

US ENERGY CORP
Form 8-K
May 04, 2007

**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): May 4, 2007 (April 30, 2007)

U.S. ENERGY CORP.

(Exact Name of Company as Specified in its Charter)

Wyoming

(State or other jurisdiction of
incorporation or organization)

0-6814

(Commission File No.)

83-0205516

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

Glen L. Larsen Building

877 North 8th West

Riverton, WY

(Address of principal executive
offices)

82501

(Zip Code)

Registrant's telephone number, including area code: **(307) 856-9271**

Not Applicable

Former Name, Former Address or Former Fiscal Year,
If Changed From Last Report)

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

Section 2: Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets

On April 30, 2007, U.S. Energy Corp. (“USE”) and its majority-owned subsidiary Crested Corp. (“Crested”), and certain of their private subsidiary companies, completed the sale of uranium assets by closing the February 22, 2007 Asset Purchase Agreement (the “APA”) with sxr Uranium One Inc. (“Uranium One,” headquartered in Toronto, Canada with offices in South Africa and Australia (Toronto Stock Exchange and Johannesburg Stock Exchange, “SXR”)), and certain of its private subsidiary companies. As used in this report, Uranium One refers to that entity as well as its subsidiaries that are parties to the APA, and USE and Crested refer to those entities, as well as their subsidiaries that are parties to the APA. The APA is an exhibit to the Form 8-K filed on February 23, 2007.

At closing, USE and Crested sold their uranium assets (the Shootaring Canyon uranium mill in Utah, unpatented uranium claims in Wyoming, Colorado, Arizona and Utah (and geological data information related to the sold claims), and USE’s and Crested’s contractual rights with Uranium Power Corp. (“UPC”), to subsidiaries of Uranium One, for consideration (purchase price) comprised of:

Consideration received at closing:

Cash and Uranium One stock:

- \$750,000 cash (paid in advance on July 13, 2006).
- 6,607,605 Uranium One common shares. On the April 30, 2007, the Uranium One common shares closed at CAD\$16.65 per share on the TSX (approximately USD\$15.04).
- \$6,606,000, comprised of (i) \$5,020,900 as a “UPC-Related Payment” to pay USE and Crested for transferring to Uranium One their contractual rights with UPC; and (ii) \$1,585,100 in reimbursements for USE’s and Crested’s property expenditures from July 10, 2006.

(i) UPC-Related Payment:

- \$3,013,600 as the net present value of \$3,100,000 in future cash payments owed by UPC to USE and Crested under the purchase and sale agreement for UPC to buy a 50% interest in certain of USE and Crested’s mining properties (as well as the mining venture agreement between USE and Crested, and UPC, to acquire and develop additional properties, and other agreements). At February 22, 2007, the future payments amount was \$4,100,000, however, prior to the date of this report, UPC paid USE and Crested \$1,000,000 of that amount.

and

- \$2,007,300 as the net present value of the 1,500,000 shares of UPC stock to have been issued in the future by UPC to USE and Crested under the purchase and sale agreement. The UPC stock was priced at a 5.25% annual discount rate applied to the volume weighted average closing price of UPC stock for the ten trading days ended April 25, 2007.

(ii) Reimbursements:

- \$1,585,100 for property acquisition and exploration costs, and Shootaring Mill holding expenses.

Net cash paid to USE and Crested was \$6,602,700 after deduction of \$3,300 for pro rated property taxes paid by USE and Crested. Of the cash paid as reimbursable costs, \$88,000 was escrowed for resolution of work related to some of the mining claims.

Assumption of assumed liabilities:

- Uranium One has assumed certain specific liabilities associated with the sold assets, including (but not limited to) those future reclamation liabilities associated with the Shootaring Canyon Mill in Utah, and the Sheep Mountain properties. USE and Crested's cash bonds in the approximate amount of \$6,883,300 will be released and the cash will be returned by the regulatory authorities. Receipt of these amounts is expected in the near future.

Payments which may be received in the future:

- \$20,000,000 cash when commercial production occurs at the Shootaring Canyon Mill (when the Shootaring Canyon Mill has been operating at 60% or more of its design capacity of 750 short tons per day for 60 consecutive days).
- \$7,500,000 cash on the first delivery (after commercial production has occurred) of mineralized material from any of the claims sold to Uranium One on April 30, 2007 (excluding existing ore stockpiles on the properties).
- From and after commercial production occurs at the Shootaring Canyon Mill, a production payment royalty (up to but not more than \$12,500,000) equal to five percent of (i) the gross value of uranium and vanadium products produced at and sold from the mill; or (ii) mill fees received by Uranium One from third parties for custom milling or tolling arrangements, as applicable. If production is sold to a Uranium One affiliate, partner, or joint venturer, gross value shall be determined by reference to mining industry publications or data.

All consideration paid and to be paid, will be primarily paid to USE, for itself and as agent for Crested and the several private subsidiaries of USE and Crested that were parties to the APA. Pursuant to a cash flow sharing arrangement on certain of the properties and joint ownership on others the cash proceeds will in principal be divided equally between USE and Crested.

USE's and Crested's joint venture holds a 4% net profits interest on Rio Tinto's Jackpot uranium property located on Green Mountain in Wyoming. This interest is not included in the APA.

USE and Crested, and Uranium One, have entered into an agreement by which, for two years, Uranium One has the first opportunity to earn into or fund uranium property interests which may in the future be owned or acquired by U.S. Energy Corp. and Crested Corp. outside the five mile area surrounding each of the properties sold to Uranium One on April 30, 2007.

Section 9. Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information

Basis of Presentation The pro forma financial statements filed with this report reflect what the Company's financial position would have been had the transaction with sxr Uranium One closed on January 1, 2006. The audited balance sheet, and statement of operations, at December 31, 2006, and for the year then ended, have been condensed. The accompanying pro forma combined condensed consolidated balance sheet and statement of operations have been presented as if the disposal had occurred on January 1, 2006.

Basic earnings per share are based upon the weighted average number of common shares outstanding. Diluted earnings per common share are based on the assumption that all of the common stock options and purchase warrants were converted into common shares using the treasury stock method. There are no differences in net earnings for purposes of computing basis and diluted earnings per share as conversion of the common stock options and purchase warrants would have no effect on net earnings.

U.S. ENERGY CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED PRO-FORMA BALANCE SHEET
(Unaudited)

	December 31, 2006	Uranium One Closing		Pro Forma January 1, 2007
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 16,973,500	\$ 14,028,600	(2)(4)	\$ 31,002,100
Marketable securities				
Trading securities	123,400			123,400
Available for sale securities	1,148,500	99,400,600	(5)	100,549,100
Accounts and notes receivable	905,400			905,400
Assets held for sale	9,686,300	(9,686,300)	(2)	--
Deferred tax assets	14,321,600	(14,321,600)	(8)	--
Other current assets	166,500			166,500
Total current assets	43,325,200	89,421,300		132,746,500
INVESTMENTS:	27,000			27,000
PROPERTIES AND EQUIPMENT - NET:	6,109,300			6,109,300
OTHER ASSETS:				
Real estate held for resale and other	1,829,700			1,829,700
Deferred tax asset	610,200	(156,900)	(8)	453,300
Deposits and other	--	88,000	(4)	88,000
Total other assets	2,439,900	(68,900)		2,371,000
Total assets	\$ 51,901,400	\$ 89,352,400		\$ 141,253,800

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES:				
Accounts payable	\$ 1,115,000			\$ 1,115,000
Income Taxes Payable		27,293,200	(8)	27,293,200
Refundable deposits	800,000	(750,000)	(3)	50,000
Liabilities held for sale	7,375,800	(7,375,800)	(2)	--
Other current liabilities	2,304,400	228,500	(6)	2,532,900
Total current liabilities	11,595,200	19,395,900		30,991,100
LONG-TERM DEBT, net of current portion	294,900			294,900

ASSET RETIREMENT
OBLIGATIONS,

net of current portion	124,400	124,400
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OTHER