advances equal \$5,000,000.
- (5) These shares are registered for resale when issued on exercise of warrants (at \$7.15 per share) held by Cornell.

Pursuant to rule 457(c), registration fee calculations are estimated (i) for the warrant shares based upon the \$7.15 exercise price; and (ii) for outstanding shares, and for the shares issuable under the SEDA, based on the \$4.33 Nasdaq Official Closing Price on July 20, 2006, which is within 5 business days prior to the initial filing of this registration statement, using the fee rate of \$107.00 per million dollars of the aggregate offering market price at that date.

Delaying amendment under rule 473(a): The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to section 8(a), may determine.

The information in this prospectus is subject to completion or amendment. 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.

U.S. Energy Corp.
11,169,930 Shares of Common Stock

This prospectus covers the offer and sale of up to 11,169,930 shares of common stock (\$0.01 par value): 69,930 outstanding shares; 100,000 shares issuable on exercise of a warrant at \$7.15 per share; 10,000,000 shares which we may sell to Cornell Capital Partners, LP ("Cornell") under the May 5, 2006 Standby Equity Distribution Agreement (the "SEDA"); and 1,000,000 shares which will be issuable on exercise of up to ten milestone warrants (100,000 shares per such warrant), which warrants shall be issued for each \$5,000,000 of shares sold to Cornell under the SEDA. The exercise price of each warrant will equal the average volume weighted average market price of the registrant's common shares for the ten trading days immediately preceding the date when one or a group of SEDA advances equals \$5,000,000.

In this prospectus, "selling shareholders" refers to Cornell and Newbridge Securities Corporation. For information about the selling shareholders, the transactions in which they acquired the outstanding shares and the warrant: see "Selling Shareholders" and "Standby Equity Distribution Agreement."

U.S. Energy Corp. would receive proceeds of \$715,000 if Cornell exercises its current warrant and another \$50,000,000 if we make maximum use of the SEDA. Because neither the number of milestone warrants to be issued, nor the exercise price thereof, are presently determinable, proceeds from exercise of milestone warrants is not estimated. We will not receive proceeds from Cornell's or Newbridge's sale of issued shares. We will pay all costs (estimated at \$18,500) associated with the registration for resale of the shares covered by this prospectus.

Under the SEDA, we have the right to sell shares to Cornell at a price equal to 98% of the lowest volume weighted average price (the "VWAP") of our common stock during the five trading days immediately following the date we notify Cornell of our intent to sell shares. However, the "market price" cannot be less than the "minimum acceptable price" of 95% of the VWAP on the trading day before we send an advance notice to Cornell. The lowest VWAP for our stock during the five trading days ended July 10, 2006 was \$4.43. Cornell will retain a fee of 2% of the proceeds from each sale under the SEDA (plus \$500 for each transaction), resulting in a net price to Cornell of 96% from the VWAP during the five trading days.

Cornell is an underwriter with respect to sale of the shares. The 4% discount from the market price is an underwriting discount. See "Plan of Distribution." Our stock is traded ("USEG") on the Nasdaq Capital Market (\$4.33 on July 20, 2006).

An investment in the shares offered by this prospectus is speculative and subject to risk of loss. See "Risk Factors" beginning on page 12 and the table of contents on page 4.

Neither the Securities and Exchange Commission nor any securities regulators have approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is ____, 2006

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Summary Information

The following summarizes some of the material information found elsewhere in this prospectus and in the information incorporated into this prospectus. This summary is qualified by the more detailed information in this prospectus and the incorporated information.

The Company

U.S. Energy Corp. is a Wyoming corporation (formed in 1966) in the business of acquiring, exploring, developing and/or selling or leasing mineral and other properties. USE and Crested Corp. ("Crested") originally were independent companies, with two common affiliates (John L. Larsen and Max T. Evans; Mr. Evans died in February 2002). In 1980, USE and Crested formed a joint venture ("USECC") to do business together (unless one or the other elected not to pursue an individual project). From time to time, USE has funded many of Crested's obligations because Crested did not have the funds to pay its share of the obligations. Crested has paid a portion of this debt by issuing common stock to USE. At March 31, 2006, Crested owed \$11,410,000 to USE.

Historically, our business strategy has been, and will continue to be, acquiring undeveloped and/or developed mineral properties at low acquisition costs and then operating, selling, leasing or joint venturing the properties, or selling the companies we set up to other companies in the mineral sector at a profit. The Company's business strategy may include investments outside of natural resources.

Typically, projects initially are acquired, financed and operated by USE and Crested in their joint venture (see below). From time to time, some of the projects are then transferred to separate companies organized for that purpose, with the objective of raising capital from an outside source for further development and/or joint venturing with other companies. Examples include: Sutter Gold Mining Inc. ("SGMI") for gold and Rocky Mountain Gas, Inc. ("RMG") for coalbed methane gas, referred to as "CBM". Additional subsidiaries have been organized: U.S. Uranium Ltd. for uranium and U.S. Moly Corp. for molybdenum. Initial ownership of these subsidiaries would be by USE and Crested, with additional stock (plus options) held by their officers, directors and employees.

From 2002 through mid-2005, USE's primary business focus was in the CBM business conducted through RMG. RMG was sold to Enterra Energy Trust (TSX: ENT.UN and NYSE: ENT) on June 1, 2005. Beginning in 2004 and continuing into 2006, commodity prices for the minerals in our other properties increased significantly. Management believes that the rebound in uranium, gold and molybdenum commodity prices presents valuable opportunities.

Management's strategy to generate a return on shareholder capital is to demonstrate prospective value in the mineral properties sufficient to support substantial financing by investment groups, financial institutions and/or large industry partners, and then bring in long term development expertise to move the properties into production. In the alternative, we might sell one or more of the properties (or our subsidiaries which hold the properties) outright, as we did with RMG in 2005.

To demonstrate prospective value in the mineral properties and raise the necessary capital for their development, management is considering having feasibility studies conducted on each of the properties. These studies, to be performed by independent engineering firms, will in general determine the economic feasibility, at commodity prices existing at the time of the studies, of various mine plans for the properties, and various processing (milling) facilities to refine the minerals to saleable commodities, given the known mineral grades in the properties. In some instances, significant additional exploratory drilling may have to be done to further delineate grades as well as the extent of the minerals in the ground, if any.

The principal uncertainties in the successful implementation of our strategy are:

- Whether feasibility studies will show, for any of the properties, that the minerals can be mined and processed profitably. However, it is possible that we may be able to raise capital for (or bring an industry partner into) a property without having a feasibility study prepared. Commodity prices for gold, uranium, and molybdenic oxide (which is the saleable commodity resulting from processing molybdenum), will have to be at levels where an industry partner, and investors, believe the properties could be profitably mined,
- Whether the feasibility studies will show volume and grades of mineralization, and manageable costs of mining and processing, which are sufficient to bring industry partners to the point of investment, and
- Whether we can negotiate terms with industry partners and investors which will return a substantial profit to USE (both initially, and thereafter for its retained interest in the properties). Alternatively, a property (or the subsidiary holding it) might be sold outright.

To some extent, the economic feasibility of a particular property can be changed with modifications to the mine/processing plans (add or not add a circuit to process a particular mineral, enlarge or reduce the production rates and mine plan, etc.). However, overall, the principal drivers to attainment of the business strategy are the quality (extent and grade) of the minerals