

K2 ARBITRAGE FUND LP  
Form SC 13G/A  
February 13, 2006

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Schedule 13G**

**(Rule 13d-102)**

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT  
TO RULES 13d-1(b), (c) and (d) AND AMENDMENTS THERETO FILED  
PURSUANT TO RULE 13d-2  
(Amendment No. 1)\***

U.S. ENERGY CORP.

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(Name of Issuer)

Common Stock, \$0.01 par value

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(Title of Class of Securities)

911805109

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(CUSIP Number)

December 31, 2005

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see* the *Notes*).

**1 NAME OF REPORTING PERSON**

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

THE K2 PRINCIPAL FUND, L.P.

**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)**

(A)

(B)

**3 SEC USE ONLY**

**4 CITIZENSHIP OR PLACE OF ORGANIZATION**

ONTARIO, CANADA

**5 SOLE VOTING POWER**

NUMBER OF

SHARES

148,903

**6 SHARED VOTING POWER**

BENEFICIALLY

OWNED BY

- 0 -

EACH

**7 SOLE DISPOSITIVE POWER**

REPORTING

PERSON

148,903

**8 SHARED DISPOSITIVE POWER**

WITH

- 0 -

**9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

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148,903

**10** CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

**11** PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.8%

**12** TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

CUSIP NO. 911805109

13G

Page 3 of 7

**1 NAME OF REPORTING PERSON**

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

K2 GENPAR, INC.

**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)**

(A)

(B)

**3 SEC USE ONLY**

**4 CITIZENSHIP OR PLACE OF ORGANIZATION**

ONTARIO, CANADA

**5 SOLE VOTING POWER**

NUMBER OF 148,903

SHARES **6 SHARED VOTING POWER**

BENEFICIALLY

OWNED BY - 0 -

EACH **7 SOLE DISPOSITIVE POWER**

REPORTING

PERSON 148,903

WITH **8 SHARED DISPOSITIVE POWER**

- 0 -

**9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

148,903

**10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)**

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.8%

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP NO. 911805109

13G

Page 4 of 7

**1 NAME OF REPORTING PERSON**

I.R.S. IDENTIFICATION NO. OF ABOVE PERSON (ENTITIES ONLY)

SHAWN KIMEL

**2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)**

(A)

(B)

**3 SEC USE ONLY**

**4 CITIZENSHIP OR PLACE OF ORGANIZATION**

ONTARIO, CANADA

**5 SOLE VOTING POWER**

NUMBER OF 148,903

SHARES **6 SHARED VOTING POWER**

BENEFICIALLY

OWNED BY - 0 -

EACH **7 SOLE DISPOSITIVE POWER**

REPORTING

PERSON 148,903

WITH **8 SHARED DISPOSITIVE POWER**

- 0 -

**9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON**

148,903

**10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)**

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.8%

12 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN



**ITEM 1 (a). NAME OF ISSUER.**

The name of the Issuer is U.S. ENERGY CORP. (the Issuer ).

**ITEM 1 (b). ADDRESS OF ISSUER S PRINCIPAL EXECUTIVE OFFICES.**

The Issuer s principal executive offices are located at 877 North 8 West, Riverton, Wyoming 82501.

**ITEM 2 (a). NAME OF PERSON FILING.**

This statement is being filed on behalf of each of the following persons (the Reporting Persons ): The K2 Principal Fund, L.P., K2 GenPar, Inc. and Shawn Kimel.

**ITEM 2 (b). ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE.**

The address of the principal business office of each of the Reporting Persons is 444 Adelaide West, Toronto, Ontario, M5V 1S7.

**ITEM 2 (c). CITIZENSHIP.**

The K2 Principal Fund, L.P. is an Ontario limited partnership. K2 GenPar, Inc. is an Ontario corporation. Shawn Kimel is a citizen of Canada.

**ITEM 2 (d). TITLE OF CLASS OF SECURITIES.**

This statement relates to shares of the Issuer s Common Stock, \$0.01 par value per share (the Common Stock ) of the Issuer.

**ITEM 2 (e). CUSIP NUMBER.**

The CUSIP number for the shares of Common Stock is 911805109.

**ITEM 3. NOT APPLICABLE.****ITEM 4. OWNERSHIP.**

Pursuant to Rule 13d-3, at the close of business on February 9, 2006, each of the Reporting Persons may be deemed to be the beneficial owner of 148,903 shares of the Common Stock, which constitute approximately 0.8% of the 18,860,746 shares of the Common Stock outstanding at November 11, 2005, according to the Issuer s Quarterly Report on Form 10-Q filed on November 14, 2005. Each of the Reporting Persons has the sole power to vote or to direct the vote of 148,903 shares of the Common Stock; each of the Reporting Persons has the sole power to dispose or to direct the disposition of 148,903 shares of the Common Stock.

**ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS.**

This statement is being filed to report the fact that each of the Reporting Persons has ceased to be the beneficial owner of more than five percent of the Common Stock.

**ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.**

Not applicable.

**ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.**

Not applicable.

**ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.**

See Items 1-4.

**ITEM 9. NOTICE OF DISSOLUTION OF GROUP.**

Not applicable.

**ITEM 10. CERTIFICATIONS.**

By signing below each of the Reporting Persons certifies that, to the best of its or his knowledge and belief, the Common Stock was not acquired and is not held for the purpose of or with the effect of changing or influencing the control of the Issuer and was not acquired and is not held in connection with or as a participant in any transaction having that purpose or effect.

**SIGNATURE**

After reasonable inquiry and to the best of the knowledge and belief of the undersigned Reporting Persons, each of the Reporting Persons certifies that the information set forth in this statement is true, complete and correct.

Pursuant to Rule 13d-1(k)(1)(ii) of Regulation 13D-G of the General Rules and Regulations of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the undersigned Reporting Persons agree that the attached statement is filed on behalf of each of them in the capacities set forth below.

Dated: February 10, 2006

K2 PRINCIPAL FUND, L.P.

By: K2 GENPAR, INC.

Its: General Partner

/s/ Shawn Kimel

\_\_\_\_\_  
Shawn Kimel,  
President and Secretary

K2 GENPAR, INC., an Ontario corporation

By: /s/ Shawn Kimel

\_\_\_\_\_  
Shawn Kimel, President

/s/ Shawn Kimel

\_\_\_\_\_  
Shawn Kimel