

US ENERGY CORP
Form S-4
September 18, 2007

As filed with the Securities and Exchange Commission on September __, 2007

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

FORM S-4

Registration Statement
Under the Securities Act of 1933

U.S. ENERGY CORP.

(Exact name of registrant as specified in its charter)

Wyoming	1094	83-0205516
<i>State or other jurisdiction of incorporation</i>	<i>Primary Standard Industrial Classification Code Number</i>	<i>I.R.S. Employer Identification Number</i>

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)

Robert Scott Lorimer, 877 North 8th West
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: At the effective time of the merger described in this registration statement, which shall occur as soon as practicable after the effective date of this registration statement and the satisfaction or waiver of all conditions to closing such merger.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) 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 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. []

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities	Amount of Securities to be Registered in Offering	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Dollar Price of Securities to be Registered	Amount of Fee
Common Stock	2,876,188	\$ 2.27	\$ 6,528,950	\$ 200.44

(1) Pursuant to rule 457(f)(1), the maximum aggregate offering price is based on the average of the high and low sales prices of Crested Corp. common stock as reported on OTCBB for the five trading days preceding September 17, 2007, and computed based on the estimated maximum number of 2,876,188 shares of U.S. Energy Corp. common stock that may be exchanged for the Crested Corp. common stock. The fee rate is \$30.70 per million dollars of the aggregate offering market price.

(2) Represents the maximum number of shares issuable by U.S. Energy Corp. upon consummation of the merger with Crested Corp. U.S. Energy Corp. shall be the surviving entity in the merger.

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.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY PROXY STATEMENT/PROSPECTUS
DATED SEPTEMBER [], 2007, SUBJECT TO COMPLETION
MERGER PROPOSED—YOUR VOTE IS IMPORTANT**

Dear Shareholders:

The boards of directors of Crested Corp. (“Crested”) and U.S. Energy Corp. (“USE”) have approved a merger of Crested with and into USE.

If the merger is completed, Crested shareholders (other than USE) will receive 1 share of USE’s common stock (par value \$0.01 per share) for each 2 shares of Crested’s common stock (par value \$0.001 per share), for a total of 2,876,188 shares of USE common stock. USE will receive no shares in the merger. The implied value of one share of Crested common stock on August 21, 2007, the last practicable trading day before the distribution of this proxy statement/prospectus, was \$2.37, based on the \$4.74 per share closing price of USE common stock on that date. This value will fluctuate prior to the completion of the merger. Crested’s common stock is traded on the Over-the-Counter Bulletin Board under the symbol “CBAG”.

USE has agreed to file an application with the Nasdaq Capital Market to have the shares of USE common stock issuable pursuant to the merger listed on Nasdaq under the symbol “USEG.”

A maximum of 2,876,188 shares of USE common stock will be issued to Crested shareholders in the merger. These shares will represent approximately 12.1% of the outstanding common stock of USE after the merger on a pro forma basis as of August 21, 2007. We cannot complete the merger unless the holders of a majority of the shares of Crested common stock not held by USE and its directors and officers approve the merger agreement. Crested will hold a special meeting of its shareholders to vote on this proposal. Your vote is important. The place, date and time of the special meeting is as follows:

Crested Corp.
877 N. 8th W.
Riverton, Wyoming 82501
_____, 2007
10:00 a.m., Local Time

The Crested directors unanimously recommend that the Crested shareholders vote “FOR” the adoption of the merger agreement.

Your participation in the special meeting, in person or by proxy, is encouraged. Whether or not you plan to attend the special meeting in person, we encourage you to complete, sign, date and return the enclosed proxy card promptly in the accompanying postage paid envelope. If you do not vote, you will have effectively voted against the merger.

USE, two affiliates of USE (Sutter Gold Mining Inc. and Plateau Resources Limited Inc.), and the USE officers and directors, current and retired, who own Crested stock, and the Crested directors have entered into a voting agreement with Crested. They have agreed to vote all shares of Crested's stock held by them consistent with the vote of the holders of a majority of the minority Crested shares. At August 21, 2007 USE, on a consolidated basis, owns approximately 70.1%, of the outstanding shares of Crested. The USE officers and directors and Crested directors own approximately 1.3% of Crested, and also own options to purchase another 1,170,000 shares of Crested stock (at \$1.71 per share); on a fully-diluted basis, the Crested and USE officers and directors own 3.0% of Crested's common stock.

This proxy statement/prospectus describes the special meeting, the merger, documents related to the merger and other related matters. **Please read this entire proxy statement/prospectus carefully, including the section discussing Risk Factors beginning on page __.** You may also obtain information about USE and Crested from documents that the companies have each previously filed with the Securities and Exchange Commission, as described under "WHERE YOU CAN FIND MORE INFORMATION" on page __ of this proxy statement/prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the USE common stock to be issued under this proxy statement/ prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The date of this proxy statement/prospectus is _____, 2007, and it is first being mailed or otherwise delivered to Crested shareholders on or about _____, 2007.

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about USE from documents that are incorporated by reference but not delivered with this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from USE.

**U.S. Energy Corp.
Attn: Robert Scott Lorimer, CFO/Treasurer
877 N. 8th W.
Riverton, Wyoming 82501
Telephone 307.856.9271**

Documents containing business and financial information about Crested which are not contained in this proxy statement/prospectus, but which are contained in exhibits filed with the Form S-4 registration statement, of which this proxy statement/prospectus is a part, may be obtained by writing or calling Crested at the address and telephone number listed above. No information about Crested is incorporated by reference into this proxy statement/prospectus.

You will not be charged for any of the documents you request. Crested shareholders requesting documents should do so not later than _____, 2007, in order to receive them before the special meeting].

Important Proxy Submission Information

Crested shareholders of record may submit their proxies by returning them to Crested Corp., 877 N. 8th W., Riverton, Wyoming 82501, Attn. Robert Scott Lorimer, CFO/Treasurer, in the return envelope provided to them. Crested shareholders may also vote their proxies at the meeting to be held at Crested's office, 877 N. 8th W., Riverton, Wyoming 82501, at 10:00 a.m., local time, on _____, 2007.

CRESTED CORP.
877 N. 8th W.
Riverton, Wyoming 82501
NOTICE OF SPECIAL MEETING OF CRESTED SHAREHOLDERS
TO BE HELD ON _____, 2007

Dear Shareholders:

NOTICE IS HEREBY GIVEN that a special meeting of Crested shareholders will be held at the offices of Crested, 877 N. 8th W., Riverton, Wyoming, at 10:00 a.m., local time, on _____, 2007. The purpose of the meeting is to consider and vote upon the following matters:

- a proposal to adopt the Agreement and Plan of Merger, dated as of January 23, 2007, and as amended on July __, 2007, by and between Crested Corp., a Colorado corporation, and U.S. Energy Corp. (“USE”), a Wyoming corporation; and
- such other business as may properly come before the special meeting or any adjournment or postponement thereof.

In the merger, each 2 shares of Crested common stock will be converted into the right to receive 1 share of USE common stock, or a total of 2,876,188 shares, including 197,202 shares to be issued for the Crested shares underlying options to buy Crested shares held by employees, officers, directors and a retired officer of USE. Your attention is directed to the proxy statement/prospectus accompanying this notice for a discussion of the merger. A copy of the merger agreement is included as Appendix A to the accompanying proxy statement/prospectus.

Crested has fixed the close of business on _____, 2007 as the record date for the Crested special meeting. Only Crested shareholders of record at such date will be entitled to receive notice of, and to vote at, the special meeting or any adjournment or postponement thereof. In order to adopt the merger agreement, holders of a majority of the outstanding shares of Crested common stock which are not held by USE, by its officers and directors, or by two subsidiaries of USE (Plateau Resources Limited, Inc. and Sutter Gold Mining Inc.), must vote to adopt the merger agreement. **Your vote is important.**

USE, its subsidiaries, its officers and directors and Crested’s directors who own shares in Crested, have entered into a voting agreement (see Appendix B to this proxy statement/prospectus) by which they have agreed to vote all of their shares of Crested common stock consistent with the vote of the holders of a majority of the minority shareholders of Crested with respect to adoption of the merger agreement. Such shareholders hold approximately 71.4% of Crested’s outstanding shares on a non-diluted basis (72.0% on a fully-diluted basis). A list of Crested shareholders entitled to vote at the special meeting will be available for inspection by any shareholder during regular business hours at Crested’s offices, located at 877 N. 8th W., Riverton, Wyoming 82501, for 10 days prior to the date of the special meeting and will also be available at the special meeting.

All Crested shareholders entitled to notice of, and to vote at, the Crested special meeting are cordially invited to attend the Crested special meeting in person. **However, to ensure your representation at the special meeting, please submit your proxy by mail with voting instructions.** The submission of your proxy will not prevent you from voting in person. Any holder of Crested shares entitled to vote that is present at the Crested special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before the vote is taken at the Crested special meeting.

All of Crested's directors have unanimously determined that the merger agreement and the merger are advisable, fair to, and in the best interests of Crested and its shareholders, and unanimously recommend that Crested shareholders vote "FOR" the adoption of the merger agreement.

YOUR VOTE IS IMPORTANT.

BY ORDER OF THE BOARD OF DIRECTORS,
Harold F. Herron, President and Director
_____, 2007

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following are some questions you may have about the merger, and brief answers to those questions. You should read the remainder of this proxy statement/prospectus, and the attached documents and the documents that are incorporated by reference because the information in this section does not provide all the information that might be important to you with respect to the merger. The answers only summarize some of the information.

Q: Why am I receiving this proxy statement/prospectus?

A: Crested and USE have agreed to the acquisition of Crested by USE pursuant to the terms of a merger agreement, as amended, that is described in this proxy statement/prospectus. A copy of the merger agreement and the amendment is attached to this proxy statement/prospectus as Appendix A. In order to complete the merger, Crested shareholders holding a majority of the outstanding Crested shares, excluding the Crested shares owned by USE, by its subsidiaries, and by its officers and directors, must adopt the merger agreement and the transactions contemplated thereby. This proxy statement/prospectus contains important information about the merger, the merger agreement and the special meeting, which you should read carefully. The enclosed voting materials allow you to vote your shares without attending the special meeting. **Your vote is important.** USE, its subsidiaries, its officers and directors and Crested's directors who own Crested shares, have entered into a voting agreement with Crested, by which they have agreed to vote all of their shares of Crested common stock in line with the vote of the holders of a majority of the minority shares of Crested (i.e., all shares not held by USE, by its subsidiaries, and by its officers and directors), with respect to adoption of the merger agreement. A copy of the voting agreement is attached to this proxy statement/prospectus as Appendix B. At August 21, 2007 the minority Crested shareholders hold approximately 29.9% of the outstanding shares of Crested. We encourage you to vote or tender your proxy as soon as possible.

Q: Why is Crested proposing the merger?

A: Crested is proposing to merge for several reasons, including the belief of its board of directors that the merger is the best strategic alternative available for Crested. For more information, please see "Crested's Reasons for the Merger; Recommendation of Crested's Board of Directors."

Q: What will happen in the merger?

A: In the merger, Crested will merge into USE. USE will continue after the merger as the surviving entity, and Crested will cease to exist.

Q: As a Crested shareholder, what will I receive in the merger?

A: If the merger is completed, for every 2 shares of Crested common stock you own, you will receive 1 share of USE common stock.

If you own 500 or fewer Crested shares, you may elect to receive cash instead of shares of USE. The amount of cash would be based on the value of the USE shares you would receive, multiplied by the closing price of USE shares on the day the merger is completed. USE may determine to pay cash or issue shares to all Crested shareholders who have made such an election: If you make this election, and USE decides to pay cash, then USE will pay cash to everyone with 500 or fewer Crested shares who makes the election; if USE decides not to pay cash, then all of the electing persons will receive USE shares.

If none of the Crested minority shareholders elect to receive cash, then all of the Crested minority shareholders, and the employees and directors and officers of USE who now hold options to purchase Crested stock, will receive a total of 2,876,188 USE shares.

Q: Will any of the officers, directors and employees of USE, or the independent directors of Crested, receive Crested shares in the merger?

A: Yes. The following table shows the number of Crested shares currently owned by USE officers and one retired USE officer as of August 21, 2007. The table also shows the ownership of Crested shares, if the merger with USE is successful, by (i) USE employees, (ii) USE officers, (iii) USE directors, (iv) a retired USE officer, (v) Crested directors, (vi) USE and (vii) USE consolidated subsidiaries. Percentage ownership of each group mentioned above is also shown before the merger and what it would be after the merger. Shares owned by USE employees, officers and directors post merger include shares which would be issued on a cashless exercise basis for options held by those individuals.

	Shares of Crested Directly Owned	Crested Options	Shares of Crested from Cashless Exercise of Options	Diluted Number of Shares to be Owned	Basic % Ownership	Diluted % Ownership
USE Employees	-	330,000	86,769	86,769	0.0%	0.5%
Officers of USE	18,466	850,000	223,491	241,957	0.1%	1.4%
Directors of USE		90,000	23,664	23,664	0.0%	0.1%
Retired USE Officer and Director	147,850 ⁽¹⁾ 166,316	230,000 ⁽²⁾	60,474 394,398	208,324 560,714	0.9% 1.0%	1.2% 3.2%
Directors of Crested	55,925	-	-	55,925	0.3%	0.3%
Crested shares owned by:						
USE	12,024,733	-	-	12,024,733	69.2%	67.6%
Plateau Resources, Ltd.	60,000	-	-	60,000	0.3%	0.3%
Sutter Gold Mining Inc.	100,000	-	-	100,000	0.6%	0.6%
	12,184,733	-	-	12,184,733	70.1%	68.5%

USE Consolidated Ownership						
Total USE, USE Subsidiary, Employees, Officers and Directors of Crested and USE	12,406,974 ⁽³⁾	1,500,000	394,398	12,801,372	71.4%	72.0%

(1) Shares directly owned by Daniel P. Svilar, retired USE and Crested General Counsel.

(2) Includes Daniel P. Svilar (200,000 options) who served as General Counsel until retirement at January 12, 2007 and Don Anderson (30,000 options) who served as a Director until retirement on January 6, 2007.

(3) Subject to Voting Agreement to be voted with majority of minority shareholders of Crested.

Immediately following, and as a result of the merger, the Crested minority shareholders (other than the officers, directors, and employees of USE, directors of Crested and USE consolidated subsidiaries) are expected to own about 10.4% of the total USE shares to be outstanding (on a pro forma basis as of August 21, 2007, when USE had 20,937,053 shares outstanding).

Q: What are the principal risks relating to the merger?

A: If all of the conditions to the merger are not met, the merger will not occur. The merger agreement contains certain termination rights for both USE and Crested which, if exercised, could result in reimbursement to the other party of legal and advisory fees actually incurred relating to the merger. These and other risks are explained in the section entitled "Risk Factors—Risks Relating to the Merger" beginning on page 19 of this proxy statement/prospectus.

Q: Can the value of the transaction change between now and the time the merger is completed?

A: Yes. The value of the merger consideration (the USE shares) can change. The exchange ratio is fixed, meaning that every 2 issued and outstanding shares of Crested's common stock held by the minority shareholders will be converted into the right to receive 1 USE share, regardless of the trading price of USE common stock at the effective time of the merger. Because the market value of the USE shares to be issued in the merger may increase or decrease substantially as USE's trading price fluctuates, the value you receive may be worth more or less than it was when the merger agreement was signed, when you vote, when the merger is completed, or when you actually receive your shares. The future market price of USE shares is not predicted.

Q: When and where will the special meeting take place?

A: The Crested meeting will take place on _____, 2007, at 877 N. 8th W., Riverton, Wyoming 82501, at 10:00 am local time.

Q: Who is entitled to vote at the special meeting?

A: Holders of record of Crested shares as of the close of business on _____, 2007 (the record date), are entitled to vote at the meeting. Each shareholder has one vote for each share of Crested that the shareholder owns on the record date.

Q: What vote is required to adopt the merger agreement?

A: The affirmative vote of the holders of a majority of Crested shares is required to adopt the merger agreement. The following table shows how we have calculated the vote required to approve the merger. Because the Crested options will not be exercised until after all Crested shareholders vote at the meeting, the shares underlying the Crested options are not shown in the table.

Number of Crested shares	
Outstanding at August 21, 2007	17,382,704
Deduct shares owned by:	
U.S. Energy Corp.	12,024,733
USE Officers	18,466
Retired USE Officer	147,850
Crested Directors	55,925
Plateau Resources, Ltd.	60,000
Sutter Gold Mining Company	100,000
	12,406,974
Crested shares owned by minority shareholders	
	4,975,730
Majority of Crested Minority Shareholders	
	2,487,866

Therefore, the affirmative vote of Crested minority shareholders (not including those who have entered into the voting agreement) holding 2,487,866 shares is needed to approve the merger. See “THE VOTING AGREEMENT” beginning on page 94.

Q: How does the Crested board of directors recommend that Crested shareholders vote?

A: The Crested board of directors unanimously recommended that Crested shareholders vote “**FOR**” the adoption of the merger agreement. The two Crested shares for one USE share exchange ratio was negotiated between special committees of independent directors of the boards of Crested and USE, and approved by the full boards of directors of both companies.

Q: Did the Crested and USE Boards receive opinions from financial advisors?

A. Yes. Neidiger, Tucker, Bruner, Inc. (“NTB”) delivered its written opinion, dated January 22, 2007, to the special committee of the independent directors of Crested, to the board of directors of Crested, to the effect that, as of such date and based upon and subject to the factors, qualifications, limitations and assumptions set forth therein. NTB’s opinion states that exchange ratio is fair and reasonable from a financial point of view to the minority shareholders of Crested. NTB has been paid a fee by Crested, none of which is contingent upon consummation of the merger.

Navigant Capital Advisors, LLC (“Navigant Capital”) delivered its written opinion, dated January 23, 2007, to the board of directors of USE, to the effect that, as of such date and based upon and subject to the factors, qualifications, limitations and assumptions set forth therein, the exchange ratio is fair, from a financial point of view, to the shareholders of USE. Navigant Capital has been paid a fee by USE, none of which is contingent upon consummation of the merger.

The full text of the written opinions of NTB and Navigant Capital, which set forth the respective assumptions, matters considered and limitations on the reviews undertaken in connection with the opinions, are attached as Appendices C and D. Crested shareholders should read NTB's opinion in its entirety. Neither NTB's nor Navigant Capital's opinion is a recommendation as to how any holder of Crested shares should vote on the merger agreement.

Q: What do I need to do now?

A: After you have carefully read this entire document and such other information you deem appropriate, please vote your shares of Crested common stock. You may do this by completing, signing, dating and mailing the enclosed proxy card. A return envelope is enclosed. This will enable your shares to be represented and voted at the Crested special meeting.

Q: What if I do not vote, do not fully complete my proxy card, or fail to instruct my broker?

A: If you do not submit a proxy or instruct your broker how to vote your shares if your shares are held in "street name," and you do not vote in person at the special meeting, the effect will be the same as if you voted "AGAINST" the adoption of the merger agreement. If you submit a signed proxy without specifying the manner in which you would like your shares to be voted, your shares will be voted "FOR" the adoption of the merger agreement.

Q: If my shares are held in "street name" by my broker, will my broker automatically vote my shares for me?

A: No. Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, and you should follow the directions your broker provides. Please refer to the voting form used by your broker to see if it offers telephone or Internet voting.

Q: What if I fail to instruct my broker?

A: If you fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting broker "non-vote" will be counted toward a quorum at the respective special meeting, but the effect will be the same as if you voted "AGAINST" the adoption of the merger.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. Holders of record of Crested common stock are invited to attend the special meeting and to vote in person at the meeting. If a broker holds your shares, then you are not a record holder and you must ask your broker how you can vote in person at the special meeting.

Q: Can I change my vote?

A: Yes. If you have not voted through your broker, there are three ways you can change your proxy instructions after you have submitted your proxy card.

- First, you may send a written notice revoking your proxy to the person to whom you submitted your proxy.
- Second, you may complete and submit a new proxy card. The latest proxy actually received from a Crested shareholder before the meeting will be counted, and any earlier proxy will automatically be revoked.
- Third, you may attend the Crested special meeting and vote in person. Any earlier proxy will thereby be automatically revoked. However, simply attending the meeting without voting will not revoke your proxy.
- If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker in order to change or revoke your vote.

Q: When do you expect to complete the merger?

A: We expect to complete the merger in the fourth quarter of 2007. However, we cannot guarantee when or if the merger will occur.

Q: Will I have appraisal rights as a result of the merger?

A: Yes. Under Sections 7-113-101 to 7-113-302 of the Colorado Business Corporation Act, under certain circumstances, you are entitled to dissent from the merger and have the value of your Crested shares appraised.

Q: What are the tax consequences of the merger to me?

A: The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), so that for U.S. federal income tax purposes, you will not recognize gain or loss on the receipt of USE shares. Each of USE's and Crested's obligations under the merger agreement are conditioned on the receipt of opinions that the merger will qualify as a reorganization for United States federal income tax purposes.

For a more complete discussion of the United States federal income tax consequences of the merger, see "MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER" on page 97.

The tax consequences of the merger to you will depend on your particular facts and circumstances. Please consult your own tax advisor to determine your own tax consequences from the merger.

Q: Should I send in my stock certificates now?

A: No, you should not send in your stock certificates at this time. Crested shareholders will need to exchange their Crested stock certificates for USE shares after we complete the merger. USE will send you instructions for exchanging stock certificates at that time.

Q: How will Crested shareholders receive the merger consideration?

A: Following the merger, you will receive a letter of transmittal and instructions on how to obtain the merger consideration in exchange for your Crested common stock. You must return the completed letter of transmittal and your Crested stock certificates as described in the instructions, and you will receive the merger consideration as soon as practicable after USE receives your completed letter of transmittal and Crested stock certificates. If you hold shares through a brokerage account, your broker will handle the surrender of stock certificates and the receipt of your merger consideration.

Q: Who will help answer my questions?

A: If you have any questions about the transaction or how to submit your proxy, or if you need additional copies of this proxy statement/prospectus, the enclosed proxy card, voting instructions, or the election form, you should contact Robert Scott Lorimer, CFO/Treasurer, Crested Corp., 877 N. 8th W., Riverton, Wyoming 82501, telephone 307.856.9271.

SUMMARY

This summary generally highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. You should read carefully the entire document and the other documents referred to in this proxy statement/prospectus to fully understand the merger.

Information about the joint venture between U.S. Energy Corp. and Crested Corp. is set forth below. Some of the other items in the summary refer to the page where the subject is discussed in more detail. Other items are discussed only in the summary.

Summary information about USE follows. Detailed information can be found in the documents about USE that are incorporated by reference. See “WHERE YOU CAN FIND MORE INFORMATION.” Detailed information about Crested is set forth under the caption “INFORMATION ABOUT CRESTED.”

Information on USE’s Internet website www.usnrg.com is not part of this proxy statement/prospectus and you should not rely on that information in deciding whether to adopt the merger agreement and approve the related transactions.

Parties to the Merger

The parties to the merger agreement are U.S. Energy Corp., a Wyoming corporation, and Crested Corp., a Colorado corporation. The companies share the same principal executive office and employees. Their address is:

U.S. Energy Corp. and Crested Corp.
877 N. 8th W.
Riverton, Wyoming 82501
307.856.9271

U.S. Energy Corp. – Selected Information

The following summarizes some information about USE. For detailed information on its business, properties, and management, financial statements and management’s discussion and analysis of financial condition and results of operations, please see the information incorporated by reference into this proxy statement/prospectus entitled “WHERE YOU CAN FIND MORE INFORMATION”.

General

USE was formed in 1966 and is in the business of acquiring, exploring, developing and/or selling or leasing mineral and other properties. These properties have principally consisted of uranium, gold, molybdenum, and oil and gas.

Almost all of USE's business is conducted through a joint venture with Crested. USE and Crested were originally independent companies, with two common affiliates, John L. Larsen and Max T. Evans. Mr. Evans died in February 2002 and Mr. Larsen died in September 2006. In 1980, USE and Crested formed a joint venture (the "USECC Joint Venture", "USECC" or the "Joint Venture") to do business together unless one or the other elected not to pursue a specific project. Since 1993, USE has funded substantially all of Crested's obligations under the USECC Joint Venture because Crested has not had the capital to pay its share. Historically, Crested paid a portion of the advances from USE by issuing its common stock to USE. As of June 30, 2007, Crested owed USE a total of \$3,250,800. As of July 31, 2007, all of this amount was paid by Crested to USE with the cash proceeds it received from the sale of uranium assets, which Crested had jointly owned with USE. For a further discussion of the joint venture arrangement, see "The USECC Joint Venture" section below.

Typically, properties are acquired as part of specific mineral projects. Properties are initially acquired, financed and operated by and through the USECC Joint Venture. Management's strategy has been, and will continue to be, demonstrating prospective value in the properties sufficient to support substantial investments by investment groups, financial institutions and/or large industry partners, and then bring on long term development expertise to move the properties into production. Sales of the properties or subsidiaries also is a continuing alternative, as was effected with the 2005 sale of Rocky Mountain Gas, Inc. ("RMG"), and as was recently effected in April 2007 by the sale of the uranium assets to sxr Uranium One Inc. ("sxr" or "Uranium One," headquartered in Toronto, Canada with offices in South Africa and Australia (Toronto Stock Exchange and Johannesburg Stock Exchange, "SXR")), as discussed further below.

To demonstrate prospective value, management may have feasibility studies conducted by independent engineering firms, to determine the economic feasibility, calculated at commodity prices existing at the time, of various mine plans and processing (milling) facilities. 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 the strategy are:

- whether feasibility studies will show, for any of the properties, that the minerals can be mined and processed profitably;
- commodity prices for gold, uranium, molybdenic oxide, as well as oil and gas must be at levels so the properties can be exploited at a profit; and
- whether the feasibility studies will show volume and grades of mineralization, and manageable costs of development, mining and processing, which are sufficient to bring industry partners to the point of investment.

To some extent, the economic feasibility of a particular property can change with modifications to the mine processing plans (for example, to add or not add a circuit to process a particular mineral, enlarge or reduce the production rate and/or the mine plan, etc.) Overall, however, the principal drivers to attainment of the business strategy are the quality of the minerals in the ground, the cost to extract the minerals, and international commodity prices.

Some of the projects are transferred to new companies, with the objective of obtaining 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 RMG for coalbed methane gas ("CBM") which was sold in 2005.

As of the date of this proxy statement/prospectus, the only remaining substantial mineral asset is the Lucky Jack molybdenum property (the “Lucky Jack Property”), in which Kobex Resources Ltd. (“Kobex”) has an option to acquire a substantial interest by funding mine development costs and other expenditures. If Kobex does not exercise its option to acquire an interest in the Lucky Jack Property, USE and Crested will pursue other alternatives for that property, including sale to third parties, a joint venture with another company, and raising capital for USE and Crested to continue development and exploitation on their own. If the merger of Crested is not consummated, Crested, as a result of its ownership percentage of the Lucky Jack Property, will participate in these activities, but its lack of capital may limit its ability to do so. If the merger is unsuccessful, USE may elect to not continue funding Crested’s portion of costs which may cause Crested to either raise its own participating capital or become diluted.

USE and Crested intend to remain active in the minerals industry, and now are exploring various opportunities to acquire additional mineral properties, and other business opportunities. USE recently entered into a contract to acquire oil and gas leases with an industry partner. These properties are currently under evaluation for drilling and development of producing oil and gas wells. In the event that the merger with Crested is not closed, USE has agreed to offer, on a cost basis, a 50% interest in the oil and gas properties to Crested. Except for real estate in Gillette, Wyoming which has been purchased to develop multifamily housing to serve the demographics of the energy business in Wyoming and the oil and gas leases owned by USE, there are no contracts or agreements in principle to acquire mineral properties or participate in other business opportunities by USECC, or USE and Crested jointly or separately.

The USECC Joint Venture

Under the USECC Joint Venture as originally conceived, if either USE or Crested had a business opportunity, the proposal would be presented to the other party with the opportunity to participate equally on a 50%-50% basis. The USECC Joint Venture was signed in 1982 and has not been amended since that time. Mineral or other assets have been acquired by the USECC Joint Venture and the companies have shared exploration and development costs. From time to time, USECC or USE and Crested have contributed a group of assets to a newly formed corporation for equal equity stakes, then the new corporation had the potential of raising debt or additional equity capital to continue exploration and development of the assets, and acquire more assets.

Examples of the operation of the USECC Joint Venture have been SGMI, RMG (sold in 2005), uranium properties, and the Lucky Jack Property. Historically, a disproportionate amount of the costs for each of these projects have been paid by USE. USE’s interests in RMG and SGMI were increased to reflect its funding in these projects: USE and Crested own 48.8% and 5.7% of SGMI, and the proceeds as between USE and Crested from the 2005 sale of RMG reflected their disproportionate interests in RMG (65% and 35%) at the time of sale.

As of June 30, 2007, Crested owed USE \$3,250,800 as a result of USE paying Crested’s share of expenses related to RMG, SGMI, the uranium properties and the Lucky Jack Property, as well as Crested’s shares of administrative and legal costs (including the legal costs for the 15 -year litigation with Nukem Inc. over a partnership owned by Nukem, USE and Crested), and other business activities. This amount is net of Crested issuing a total of 6,666,666 shares of common stock (during its former fiscal year ended May 31, 2001) to USE, for which it received a \$3,000,000 reduction of its debt to USE. The Crested shares were issued at the then-current market prices for Crested stock. USE has not charged interest on the debt incurred by Crested. As of July 31, 2007, Crested completely paid off the remaining debt to USE with cash proceeds Crested received from the sale of its interests in uranium assets to Uranium One. See “sxr Uranium One – Uranium Assets” below.

This table shows the amounts owed by Crested to USE at July 31, 2007, June 30, 2007, March 31, 2007, December 31, 2006, 2005, 2004, 2003, and 2002, and at May 31, 2002. Crested and USE changed their fiscal year end from May 31 to December 31 in 2002.

July 31, 2007	\$ -
June 30, 2007	\$ 3,250,800
March 31, 2007	\$ 12,963,900
December 31, 2006	\$ 13,277,200
December 31, 2005	\$ 10,821,800
December 31, 2004	\$ 9,650,900
December 31, 2003	\$ 9,480,300
December 31, 2002	\$ 8,553,900
May 31, 2002	\$ 7,560,700

Crested has no employees, and relies on USE employees for all services. USE funds payroll and benefits for all employees, and charges Crested one-half of the amount it pays for payroll expenses each year. The only compensation arrangement in place for Crested as a stand-alone company is its incentive stock option plan, adopted in 2004, under which the Crested and USE officers, directors, and employees hold options, which are in addition to any options held under the USE incentive stock option plan.

If the merger is consummated, Crested will cease to exist, and all of its assets and liabilities will belong to USE, and the Joint Venture will be terminated and all its assets and liabilities will belong to USE. If the merger is not consummated, Crested may need to seek other sources of capital.

Recent Significant Transactions

Sutter Gold Mining Inc. USE and Crested organized a limited liability company in 1994 to hold and develop its California gold properties. The assets were transferred to Sutter Gold Mining Company, and activities were funded by continued capital from USE and third party investors. In 2004, the corporation completed a reverse takeover of Globemin Resources Inc., changed Globemin's name to Sutter Gold Mining Inc. ("Sutter" or "SGMI"), is listed on the Toronto Venture Exchange as "SGMI", and has raised additional capital from third party investors.

On March 14, 2007 the independent directors of USE, Crested and Sutter negotiated a settlement of \$2,025,700 in debt due to USE and Crested as of December 31, 2006 for the issuance of 7,621,868 shares of Sutter common stock. The issuance of these shares was subject to the approval of the Toronto Stock Exchange ("TSX") which was obtained on May 2, 2007.

In addition, USE and Crested agreed to convert the \$4.6 million Contingent Stock Purchase Warrant they held to purchase common stock in SGMI, into a 5% Net Profits Interest Royalty ("NPIR") on its Lincoln Project in California, until the total amount of \$4.6 million is paid, and a 1% NPIR thereafter.

The USECC Joint Venture also is providing, by a Line of Credit and Loan Agreement, dated June 20, 2007, a \$1 million line of credit to SGMI at 12% interest (interest payable quarterly). Maturity of all debt incurred under the line of credit is due June 20, 2009; prepayment without penalty is allowed. The debt is secured by SGMI properties. The USECC Joint Venture has the sole option to have SGMI repay the principal amount of the debt in cash, common shares of SGMI or by returning shares SGMI owns of USE and Crested; however, interest is not payable in shares. If the principal is paid in shares of SGMI common stock, such shares would be issued at a 10% discount to the 10 days' volume weighted average price before payment.

Rocky Mountain Gas, Inc.– Coalbed Methane. From 1999 through mid-2005, USE participated in the Coalbed Methane business (“CBM”) through RMG, which was formed in 1999 by USE and Crested. In 2001, RMG entered into a CBM property acquisition and development arrangement with a subsidiary of Carrizo Oil & Gas, a public Houston-based company. In 2003, RMG and the Carrizo subsidiary contributed CBM properties to a new corporation, Pinnacle Gas Resources, Inc., in exchange for Pinnacle common stock issued to USE and Crested, and Carrizo. At the same time, Pinnacle received financing from funds affiliated with DLJ Merchant Banking. In September 2006, USE and Crested sold their Pinnacle shares in a private transaction for \$13.8 million.

USE and Crested sold RMG to Enterra Energy Trust on June 1, 2005 in exchange for approximately \$20 million in cash and securities of Enterra, which securities were subsequently sold.

sxr Uranium One – Uranium Assets

On April 30, 2007, USE and Crested and certain of their private subsidiary companies, completed the sale of these uranium assets contemplated by the February 22, 2007 Asset Purchase Agreement (the “APA”) with Uranium One, 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, including the Shootaring Canyon uranium mill in Utah, unpatented uranium claims in Wyoming, Colorado, Arizona and Utah and geological data related to the sold claims, and USE 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) and recorded as a refundable deposit.
- 6,607,605 Uranium One common shares. On April 30, 2007, the Uranium One common shares closed at CAD\$16.65 per share on the TSX (approximately US\$15.04).
- \$6,606,000 cash, 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 Closing of the APA, 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.

Kobex Resources Ltd. – Molybdenum

On October 4, 2006, USE and Crested, and Kobex Resources Ltd. (“Kobex” or “KBX”), a British Columbia company traded on the TSX Venture Exchange under the symbol “KBX,” signed a Letter Agreement relating to the Lucky Jack Property. The parties signed an amendment on December 7, 2006, and on April 3, 2007, signed a formal Exploration, Development and Mine Operating Agreement, which replaced the Letter Agreement. Kobex has the right to acquire an option to purchase up to a 50% interest in the Lucky Jack Property. The total cost to Kobex, over a period of five years, to exercise the full option, will be \$50 million in option payments, property expenditures, and a bankable feasibility study, plus a differential payment, if option payments, expenditures and a bankable feasibility study total less than \$50 million. At the operation of USE and Crested, Kobex also may acquire an additional 15% interest (for a total of 65%) after it has earned its 50% interest. When Kobex has earned 50%, USE and Crested will have the right to form a joint venture for the property with Kobex.

In May 2007, Kobex paid the first option payment of US\$750,000 by issuing 285,626 shares of Kobex common stock (142,813 shares to each of USE and Crested), valued at the market price for Kobex stock on May 22, 2007.

For details on the Kobex agreement, please see “WHERE YOU CAN FIND MORE INFORMATION.” A summary is also provided under the caption “INFORMATION ABOUT CRESTED – Kobex Resources Ltd.- Molybdenum”

Crested Corp.

Crested is also based in Riverton, Wyoming, and was organized in 1970. Crested was engaged in its own mineral properties business for many years. In the late 1970s, USE and Crested owned molybdenum properties near Crested Butte, Colorado, and sold those properties to Amax, Inc. In 1980, USE and Crested entered into the USECC Joint Venture. See “The USECC Joint Venture” discussion above.

- Crested’s principal asset is its ownership, with USE, of the Lucky Jack Property’s patented and unpatented molybdenum claims located near Crested Butte, Colorado, and a related water treatment plant which is located on several of the claims.

See “INFORMATION ABOUT CRESTED” for more information on Crested’s properties and business, and other information.

Reasons for the Merger and Crested's Recommendation to Shareholders (page 97)

USE's board of directors approved the merger because it will:

- eliminate the cost of paying for Crested's operations. The primary costs and expenses which will be eliminated are those related to regulatory reporting, audits, and administrative time consumed in the management of Crested;
 - increase USE's working capital; and
- improve how USE is perceived in the stock market and possibly increase USE's ability to raise capital. Management believes that USE's majority ownership of Crested and the operation of the Joint Venture, when Crested has no business operations separate from USE, is perceived by the marketplace to be complex and unwieldy.
 - Crested's board of directors approved the merger because, among other things:
 - the merger will maximize value to the Crested shareholders, because the combined assets will be administered by one company, under one set of officers, directors, and dedicated employees; and
 - there will be substantially more liquidity for the minority shareholders to trade in USE stock as compared to Crested.
 - If the merger is not completed, Crested may not have sufficient capital to succeed as an independent public company without the continued funding of USE. If the merger is not completed, Crested may no longer have the benefit of the USE employees, and Crested may have to establish separate administrative offices and hire independent officers, which would substantially increase its expenses. The Crested board of directors, consistent with the recommendation of the special committee of independent Crested directors, has recommended that the minority shareholders of Crested vote **"FOR"** the merger as being in their best interest.

The Merger (page 72)

If the merger is approved, Crested will merge with and into USE pursuant to the terms of the merger agreement. USE will be the surviving entity and will succeed to and assume all the rights and obligations of Crested. The merger agreement is attached as Appendix A. You should read the entire agreement because it is the legal document governing the merger.

The merger agreement contains customary representations and warranties by USE and Crested; sets forth certain conditions that must be satisfied prior to closing (even if the Crested minority shareholders approve the merger agreement); provisions for termination of the merger agreement by either USE or Crested; payment of termination fees under specified circumstances if the merger agreement is terminated, and other matters. For a summary of these and other terms of the merger agreement, see "Merger Agreement" at page 90.

Merger Consideration (page 87)

As a result of the merger, each 2 shares of Crested common stock issued and outstanding immediately prior to the effective time of the merger will be converted at the effective time into the right to receive 1 share of USE (a total of 2,876,188 USE shares, which includes 197,202 shares for the conversion of 1,500,000 options held by USE employees, directors, officers and a recently-retired USE officer. Upon completion of the merger, the Crested minority shareholders (including USE consolidated subsidiaries, USE officers, a retired USE officer, USE directors and employees of USE along with shares of USE held in retirement plans for employees and directors of Crested) will own approximately 19.0% of USE. The 197,202 shares to be received from the cashless exercise of Crested options which are then converted to shares of USE and the exchange of Crested shares owned by USE officers, a retired USE officer, USE consolidated subsidiaries and Crested directors which will result in an additional 111,121 USE shares will represent an ownership of .3% of the USE shares outstanding post merger which is included in the 19.0% ownership of USE by minority shareholders. These percentages are based on the USE shares outstanding at August 21, 2007. USE will not issue fractional shares; instead, any fractional share will be rounded up to a full USE share.

Share Information and Comparative Market Prices (pages 34-36)

USE common stock is listed on the Nasdaq Capital Market (“Nasdaq”) under the symbol “USEG.” Crested common stock is listed on the Over-the-Counter Bulletin Board under the symbol “CBAG.” The following table shows closing sale prices of USE common stock and Crested common stock as reported on January 22, 2007 (the trading day before public announcement of the signing of the merger agreement), March 30, 2007, June 29, 2007 and on August 21, 2007, the last practicable trading day before the distribution of this proxy statement/prospectus. The table also shows the implied value of one share of Crested common stock, which was calculated by dividing the closing USE price by two.

	USE Common Stock Price per Share	Crested Common Stock Price per Share	Implied Value of One Share of Crested Common Stock
January 22, 2007	\$ 4.63	\$ 2.25	\$ 2.32
March 30, 2007	\$ 5.32	\$ 2.62	\$ 2.66
June 29, 2007	\$ 5.38	\$ 2.53	\$ 2.69
August 21, 2007	\$ 4.74	\$ 2.35	\$ 2.37

The market prices of USE common stock and Crested common stock will fluctuate prior to the merger. You should obtain current market quotations before voting.

Material United States Federal Income Tax Consequences of the Merger to Crested Shareholders (page 97)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code, so that for U.S. federal income tax purposes you will not recognize gain or loss on the receipt of USE shares as part of the merger consideration. The merger is conditioned on the receipt of an opinion from Conrad Henderson, LLC, certified public accountants, that the merger will qualify as a reorganization for United States federal income tax

purposes. The officers, directors and employees of USE will recognize gain on the receipt of the USE shares they exchange for the Crested shares acquired on exercise of non-qualified Crested options.

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If you own 500 or fewer shares of Crested and elect to receive cash instead of USE shares, and USE determines to pay cash to all such electing persons, you will recognize gain or loss depending on your basis in your Crested shares.

For a more complete discussion of the United States federal income tax consequences of the merger, see “MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER.”

Tax matters can be complicated and the tax consequences of the merger to Crested shareholders will depend on each shareholder’s particular tax situation. Crested shareholders should consult their tax advisors to understand fully the tax consequences of the merger to them.

Opinion of the Crested Financial Advisor (page 79)

In connection with the merger, the Crested board of directors appointed its two independent directors to comprise the special committee of the board of directors for Crested. The Crested special committee retained Neidiger, Tucker, Bruner Inc. (“NTB”) as its independent financial advisor. Crested’s special committee of the board of directors has received NTB’s written opinion as to the fairness, from a financial point of view, of the merger consideration to be received by the holders of Crested common stock, other than USE holders, subject to the assumptions and qualifications in such opinion. The full text of NTB’s opinion, dated January 22, 2007, is, as authorized by NTB, attached to this proxy statement/prospectus as Appendix C. You are encouraged to read the NTB opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. NTB’s opinion was provided to the Crested board in its evaluation of the proposed merger. The opinion does not address any other aspect of the merger or any related transaction and does not constitute a recommendation to any Crested shareholder with respect to any matters relating to the proposed merger.

Crested Shareholders Have Dissenters’ Rights of Appraisal (page 95)

Under the Colorado Business Corporation Act, Crested shareholders have the right to dissent from the merger and seek payment in cash of the fair value of their Crested shares. See “DISSENTERS’ RIGHTS” on page 95.

The Voting Agreement (page 94)

The voting agreement is attached as Appendix B. We urge you to read this agreement as it governs how the Crested shares held by USE and by some of the affiliates of USE are to be voted.

Conditions that Must Be Satisfied or Waived for the Merger to Occur (page 92)

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including receipt of Crested shareholder approval and effectiveness of this registration statement.

Although we expect to complete the merger in the fourth quarter of 2007, we cannot be certain when, or if, the merger will be completed.

Termination of the Merger Agreement (page 93)

The merger agreement may be terminated before the special meeting under specific conditions. In addition, even if the minority shareholders of Crested adopt the merger agreement, the merger agreement may be terminated by mutual written consent, or for other reasons. Under certain circumstances, termination fees would have to be paid. See “THE MERGER AGREEMENT” on page 90 of this proxy statement/prospectus.

Crested’s and USE’s Directors and Officers Have Financial Interests in the Merger (page 88)

All of Crested’s directors and officers have interests in the merger as individuals. In addition, the Crested officers and directors who also serve as officers and directors of USE hold options to buy Crested shares and two officers own Crested shares now. The Crested independent directors own shares of Crested, and, like the officers and other directors, will receive USE shares, on the same exchange ratio as all other Crested shareholders, in the merger, if it is consummated. Under the merger agreement, all of the Crested officers and directors are entitled to indemnification by USE for events related to the merger.

All but one of the USE directors and officers, several of whom also are directors and officers of Crested, hold qualified and nonqualified options to buy Crested stock. A recently retired officer of USE and Crested (Daniel P. Svilar) and a recently retired director of USE (Don C. Anderson) also hold qualified and nonqualified Crested options. If the merger is completed, the options will be exercised on a cashless basis and the Crested shares will be converted to USE shares using the same 2:1 exchange ratio as applies to the minority Crested shareholders. Crested will pay the income taxes which will be owed on cashless exercise of the nonqualified Crested options by such persons as well as USE officers.

The independent directors, as members of Crested’s special committee, were aware of all these factors and considered them in approving the merger agreement and the amendment thereto.

The Rights of Crested Shareholders Will Be Governed by Different Laws and New Governing Documents After the Merger (page 100)

USE is a Wyoming corporation and Crested is a Colorado corporation. After the merger, Crested shareholders will own stock in a Wyoming corporation, and their rights will differ in some significant respects from their current rights in Colorado corporation.

USE is listed on the Nasdaq Capital Market, and Crested is traded on the Over-the-Counter Bulletin Board. As shareholders of USE after the merger, Crested shareholders will have the right to vote on certain matters under the Nasdaq Market Place rules. These rules do not apply to OTCBB traded companies.

Accounting Treatment of the Merger by USE (page 97)

USE will account for the merger as a purchase for financial reporting purposes.

USE Shareholder Approval Is Not Required

USE shareholders are not required to approve the issuance of the USE shares in the merger, and the board of directors of USE will not ask the USE shareholders to vote on the merger agreement.

Regulatory Requirements

Other than approval of the registration statement by the Securities and Exchange Commission, of which this proxy statement/prospectus is a part, neither USE nor Crested is aware of any federal or state regulatory requirements that must be complied with or approval that must be obtained in connection with the merger.

Risk Factors (page 19)

In evaluating the merger and the merger agreement and before deciding how to vote your Crested shares, please carefully read this proxy statement/prospectus and especially consider certain factors, risks and uncertainties discussed in the section entitled "RISK FACTORS" beginning on page 19.

Restrictions on the Ability to Sell USE Common Stock

All the USE shares which you receive in the merger will be freely transferable unless you are considered an "affiliate" of either Crested or USE under the Securities Act of 1933 (the "Securities Act"). Affiliates will be permitted to sell the USE shares they acquire in the merger under the SEC's rules 144 and 145. The volume limitations, notice of sale and other requirements of the rule would have to be satisfied for such sales, but the two-year holding requirement of the rule will not apply. This proxy statement/prospectus does not register the resale of USE shares held by affiliates.

Surrender of Stock Certificates

Following the effective time of the merger, USE will cause a letter of transmittal to be mailed to all holders of Crested shares containing instructions for surrendering their certificates. Certificates should not be surrendered until the letter of transmittal is received, fully completed and returned.

The Special Meeting of Crested Shareholders (page 69)

The special meeting of the Crested shareholders will be held on _____, 2007, at 10:00 a.m., local time, at the offices of Crested, 877 N. 8th W., Riverton, Wyoming 82501.

The purpose of the meeting is to consider and vote upon (i) a proposal to adopt the merger agreement and (ii) such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Crested's board of directors has fixed the close of business on _____, 2007 as the record date for determination of Crested shareholders entitled to notice of and to vote at the meeting. As of the close of business on _____, 2007, there were 17,382,704 shares of Crested outstanding, which were held of record by approximately 1,618 shareholders. A majority of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business at the meeting. Each Crested shareholder is entitled to one vote for each share of Crested held as of the record date.

Adoption of the merger agreement by the holders of a majority of the Crested shares outstanding on the record date is required by Colorado law. The merger agreement requires approval by the holders of a majority of the minority shares of Crested; 2,487,866 shares constitutes such "majority of the minority" (not including those who have agreed to vote "in line" with the vote of the majority of the minority).

USE, its consolidated subsidiaries, those of its officers, a retired USE officer the USE directors, and the Crested directors, who own Crested stock, have agreed to vote consistent with the majority of the minority. As of August 21, 2007 USE and such persons together own 71.4% of the Crested shares. In the event that the merger is consummated officers, directors and employees of USE will be allowed to exercise their options on a cashless basis and receive an additional 394,398 shares of Crested for a total ownership by USE, its consolidated subsidiaries, its officers, directors, employees, and the Crested directors of 72.0% of the outstanding Crested shares immediately prior to the merger. Please see "THE VOTING AGREEMENT" beginning on page 93.

RISK FACTORS

Before you vote, carefully consider the risks described below in addition to the other information in this proxy statement/prospectus, including the section entitled "Cautionary Statement Regarding Forward-Looking Statements." By voting in favor of the merger, you will be choosing to invest in USE's common stock. If any of the following risks actually occur, USE's business, financial condition or results of operations could be materially adversely affected, the value of USE's shares could decline, and you could lose all or part of your investment.

Risks Relating to the Merger

The value of the USE shares that you will receive in the merger may vary as a result of the fixed exchange ratio and fluctuations in the price of USE's stock.

The 2 Crested shares for 1 USE share exchange ratio is fixed. When the exchange ratio was approved by the two companies' boards of directors on December 20, 2006, the ratio represented a premium of about 12% in the value of the Crested minority shares (if the merger had closed that day) to the relative stock prices between the two companies for the 30 days ended December 18, 2006.

You may not realize this premium when you sell your USE shares. If USE's market price decreases before the merger is consummated, the value of the merger consideration to be received by Crested shareholders will decrease. Stock price variations could be the result of changes in the business, operations or prospects of USE, market assessments of when the merger will be completed, general market and economic conditions, and other factors which are beyond the control of USE or Crested. Please see recent market prices for USE and Crested stock under "COMPARATIVE MARKET PRICES AND DIVIDENDS."

If the conditions to the merger are not met, the merger may not occur.

Specific conditions in the merger agreement must be satisfied or waived to complete the merger. If the conditions are not satisfied or waived, to the extent permitted by law, the merger will not occur, and each of USE and Crested may lose some or all of the intended benefits of the merger. The following conditions, in addition to other customary closing conditions, must be satisfied or waived before USE and Crested are obligated to complete the merger:

- there is no temporary restraining order, preliminary or permanent injunction or other order or decree issued by any court of competent jurisdiction or other statute, law, rule, legal restraint or prohibition in effect preventing the completion of the merger;
- USE's shares to be issued in the merger have been approved for listing on Nasdaq, subject to official notice of issuance;

- the merger agreement is adopted by the holders of a majority of minority shares of Crested;
- holders of not more than 200,000 Crested shares have not dissented from the merger; and
- at any time before consummation of the merger, USE's closing stock price has not been 20% more or less than the 2-to-1 exchange ratio as applied to the Crested stock price, for two or more consecutive trading days, and neither USE or Crested has terminated the merger agreement. For example, if Crested's price per share is \$2.40, the implied value for two Crested shares under the exchange ratio would be \$4.80. Under those circumstances, if USE's price is more than \$5.768 and Crested's price stays at \$2.40, or if Crested's price stays at \$2.40 but USE's price decreases to less than \$3.84, then the merger agreement could be terminated by either USE or Crested.

Crested may waive one or more of the conditions to the merger without re-soliciting shareholder approval.

Each of the conditions to Crested's obligations to complete the merger may be waived, in whole or in part, by agreement of USE and Crested if the condition is an obligation of both to complete the merger. The board of directors of Crested may evaluate the materiality of any such waiver to determine whether an amendment of this proxy statement/prospectus and re-solicitation of proxies is necessary. Crested generally does not expect any such waiver to be significant enough to require re-solicitation. In the event that any such waiver is not determined to be significant enough to require re-solicitation of shareholders, the companies will have the discretion to complete the merger without seeking further shareholder approval.

Directors and executive officers of Crested may have potential conflicts of interest in recommending that you vote in favor of the merger.

The directors and officers of Crested have interests in the merger that are in addition to the interests of the minority Crested shareholders. See "THE MERGER- Crested's Directors and Officers Have Financial Interests in the Merger" on page 88.

The merger agreement restricts Crested's ability to pursue alternatives to the merger.

The merger agreement contains a "no shop" provision that, subject to limited fiduciary exceptions, restricts Crested's ability directly or indirectly to initiate, solicit, encourage or facilitate, discuss or commit to competing third-party proposals to acquire all or a significant part of Crested. Further, there are only limited exceptions to Crested's agreement that the Crested board of directors will not withdraw, modify or qualify in a manner adverse to USE its adoption of the merger or its recommendation to holders of Crested stock that they vote in favor of the adoption of the merger, or recommend any acquisition proposal. Although the Crested board of directors is permitted to take these actions if it determined that these actions are likely to be required in order for its board of directors to comply with its fiduciary duties, doing so in specified situations could entitle USE to terminate the merger agreement and to be paid by Crested a termination fee of 50% of USE's legal and financial advisory fees.

USE required that Crested agree to these provisions as a condition to USE's willingness to enter into the merger agreement. These provisions could discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Crested from considering or proposing an acquisition, even if it were prepared to pay consideration with a higher market value than the consideration USE proposes to pay in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Crested than it might otherwise have proposed to pay due to the added expense of the termination fee.

Risks Relating to USE's Business

USE has a history of operating losses.

At June 30, USE had \$16,743,400 retained earnings compared with an accumulated deficit of \$39,101,900 at December 31, 2006. During the first quarter of 2007 (ended March 31, 2007), USE recorded a net loss of \$1,318,200 and during the second quarter of 2007 (ended June 30, 2007), USE recorded a gain of \$59,295,400. During the six months ended June 30, 2007 USE recorded a loss from continuing operations of \$11,462,500 and a net gain of \$57,977,200. For the year ended December 31, 2006, USE recorded a loss before a benefit from income taxes of \$14,279,400 and a net gain after benefit from income taxes of \$1,052,200. The large change in earnings from quarter to quarter is the nature of the USE business model of acquiring, holding and selling mineral properties. The process from acquisition of the properties until ultimate sale is capital intensive and often takes years to complete.

Working capital at June 30, 2007 and December 31, 2006 was \$86,664,100 and \$31,730,000, respectively. Historically, working capital needs have been primarily met from receipt of funds from liquidating investments, selling partial interests in mineral properties and selling equity. Although USE received significant cash proceeds from the sale of the uranium properties in April 2007, and has received additional cash from selling the Uranium One shares, the development and production of mineral properties is very capital intensive. The Luck Jack Property will take significant amounts of capital to place it into production. USE may seek equity and/or debt financing for this purpose, which may result in dilution to current shareholders. Please see the risk factor below captioned "*Future equity transactions, including exercise of options or warrants, could result in dilution; and registration for public resale of the common stock in these transactions may depress stock prices.*"

No recurring business revenues and uncertainties associated with transaction-based revenues.

Presently USE does not have an operating business with recurring revenues. Receipt of funds from selling interests in mineral properties, or liquidating investments in mineral properties (or the subsidiaries which hold properties) is unpredictable as to timing, structure, and profitability. For example, we began activities in the coalbed methane sector in 1999 by starting up RMG. RMG used, rather than provided, capital until it was sold to Enterra Energy Trust in June 2005. In 2003, we acquired stock in Pinnacle by RMG's contribution of properties into Pinnacle, but we did not realize a return on the transaction until September 2006.

Working capital on hand is expected to be sufficient to fund general and administrative expenses, and conduct exploration and a limited amount of development work on the mineral properties as well as other business ventures USE is pursuing, including multifamily housing. Although USE currently has working capital, it will need to continue to seek funding from industry partners or sell equity or debt to develop all the projects. Also, it is anticipated the necessary capital for developing the Lucky Jack Molybdenum Property will be available through Kobex to obtain mining and other permits, further delineate the mineral resources underground, and plan the mining and processing operation. However, additional capital (the costs of which would be shared by USE and Kobex) will be necessary to put the property into production.

The interest retained by USE in the Lucky Jack molybdenum property, is not expected to generate recurring revenues for several years. In addition, the mine plan of Phelps Dodge Corporation (from whom USE and Crested received the property) and its predecessor companies encountered opposition from local and environmental groups. That opposition may continue.

Uncertainties in the value of the mineral properties.

While USE believes that its mineral properties are valuable, substantial work and capital will be needed to establish whether they are in fact valuable.

The profitable mining and processing of gold by SGMI will also depend on many factors, including: receipt of permits and keeping in compliance with permit conditions; delineation through extensive drilling and sampling of sufficient volumes of mineralized material with sufficient grades to make mining and processing economic over time; continued sustained high prices for gold, and obtaining the capital required to initiate and sustain mining operations and build and operate a gold processing mill.

The Lucky Jack Property has been analyzed and explored by its prior owners. This data will have to be updated to the level of a current feasibility study to determine the viability of starting mining operations. Obtaining mining and other permits to begin mining the molybdenum property may be difficult, even with the assistance of Kobex. Capital requirements for a molybdenum mining operation will be substantial.

USE has not yet obtained final feasibility studies on any of its mineral properties. These studies would establish the potential economic viability of the different properties based on extensive drilling and sampling; the design and costs to build and operate mills, the cost of capital, and other factors. Feasibility studies can take many months to complete. These studies are conducted by professional third-party consulting and engineering firms, and will have to be completed, at considerable cost, to determine if the deposits contain proved reserves (i.e., amounts of minerals in sufficient grades that can be extracted profitably under current commodity pricing assumptions and estimated for development and operating costs). A feasibility study usually, but not always, must be completed in order to raise the substantial capital needed to put a mineral property into production. USE has not established any reserves (i.e., economic deposits of mineralized materials) on any of its properties, and future studies may indicate that some or all of the properties will not be economic to put into production.

Compliance with environmental regulations may be costly.

USE's business is regulated by government agencies. Permits are required to explore for minerals, operate mines and build and operate processing plants. The regulations under which permits are issued change from time to time to reflect changes in public policy or scientific understanding of issues. If the economics of a project cannot withstand the cost of complying with changed regulations, USE might decide not to move forward with the project.

USE must comply with numerous environmental regulations on a continuous basis, to comply with United States environmental laws, including the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act ("RCRA"). For example, water and dust discharged from mines and tailings from prior mining or milling operations must be monitored and contained and reports filed with federal, state and county regulatory authorities. Additional monitoring and reporting is required by state and local regulatory agencies. The Abandoned Mine Reclamation Act in Wyoming and similar laws in other states (for examples, California for SGMI's gold property and Colorado for the Lucky Jack project) impose reclamation obligations on abandoned mining properties, in addition to or in conjunction with federal statutes. Environmental regulatory programs create potential liability for operations, and may result in requirements to perform environmental investigations or corrective actions under federal and state laws and federal and state Superfund requirements.

Failure to comply with these regulations could result in substantial fines, environmental remediation orders and/or potential shut down of the project until compliance is achieved. Failure to timely obtain required permits to start operations at a project could cause delay and/or the failure of the project resulting in a potential write-off of the investments therein.

USE depends on key personnel.

USE has a very limited staff and executive group. These persons are knowledgeable of USE's mineral properties and have experience in dealing with the exploration of mineral properties as well as the financing of them. The loss of key employees would adversely impact our business, as finding replacements is difficult as a result of competition for experienced personnel in the minerals industry.

USE will seek additional business activities.

USE's interests in SGMI and the Lucky Jack Property are the primary mineral properties owned by USE (indirect in the case of SGMI) after the sale of the uranium assets to Uranium One. USE intends to acquire other mineral interests, and pursue other business activities such as real estate development and oil and gas exploration. Other than real estate investment opportunities and a contract to explore for gas and oil with a major industry partner, USE currently does not have any agreements in place for other business opportunities.

We may be classified as an inadvertent investment company.

We are not engaged in the business of investing, reinvesting, or trading in securities, and we do not hold ourselves out as being engaged in those activities. However, under the federal Investment Company Act of 1940, a company may be fall within the scope of being an "inadvertent investment company" under section 3(a)(1)(C) of the 1940 Act if the value of its investment securities is more than 40% of its total assets (exclusive of government securities and cash items).

As a result of the April 30, 2007 sale of our uranium assets to Uranium One, we received investment securities (our stock in Uranium One) with a value in excess of 40% of the value of our total assets.

An inadvertent investment company can avoid being classified as an investment company if it can rely on one of the exclusions under the 1940 Act. One such exclusion, Rule 3a-2 under the 1940 Act, allows an inadvertent investment company (as a "transient investment company") a grace period of one year from the date of classification (in our case, April 30, 2008), to seek to comply with the 40% limit, or with any other available exclusion. Accordingly, we are taking actions to comply with this 40% limit from the present time through April 30, 2008. These actions may include liquidating investment securities as necessary to stay within the 40% limit.

As Rule 3a-2 is available to a company no more than once every three years, and assuming no other exclusion were available to us, we would have to keep within the 40% limit through April 30, 2010. In any event, we would not intend to become an intentional investment company (i.e. engaging in investment and trading activities in investment securities), even after April 30, 2010.

Classification as an investment company under the 1940 Act requires registration with the SEC. If an investment company fails to register, it would have to stop doing almost all business, and its contracts would become voidable. Registration is time consuming and restrictive, and we would be very constrained in the kind of business we could do as a registered investment company.

There can be no assurance that we will be able to accomplish this objective by April 30, 2008.

Risks Relating to USE Stock

USE may issue shares of preferred stock with greater rights than its common stock.

Although it has no current plans, arrangements, understandings or agreements to do so, USE's articles of incorporation authorize USE's board of directors to issue one or more series of preferred stock and set the terms of the stock without seeking approval from holders of the common stock. Preferred stock that is issued may have preferential rights over USE's common stock, in terms of dividends, liquidation rights and voting rights.

Future equity transactions, including exercise of options or warrants, could result in dilution; and registration for public resale of the common stock in these transactions may depress stock prices.

From time to time, USE has sold restricted stock and warrants, and convertible debt (or stock in subsidiary companies, convertible to USE stock), to investors in private placements conducted by broker-dealers, or in negotiated transactions. Because the stock was issued as restricted, the stock was sold at a discount to market prices, and the exercise price of the warrants sometimes, and/or the conversion price for stock in subsidiaries, was at or lower than market prices. These transactions caused dilution to existing shareholders. Also, from time to time, options are issued to employees, directors and third parties as incentives, with exercise prices equal to market prices. Exercise of in-the-money options and warrants will result in dilution to existing shareholders; the amount of dilution will depend on the spread between market and exercise price, and the number of shares involved.

Although it does not intend to do so at this time, USE may continue to raise capital from the equity markets using private placements at discounted prices. In addition, USE may continue to grant options to employees and directors with exercise prices equal to market price at the grant date, and in the future may sell restricted stock and warrants (or stock in subsidiary companies convertible to stock of USE), all of which may result in dilution to existing shareholders.

Public resale of such restricted stock, and of stock issued in conversion of debt or stock of subsidiary companies, may depress the market price of the USE stock.

Dividends on USE common stock

USE declared a special cash dividend of \$0.10 per share on all outstanding shares of its common stock on the record date of July 6, 2007, payable on July 16, 2007. Prior to this dividend, USE has only declared a dividend on one other occasion, November 1, 1990, when it declared a 1 for 10 share dividend. Management of USE does not currently anticipate any dividends to be paid in the near term future but anticipates retaining earnings to fund investments and business development.

USE's take-over defense mechanisms could discourage some advantageous transactions.

USE has adopted a shareholder rights plan, also known as a poison pill. The plan is designed to discourage a takeover of USE at an unfair price. However, it is possible that the board of directors and the takeover acquirer would not agree on a higher price, in which case the takeover might be abandoned, even though the takeover price might be at a significant premium to market prices. Therefore, as a result of the mere existence of the plan, shareholders may not receive the premium price. See "DESCRIPTION OF USE SECURITIES – Preferred Stock – Series P Preferred Stock."

USE's stock price likely will continue to be volatile due to several factors.

In the 18 months ended June 30, 2007, USE's stock has traded as low as \$3.32 per share and as high as \$7.20 per share. USE believes that some of the factors which cause this volatility are:

- price and volume fluctuations in the stock market generally;
- relatively small amounts of USE stock trading on any given day;
- fluctuations in USE's financial operating results; and
- price swings in the minerals commodities markets.

You should expect continued volatility in the stock price after the merger. It is possible that when you want to sell your USE shares, USE's stock price could be lower than what you paid for your Crested shares, resulting in a loss on your investment.

SELECTED HISTORICAL FINANCIAL DATA OF CRESTED

The following tables summarize financial information for Crested, using its audited financial statements for each of the five fiscal years from December 31, 2002 to December 31, 2006, and unaudited financial statements at June 30, 2007 and June 30, 2006 and the six months then ended. You should read this information in conjunction with Crested's "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the caption "INFORMATION ABOUT CRESTED."

	Six Months Ended		Year Ended				
	2007	2006	2006	2005	2004	2003	2002
	(Unaudited)	(Unaudited)					
Current assets	\$ 39,637,400	\$ 3,385,200	\$ 10,751,300	\$ 95,100	\$ 3,800	\$ 3,300	\$ 3,300
Current liabilities	13,654,900	12,435,800	14,482,100	10,928,000	9,747,300	9,408,300	8,553,900
Working capital (deficit)	25,982,500	(9,050,600)	(3,730,800)	(10,832,900)	(9,743,500)	(9,405,000)	(8,550,600)
Total assets	44,470,800	8,065,900	15,123,000	8,682,200	2,983,600	4,387,100	5,889,900
Long-term obligations ⁽¹⁾	220,900	1,360,600	266,600	1,260,800	1,289,100	1,268,900	964,000
Shareholders' equity (deficit)	30,537,200	(5,740,600)	364,200	(3,516,700)	(8,062,900)	(6,300,200)	(3,638,100)
Revenues	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Income (loss) before equity in loss of affiliates and income taxes	53,051,900	(1,879,600)	(157,300)	6,341,200	(320,000)	(263,300)	(102,400)
Equity in (loss) gain of affiliates	(3,727,500)	(344,300)	(3,625,600)	(1,699,800)	(1,447,500)	(2,114,600)	(1,055,000)
(Provision for) Benefit from Income Taxes	(17,841,700)	--	7,633,800	(100,000)	--	--	--
Cumulative effect of accounting change	--	--	--	--	--	(293,800)	--
	\$ 31,482,700	\$ (2,223,900)	\$ 3,850,900	\$ 4,541,400	\$ (1,767,500)	\$ (2,671,700)	\$ (1,157,400)

(1) Included \$53,000, \$1,145,000 at June 30, 2007 and June 30, 2006 respectively as well as \$51,000, \$1,045,200, 1,073,500, \$1,053,300 and \$748,400 of accrued reclamation costs on uranium properties at December 31, 2006, 2005, 2004, 2003 and 2002 respectively.

Net income
(loss)

Net income
(loss) per
share - Basic

\$	1.83	\$	(0.13)	\$	0.22	\$	0.26	\$	(0.10)	\$	(0.16)	\$	(0.07)
----	------	----	--------	----	------	----	------	----	--------	----	--------	----	--------

Net income
(loss) per
share -
Diluted

\$	1.77	\$	(0.13)	\$	0.22	\$	0.26	\$	(0.10)	\$	(0.16)	\$	(0.07)
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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF USE

The following tables summarize financial information for USE, using its audited financial statements for each of the five fiscal years ended December 31, 2006, and its unaudited financial statements for the six months ended June 30, 2007 and 2006.

	Six Months Ended		Year Ended				
	June 30,	2006	2006	2005	December 31,	2003	2002
	2007	(Unaudited)			2004		
	(Unaudited)						
Current assets	\$ 110,317,400	\$ 19,866,200	\$ 43,325,200	\$ 7,840,600	\$ 5,421,500	\$ 5,191,400	\$ 4,755,300
Current liabilities	23,653,300	1,339,100	11,595,200	1,232,200	6,355,900	1,909,700	2,044,400
Working capital (deficit)	86,664,100	18,527,100	31,730,000	6,608,400	(934,400)	3,281,700	2,710,900
Total assets	123,215,500	37,318,100	51,901,400	38,106,700	30,703,700	23,929,700	28,190,600
Long-term obligations ⁽¹⁾	778,200	8,602,400	882,000	7,949,800	13,317,400	12,036,600	14,047,300
Shareholders' equity	90,422,100	19,818,600	32,977,400	24,558,200	6,281,300	6,760,800	8,501,600

⁽¹⁾Includes \$129,300, of accrued reclamation costs on properties at June 30, 2007, \$6,138,000 at June 30, 2006, \$124,400, at December 31, 2006, \$5,669,000 at December 31, 2005, \$7,882,400 at December 31, 2004, \$7,264,700 at December 31, 2003 and \$8,906,800 at December 31, 2002 respectively.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF USE

(from page 27 – continued)

	Six Months Ended		Year Ended				Seven Months Ended
	June 30, 2007 (Unaudited)	2006 (Unaudited)	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
Operating revenues	\$ 325,100	\$ 324,900	\$ 813,400	\$ 849,500	\$ 815,600	\$ 513,500	\$ 673,000
Loss from continuing operations	(11,463,500)	(5,910,800)	(16,670,700)	(6,066,900)	(4,983,100)	(5,066,800)	(3,524,900)
Other income & expenses	108,798,600	(1,482,800)	2,302,700	(484,000)	465,100	(311,500)	(387,100)
(Loss) income before minority interest, equity in income (loss) of affiliates, income taxes, discontinued operations, and cumulative effect of accounting change	97,335,100	(7,393,600)	(14,368,000)	(6,550,900)	(4,518,000)	(5,378,300)	(3,912,000)
Minority interest in loss (income) of consolidated subsidiaries	(3,698,600)	47,600	88,600	185,000	207,800	13,000	54,800
(Provision for) Benefit from Income Taxes	(35,659,300)	--	15,331,600	--	--	--	--
Discontinued operations, net of tax	--	--	--	15,207,400	(1,938,500)	(2,060,400)	17,100
Cumulative effect of							

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accounting change	--	--	--	--	--	1,615,600	--
Preferred stock dividends	--	--	--	--	--	--	--
Net income (loss) to common shareholders	\$ 57,977,200	\$ (7,346,000)	\$ 1,052,200	\$ 8,841,500	\$ (6,248,700)	\$ (5,810,100)	\$ (3,840,100)

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF USE

(from page 27 – continued)

	Six Months Ended		Year Ended			Seven Months Ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
Per share financial data							
Operating revenues	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.06
Loss from continuing operations	\$ (0.58)	\$ (0.32)	(0.88)	(0.38)	(0.38)	(0.44)	(0.33)
Other income & expenses	\$ 5.51	\$ (0.08)	0.12	(0.03)	0.04	(0.03)	(0.03)
(Loss) income before minority interest, equity in income (loss) of affiliates, income taxes, discontinued operations, and cumulative effect of accounting change	\$ 4.93	\$ (0.41)	(0.76)	(0.39)	(0.34)	(0.48)	(0.36)
Minority interest in loss (income) of consolidated subsidiaries	\$ (0.19)	\$ 0.00	--	--	0.02	0.00	--
(Provision for) Benefit from Income Taxes	\$ (1.81)	--	0.81	--	--	--	--
	--	--	--	0.94	(0.15)	(0.18)	--

Discontinued operations, net of tax								
Cumulative effect of accounting change	--	--	--	--	--	0.14	--	
Preferred stock dividends	--	--	--	--	--	--	--	
Net (loss) income per share, basic	\$ 2.94	\$ (0.40)	\$ 0.06	\$ 0.55	\$ (0.48)	\$ (0.52)	\$ (0.36)	
Net (loss) income per share, diluted	\$ 2.63	\$ (0.40)	\$ 0.05	\$ 0.55	\$ (0.48)	\$ (0.52)	\$ (0.36)	

**UNAUDITED U.S. ENERGY CORP. PRO FORMA COMBINED CONDENSED
CONSOLIDATED
FINANCIAL INFORMATION**

Basis of Presentation The pro forma financial statements filed with this report reflect what USE's financial position would have been had the merger with Crested closed on January 1, 2006 and June 30, 2007. The balance sheet, and statement of operations, at December 31, 2006, and for the year then ended, as well as at June 30, 2007 and for the six months then ended, have been condensed.

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 Crested options were converted into common shares using the treasury stock method. There are no differences in net earnings for purposes of computing basic and diluted earnings per share as conversion of the common stock options would have no effect on net earnings.

The unaudited pro forma information is based on the historical financial statements of USE and Crested under the purchase method of accounting, and includes the adjustments described in the accompanying notes. The pro forma combined condensed consolidated balance sheet and the pro forma combined condensed consolidated statements of operations and accompanying notes are qualified in their entirety and should be read in conjunction with the historical financial statements of USE and Crested included with or incorporated by reference into this proxy statement/prospectus.

The pro forma adjustments are based on estimates and assumptions available on the date of this proxy statement/prospectus that USE believes are reasonable under the circumstances. The pro forma combined condensed consolidated financial information has been prepared in accordance with the rules and regulations of the SEC. This information is intended for informational purposes only and is not necessarily indicative of the future financial position of USE after the merger, or of its financial position that would have actually occurred had the acquisition been effected as of the dates indicated above.

U.S. ENERGY CORP. and SUBSIDIARIES
PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEET
(Unaudited)
ASSETS

	June 30, 2007			December 31, 2006		
	Actual	Adjustment	Pro Forma	Actual	Adjustment	Pro Forma
Current Assets	\$ 110,317,400		\$ 110,317,400	\$ 43,325,200		\$ 43,325,200
Investments	27,000		27,000	27,000		27,000
			-			
Properties and Equipment	14,429,400	15,473,900	29,903,300	11,563,500	14,524,700	26,088,200
Less Accumulated Depreciation	(5,635,900)		(5,635,900)	(5,454,200)		(5,454,200)
	8,793,500					