# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2024**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to _______________

Commission File Number 000-06814

## U.S. ENERGY CORP.
(Exact Name of Company as Specified in its Charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **83-0205516**<br>(I.R.S. Employer Identification No.) |
| **1616 S. Voss Rd., Suite 725, Houston, Texas**<br>(Address of principal executive offices) | **77057**<br>(Zip Code) |

Registrant's telephone number, including area code: **(346) 509-8734**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value** | **USEG** | **Nasdaq Capital Market LLC (Nasdaq Capital Market)** |

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☒ |
| | Emerging growth company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based upon the closing price of the shares of common stock on the Nasdaq Capital Market as of June 28, 2024, the last business day of the most recently completed second fiscal quarter, based on the closing sales price on such date of $1.02, was $9,030,746. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 5% or greater stockholders. In the case of 5% or greater stockholders, we have not deemed such stockholders to be affiliates unless there are facts and circumstances which would indicate that such stockholders exercise any control over our company, or unless they hold 10% or more of our outstanding common stock. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 5% or greater stockholders are, in fact, affiliates of our company, or that there are not other persons who may be deemed to be affiliates of our company. Further information concerning shareholdings of our officers, directors and principal shareholders is included or incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

The Registrant had 33,821,019 shares of its $0.01 par value common stock outstanding as of March 10, 2025.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement relating to its 2024 annual meeting of stockholders (the "2024 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2024 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The information discussed in this Annual Report includes “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts are forward-looking statements.

Examples of forward-looking statements in this Annual Report include:

- planned capital expenditures for industrial gas, oil and natural gas exploration and environmental compliance;
- potential drilling locations and available spacing units, and possible changes in spacing rules;
- cash expected to be available for capital expenditures and to satisfy other obligations;
- recovered volumes and values of industrial gas, oil and natural gas approximating third-party estimates;
- anticipated changes in oil and natural gas production and future industrial gas production;
- drilling and completion activities and opportunities;
- timing of drilling additional wells and performing other exploration and development projects;
- expected spacing and the number of wells to be drilled with our industry partners;
- when payout-based milestones or similar thresholds will be reached for the purposes of our agreements with our partners;
- expected working and net revenue interests, and costs of wells, relating to the drilling programs with our partners;
- actual decline rates for producing wells;
- future cash flows, expenses and borrowings;
- pursuit of potential acquisition opportunities;
- economic downturns, wars and increased inflation and interest rates, and possible recessions caused thereby;
- the effects of global pandemics on our operations, properties, the market for industrial gas, oil and natural gas, and the demand for industrial gas, oil and natural gas;
- our expected financial position;
- our expected future overhead reductions;
- our ability to become an operator of industrial gas, oil and natural gas properties;
- our ability to raise additional financing and acquire attractive industrial gas, oil and natural gas properties; and
- other plans and objectives for future operations, including industrial gas exploration and development.

These forward-looking statements are identified by their use of terms and phrases such as “may,” “expect,” “estimate,” “project,” “plan,” “believe,” “intend,” “achievable,” “anticipate,” “will,” “continue,” “potential,” “should,” “could,” “up to,” and similar terms and phrases. Though we believe that the expectations reflected in these statements are reasonable, they involve certain assumptions, risks and uncertainties. Results could differ materially from those anticipated in these statements as a result of numerous factors discussed below under “Summary of Risk Factors”, and under “Risk Factors”, below. Given these risks and uncertainties, readers are cautioned not to place undo reliance on such forward-looking statements.

Finally, our future results will depend upon various other risks and uncertainties, including, but not limited to, those detailed in Item 1A “Risk Factors” in this Annual Report on Form 10-K. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements made above and elsewhere in this Annual Report on Form 10-K.

All forward-looking statements speak only at the date of the filing of this Annual Report. We do not undertake any obligation to update or revise publicly any forward-looking statements except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

**Glossary of Oil and Natural Gas Terms**

The following are abbreviations and definitions of certain terms commonly used in the oil and natural gas industry and in this report. The definitions of proved developed reserves, proved reserves and proved undeveloped reserves have been abbreviated from the applicable definitions contained in Rule 4-10(a) of Regulation S-X.

*API*. The American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water: if its API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier and sinks.

*Bbl.* One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

*Bcfe*. One billion cubic feet of natural gas equivalent. Natural gas equivalents are determined using the ratio of 6 Mcf of natural gas to 1 Bbl of oil, condensate or natural gas liquids.

*BOE*. A barrel of oil equivalent is determined using the ratio of 6 Mcf of natural gas to 1 Bbl of crude oil, condensate or natural gas liquid.

*Boed*. Barrels of oil equivalent per day.

*Bopd*. Barrels of oil per day.

*Completion.* The installation of permanent equipment for the production of oil or natural gas, or, in the case of a dry well, the reporting to the appropriate authority that the well has been abandoned. Completion of the well does not necessarily mean the well will be profitable.

*Developed Acreage.* The number of acres which are allocated or assignable to producing wells or wells capable of production.

*Development Well.* A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

*Dry Well.* A well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well.

*Exploratory Well.* A well drilled to find a new field or a new reservoir in a field previously found to be productive of oil or gas in another reservoir.

*Gross Acres or Gross Wells.* The total acres or wells, as the case may be, in which we have a working interest.

*Industrial gases.* Helium, carbon dioxide, nitrogen and hydrocarbons.

*Lease Operating Expenses.* The expenses, usually recurring, which pay for operating the wells and equipment on a producing lease.

*Mcf.* One thousand cubic feet of natural gas.

*Mcfe*. One thousand cubic feet of natural gas equivalent. Natural gas equivalents are determined using the ratio of 6 Mcf of natural gas to 1 Bbl of oil, condensate or natural gas liquids.

*Mmbtu.* One million Btu, or British Thermal Units. One British Thermal Unit is the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

*Net Acres or Net Wells.* Gross acres or wells multiplied, in each case, by the percentage working interest we own.

*Net Production.* Production that we own less royalties and production due to others.

*NGL.* Natural gas liquids.

*Oil.* Crude oil, condensate or other liquid hydrocarbons.

*Operator.* The individual or company responsible for the exploration, development, and production of an oil or gas well or lease.

*Pay.* The vertical thickness of an oil and natural gas producing zone. Pay can be measured as either gross pay, including non-productive zones or net pay, including only zones that appear to be productive based upon logs and test data.

*Ppb.* Means pounds per barrel.

*Proved Developed Reserves.* Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

*Proved Reserves.* The estimated quantities of crude oil, natural gas and natural gas liquids, which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

*Proved Undeveloped Reserves.* Reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

*PV-10.* The pre-tax present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with SEC guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

*Royalty.* An interest in an oil and natural gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage. Royalties may be either landowner’s royalties, which are reserved by the owner of the leased acreage at the time the lease is granted, or overriding royalties, which are usually reserved by an owner of the leasehold in connection with a transfer to a subsequent owner.

*Standardized Measure.* The after-tax present value of estimated future revenues to be generated from the production of proved reserves calculated in accordance with SEC guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

*Working Interest.* An interest in an oil and natural gas lease that gives the owner of the interest the right to drill for and produce oil and natural gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations.

*WTI.* West Texas Intermediate.

# PART I

## Item 1. Business.

### General Information

In this Annual Report on Form 10-K (this "Report"), we may rely on and refer to information regarding the oil and gas industry or the industrial gas industry in general from market research reports, analyst reports and other publicly available information. Although we believe that this information is reliable, we cannot guarantee the accuracy and completeness of this information, we have not independently verified any of it and we have not commissioned any of the market or survey data that is presented in this Report.

Please see the "Glossary" above for a list of abbreviations and definitions used throughout this Report.

Our fiscal year ends on December 31st. Interim results are presented on a quarterly basis for the quarters ended March 31st, June 30th, and September 30th, the first quarter, second quarter and third quarter, respectively, with the quarter ending December 31st being referenced herein as our fourth quarter. Fiscal 2024 means the year ended December 31, 2024, whereas fiscal 2023 means the year ended December 31, 2023.

Unless the context requires otherwise, references to the "Company," "we," "us," "our," "U.S. Energy," and "U.S. Energy Corp." refer specifically to U.S. Energy Corp. and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this Report only:

- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

### Overview

U.S. Energy Corp. was incorporated in the State of Wyoming on January 26, 1966, and reincorporated to Delaware effective on August 3, 2022. We are an independent energy company focused on the acquisition and development of oil and natural gas producing properties in the continental United States. Our principal properties and operations are in the Rockies region (Montana, Wyoming, and North Dakota), the Mid-Continent (Oklahoma, Kansas, and North and East Texas), and the West Texas, South Texas and Gulf Coast regions.

We have historically explored for and produced oil and natural gas through a non-operator business model, however, during 2020 we acquired operated properties in North Dakota, New Mexico, Wyoming and the Texas Gulf Coast, and on January 5, 2022, we closed the acquisitions of certain oil and gas properties from three separate sellers, representing a diversified portfolio of primarily operated, producing, oil-weighted assets located across the Rockies, West Texas, Eagle Ford, and Mid-Continent regions. During the fourth quarter 2023, we sold virtually all of our non-operated properties and as of December 31, 2024, operate 99% of our reserves. In 2024, we continued to divest legacy assets (see divestment of properties) and redeploy capital into our core focus areas.

Our business strategy going forward is to enhance the value of our acquired operated assets through evaluation of selected properties with the goal of increasing production and reserves. We plan to deploy our capital in a conservative and strategic manner and pursue value-enhancing transactions. We also continuously evaluate strategic alternative opportunities that we believe will enhance stockholder value.

### Industrial Gas Operations

In June 2024, the Company acquired approximately 144,000 acres across the Kevin Dome in Toole County, Montana for the purposes of exploring and exploiting multiple, industrial gas streams. We are in the early stages of our exploration and development program primarily focusing on drilling and completing wells and evaluating processing plant designs and supporting infrastructure. Contemporaneously, we are also pursuing disposal well permits and regulatory approvals for the sequestration carbon, which we believe are complementary to our ongoing development activities. We will also evaluate potential acquisitions we believe advance our project's progress. On January 7, 2025, we acquired an additional 24,000 net acres that are contiguous to our existing positions in Toole County including a non-producing well that is expected to be completed and tested in the first half of 2025. Additionally, we anticipate drilling 2 new exploratory wells on the acquired acreage in the first half of 2025.

### Office Location

Our principal executive office is located at 1616 S. Voss Road, Suite 725, Houston, Texas 77057. Our telephone number is (346) 509-8734.

### Oil and Natural Gas Operations

We participate in oil and natural gas projects primarily as an operator. Our working interest varies by project and may change over time based on the terms of our leases and operating agreements. We are also actively pursuing potential acquisitions of exploration, development and production-stage oil and natural gas properties or companies. Key attributes of our oil and natural gas properties include the following:

- Estimated proved reserves of 1,976,791 barrels of oil equivalent (BOE) (81% oil and 19% natural gas) as of December 31, 2024, with a standardized measure value of $23.8 million.
- As of December 31, 2024, our oil and natural gas leases covered 207,243 gross acres and 147,782 net acres.
- 337 gross (327 net) producing wells as of December 31, 2024.
- 1,136 BOE per day average net production for 2024.

**Recent Events:**

***Divestment of Properties***

During the year ended December 31, 2024, the Company closed on a series of individual divestitures for a total of $14.0 million in net proceeds before transaction costs of $0.4 million. The Company was also relieved of associated asset retirement obligations of $5.4 million. The divestitures included primarily operated properties in Texas and Mid-Continent ("Mid-con") and encompassed 408 gross wells, with two prior dispositions, one relating to our South Texas properties and one relating to our East Texas properties, each discussed in greater detail below, accounting for the majority of the proceeds.

In South Texas, the Company divested its assets in Karnes County, Texas, for approximately $5.2 million in net cash proceeds after customary purchase price adjustments, effective April 1, 2024, with the transaction closing on July 31, 2024. These primarily operated properties, consisting of 8 gross wells, which averaged 155 barrels of oil equivalent per day (85% oil) during the first quarter of 2024, representing 13% of our total production over that period.

In East Texas, the Company sold the majority of its assets across Anderson, Chambers, Henderson, and Liberty Counties, Texas, for $6.8 million in net cash proceeds, effective November 1, 2024, with the transaction closing on December 31, 2024. This package, comprising 122 gross wells, averaged approximately 1.1 million cubic feet per day of natural gas and 168 barrels of oil per day (48% oil) for the quarter ending September 30, 2024.

In the Mid-con region, the Company divested all of its operated properties in the state of Kansas and Kay County, Oklahoma, for $1.2 million in net cash proceeds, effective November 1, 2024, with the transaction closing on October 31, 2024. This package comprised 21 gross wells.

Properties divested during 2024 represented 42% of the beginning of the year reserve volumes. The Company recognized a $5.0 million loss on the sale of its East Texas properties in the fourth quarter of 2024. The Company considered this a significant divestment that would significantly alter the relationship between capitalized costs and proved reserves as the divestiture represented 36% of our reserve volumes and 30% of our reserve value at the date of the divestiture.

The net proceeds from these divestitures were used to repay the outstanding balance on our credit facility, bringing the balance as of December 31, 2024 to $0.0 million. We also used part of the proceeds to fund the continued development of the Company's industrial gas project in Montana. These divestitures reflect the Company's strategic portfolio management, exiting non-core geographic regions to enhance liquidity, strengthen the balance sheet, and redirect capital toward high-growth opportunities.

***Acquisition of Properties***

*Wavetech*

On June 26, 2024, we entered into and closed the transactions contemplated by, a purchase and sale agreement with Wavetech Helium ("Wavetech" and the "Purchase Agreement"). Pursuant to the Purchase Agreement, effective June 1, 2024, we acquired 82.5% of Wavetech's rights under a farmout agreement for approximately 144,000 net acres located across the Kevin Dome Structure in Toole County, Montana ("the Assigned Rights"). The Assigned Rights vest upon the drilling of two wells on the property. In consideration for the Assigned Rights, the Company paid Wavetech $2.0 million in cash and 2.6 million shares of restricted common stock, which were valued at $2.7 million on June 26, 2024. In addition, prior to the closing of the Purchase Agreement, the Company incurred $0.4 million of transaction costs related to the acquisition of the Assigned Rights. Additionally, we agreed to be responsible for 100% of capital costs, including costs related to project exploration, appraisal, development drilling and completion until $20 million has been incurred related to Wavetech's 17.5% interest. The Company accounted for the acquisition of the Assigned Rights as an asset acquisition. As of March 10, 2025, we had drilled one of the two wells required to vest the Assigned Rights, and we expect this to be completed in the first half of 2025.

*Synergy*

On January 7, 2025, we entered and simultaneously closed the transactions contemplated by, a purchase and sale agreement, with Synergy Offshore LLC ("Synergy"). Synergy is controlled by Mr. Duane H. King, a member of the Board of Directors of the Company, who serves as the Chief Executive Officer and Manager of Synergy, and John A. Weinzierl, the Company's Chairman, who is an approximate sixty percent beneficial owner of Synergy.

We acquired approximately 24,000 net operated acres located across the Kevin Dome structure in Toole County, Montana, including all leases, wells, rights and interests in, under or derived from the acquired acreage subject to Synergy retaining an undivided twenty percent (20%) of Synergy's right title and interest in the property.

Consideration for the transaction consisted of the following: (a) $2.0 million in cash, subject to customary adjustments; (b) 1,400,000 shares of the Company's common stock; (c) a carried working interest whereby the Company agreed to cover and pay for 100% of Synergy's costs attributable to the Synergy acreage, until the earlier of (i) 78 months from the closing date; or (ii) the date the total costs associated therewith total $20 million; (d) our agreement to pay Synergy 18% of the cash amounts we actually realize from any law or regulation from our sequestration of carbon oxides or similar substances derived directly from an agreed area of mutual interest including Synergy's acreage; and (e) our agreement to pay Synergy 18% of the gain we may receive in connection with the sale of the future, first, gas processing plant located on Synergy's acreage.

***Derivative Activities***

On September 10, 2024, the Company settled all of its then outstanding commodity derivative contracts for 2024 and 2025 production receiving $1.8 million. As of December 31, 2024, we no longer have any commodity derivative contracts outstanding.

***Underwritten Offering***

On January 22, 2025, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Roth Capital Partners, LLC (the "Representative"), as representative of the several underwriters named in the Underwriting Agreement (the "Underwriters"), relating to an underwritten offering of 4,236,000 shares of common stock, par value $0.01 per share, of the Company (the "Common Stock"), at a price to the public of $2.65 per share (such offering, the "Offering").

Under the terms of the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to 635,400 additional shares of Common Stock (the "Option"), which was exercised in full on January 25, 2025.

The sale of 4,871,400 shares of Common Stock (including the full 635,400 Option) in connection with the Offering, closed on January 23, 2025. The Company intends to use the approximately $12.1 million of net proceeds from the Offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, for the development of its recent acquisition in Montana, general corporate purposes, and working capital, or for other purposes that our board of directors, in their good faith, deems to be in the best interest of the Company. Additionally, management had the ability, pursuant to the terms of the Underwriting Agreement, to use up to the entire amount of proceeds from the Option exercise to purchase shares of Common Stock from Sage Road Capital, LLC (a current shareholder of the Company whose co-manager is Joshua L. Batchelor, a member of the Board of Directors of the Company) or its affiliates at a price up to the public offering price of the Offering, less underwriting discounts, which sale took place in January 2025, as discussed below.

Under the terms of the Underwriting Agreement, the Company and the Company's directors and executive officers and their affiliates, also agreed not to sell or transfer any Common Stock without first obtaining the written consent of the Representative, subject to certain exceptions (including the Sage Road Purchase, discussed below), for 60 days after January 22, 2025, the date of the final prospectus supplement relating to the Offering.

***Related Party Share Repurchase***

On January 27, 2025, the Company entered into a Share Repurchase Agreement with Banner Oil & Gas, LLC ("Banner"), Woodford Petroleum, LLC ("Woodford"), and Sage Road Energy II, LP, ("Sage Road", and together with Banner and Woodford, the "Selling Stockholders"). In his capacity as co-Managing Partner of Sage Road Capital, LLC, which indirectly controls and manages certain funds which own a majority interest in Banner, Woodford and Sage Road, Joshua L. Batchelor, a member of the Board of Directors of the Company, may be deemed to beneficially own the shares of Common Stock held by the Selling Stockholders.

Pursuant to the Share Repurchase Agreement, the Company, in a private transaction, outside of, and separate from the Company's previously disclosed share repurchase program, on January 27, 2025, repurchased (a) 534,020 shares of Common Stock held by Banner, (b) 41,229 shares of Common Stock held by Woodford, and (c) 60,151 shares of Common Stock held by Sage Road, for an aggregate of $1,574,362 or $2.47775 per share, which is the price per share of the 4,871,400 shares of Common Stock which we sold in our underwritten public offering which closed on January 23, 2025, less underwriting discounts and commissions, and which represented an 8.2% premium to the closing sales price of the Company's Common Stock on January 27, 2025.

The Share Repurchase Agreement contains customary representations, warranties and covenants of the parties. The share repurchase was approved by the disinterested members of the Board of Directors of the Company, as well as the Company's Audit Committee, comprised solely of independent directors not affiliated with Mr. Batchelor or the Selling Stockholders.

**Environmental Laws and Regulations**

*Environmental Matters*

Our operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue. These laws and regulations may:

- Require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities;
- Limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and
- Impose substantial liabilities for pollution resulting from operations.

The permits required for our operations may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, we are in substantial compliance with current applicable environmental laws and regulations and have no significant commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on our company, as well as the oil and natural gas industry in general.

***Comprehensive Environmental, Response, Compensation, and Liability Act (*"*CERCLA*"*).*** CERCLA and comparable state statutes impose strict, joint and several liabilities on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. These persons include the owner or operator of the site where the release occurred, persons who disposed or arranged for the disposal of hazardous substances at the site, and any person who accepted hazardous substances for transportation to the site. CERCLA authorizes the Environmental Protection Agency ("EPA"), state environmental agencies, and in some cases third parties, to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum related products.

***Waste Handling.*** The Resource Conservation and Recovery Act ("RCRA") and comparable state statutes regulate the generation, transportation, treatment, storage, disposal, and cleanup of hazardous and non-hazardous wastes. Under the auspices of the United States Environmental Protection Agency ("EPA"), individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced water, and most of the other wastes associated with the exploration, development, and production of oil or gas are currently regulated under RCRA's non-hazardous waste provisions. However, it is possible that certain oil and gas exploration and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. Any such change could result in an increase in our costs to manage and dispose of wastes, which could have a material adverse effect on our results of operations and financial position.

***Endangered Species.*** The federal Endangered Species Act and analogous state laws regulate activities that could have an adverse effect on threatened or endangered species. Some of our operations are conducted in areas where protected species are known to exist. In these areas, we may be obligated to develop and implement plans to avoid potential adverse impacts on protected species, and we may be prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when our operations could have an adverse effect on these species. It is also possible that a federal or state agency could order a complete halt to activities in certain locations if it is determined that such activities may have a serious adverse effect on a protected species. The presence of a protected species in areas where we perform drilling, completion, and production activities could impair our ability to timely complete well drilling and development and could adversely affect our future production from those areas.

***Air Emissions.*** The federal Clean Air Act (the "CAA") and state air pollution laws and regulations provide a framework for national, state and local efforts to protect air quality. Applicable to our business and operations, the CAA regulates emissions, discharges and controls with respect to oil and natural gas production and natural gas processing operations. The CAA includes New Source Performance Standards ("NSPS") for the oil and natural gas source category to address emissions of sulfur dioxide, methane and volatile organic compounds ("VOCs") from new and modified oil and natural gas production, processing and transmission sources as well as a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. Further, the CAA regulates the emissions from compressors, dehydrators, storage tanks and other production equipment as well as leak detection for natural gas processing plants. These rules have required a number of modifications to the operations of our third-party operating partners, including the installation of new equipment to control emissions from compressors.

In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions at specified sources. For example, under the EPA's NSPS and National Emission Standards for Hazardous Air Pollutants ("NESHAP") regulations, since January 1, 2015, owners and operators of hydraulically fractured natural gas wells (wells drilled principally for the production of natural gas) have been required to use so-called "green completion" technology to recover natural gas that formerly would have been flared or vented. In 2016, the EPA issued additional rules for the oil and natural gas industry to reduce emissions of methane, VOCs and other compounds. These rules apply to certain sources of air emissions that were constructed, reconstructed, or modified after September 18, 2015. Among other things, the new rules impose green completion requirements on new hydraulically fractured or re-fractured oil wells and leak detection and repair requirements at well sites. We do not expect that the currently applicable NSPS or NESHAP requirements will have a material adverse effect on our business, financial condition or results of operations. However, any future laws and their implementing regulations may require us to obtain pre-approval for the expansion or modification of existing facilities or the construction of new facilities expected to produce air emissions, impose stringent air permitting requirements or require us to use specific equipment or technologies to control emissions.

On December 17, 2014, the EPA proposed to revise and lower the existing 75 pounds per barrel (ppb) National Ambient Air Quality Standard ("NAAQS") for ozone under the CAA to a range within 65-70 ppb. On October 1, 2015, the EPA finalized a rule that lowered the standard to 70 ppb. This lowered ozone NAAQS could result in an expansion of ozone nonattainment areas across the United States, including areas in which we operate. Oil and natural gas operations in ozone nonattainment areas likely would be subject to more stringent emission controls, emission offset requirements for new sources, and increased permitting delays and costs. This could require a number of modifications to our operations, including the installation of new equipment to control emissions from our wells.

Permit and related compliance obligations under the CAA, each state's development and promulgation of regulatory programs to comport with federal requirements, as well as changes to state implementation plans for controlling air emissions in regional non-attainment or near-non-attainment areas, may require oil and natural gas exploration and production operators to incur future capital and operating expenditures in connection with the addition or modification of existing air emission control equipment and strategies.

***Global Warming and Climate change***. Various state governments and regional organizations have enacted, or are considering enacting, new legislation and promulgating new regulations governing or restricting the emission of Greenhouse Gases ("GHGs"), including from facilities, vehicles and equipment. Legislative and regulatory proposals for restricting GHG emissions or otherwise addressing climate change could require us to incur additional operating costs and could adversely affect demand for the oil and natural gas that we sell or the cost of the equipment and other materials we use. The potential increase in our operating costs could include new or increased costs to obtain permits, operate and maintain our equipment, install new emission controls on our equipment, pay taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program.

Additionally, the development of a federal renewable energy standard, or the development of additional or more stringent renewable energy standards at the state level could reduce the demand for the oil and gas we produce, thereby adversely impacting our earnings, cash flows and financial position. A cap-and-trade program generally would cap overall greenhouse gas emissions on an economy-wide basis and require major sources of greenhouse gas emissions or major fuel producers to acquire and surrender emission allowances. A federal cap and trade program or expanded use of cap and trade programs at the state level could impose direct costs on us through the purchase of allowances and could impose indirect costs by incentivizing consumers to shift away from fossil fuels. In addition, federal or state carbon taxes could directly increase our costs of operation and similarly incentivize consumers to shift away from fossil fuels.

In addition, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in an increasing number of financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this may make it more difficult and expensive for us to secure funding. Members of the investment community have also begun to screen companies such as ours for sustainability performance, including practices related to greenhouse gases and climate change, before investing in our securities. Any efforts to improve our sustainability practices in response to these pressures may increase our costs, and we may be forced to implement technologies that are not economically viable in order to improve our sustainability performance and to meet the specific requirements to perform services for certain customers.

These various legislative, regulatory and other activities addressing greenhouse gas emissions could adversely affect our business, including by imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations, which could require us to incur costs to reduce emissions of greenhouse gases associated with our operations. Limitations on greenhouse gas emissions could also adversely affect demand for oil and gas, which could lower the value of our reserves and have a material adverse effect on our profitability, financial condition and liquidity.

Compliance with GHG laws or taxes could significantly increase our costs, reduce demand for fossil energy derived products, impact the cost and availability of capital and increase our exposure to litigation. Such laws and regulations could also increase demand for less carbon intensive energy sources.

***Water discharges.*** The federal Water Pollution Control Act ("Clean Water Act") and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States and states. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA, or analogous state agencies. This includes the discharge of certain storm water without a permit which requires periodic monitoring and sampling. In addition, the Clean Water Act regulates wastewater generated by unconventional oil and gas operations during the hydraulic fracturing process and discharged to publicly-owned wastewater treatment facilities. The Clean Water Act also prohibits discharge of dredged or fill material into waters of the United States, including wetlands, except in accordance with the terms of a permit issued by the United States Army Corps of Engineers, or a state, if the state has assumed authority to issue such permits. Federal and state regulatory agencies can impose administrative, civil, and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations.

***Oil Pollution Act of 1990 ("OPA").*** OPA addresses prevention, containment and cleanup, and liability associated with oil pollution. OPA applies to vessels, offshore platforms, and onshore facilities. OPA subjects owners of such facilities to strict liability for containment and removal costs, natural resource damages, and certain other consequences of oil spills into jurisdictional waters. Any unpermitted release of petroleum or other pollutants from our operations could result in governmental penalties and civil liability.

***Safe Drinking Water Act ("SDWA").*** The disposal of oil and natural gas wastes into underground injection wells are subject to the federal Safe Drinking Water Act, as amended, and analogous state laws. The SDWA's Underground Injection Control ("UIC") Program establishes requirements for permitting, testing, monitoring, recordkeeping and reporting of injection well activities as well as a prohibition against the migration of fluid containing any contaminants into underground sources of drinking water. State programs may have analogous permitting and operational requirements. In response to concerns related to increased seismic activity in the vicinity of injection wells, regulators in some states are considering additional requirements related to seismic safety. For example, the Texas Railroad Commission ("RRC") adopted new oil and natural gas permit rules in October 2014 for wells used to dispose of saltwater and other fluids resulting from the production of oil and natural gas in order to address these seismic activity concerns within the state. Among other things, the rules require companies seeking permits for disposal wells to provide seismic activity data in permit applications, provide for more frequent monitoring and reporting for certain wells, and allow the RRC to modify, suspend, or terminate permits on grounds that a disposal well is likely to be, or determined to be, causing seismic activity. If new regulatory initiatives are implemented that restrict or prohibit the use of underground injection wells in areas where we rely upon the use of such wells in our operations, our costs to operate may significantly increase and our ability to continue production may be delayed or limited, which could have a material adverse effect on our results of operations and financial position. In addition, any leakage from the subsurface portions of the injection wells may cause degradation of freshwater, potentially resulting in cancellation of operations of a well, issuance of fines and penalties from governmental agencies, incurrence of expenditures for remediation of the affected resource, and imposition of liability by third parties for property damages and personal injury.

***The Occupational Safety and Health Act (*"*OSHA*"*).*** OSHA and comparable state laws regulate the protection of the health and safety of employees. The federal Occupational Safety and Health Administration has established workplace safety standards that provide guidelines for maintaining a safe workplace in light of potential hazards, such as employee exposure to hazardous substances. OSHA also requires employee training and maintenance of records, and the OSHA hazard communication standard and EPA community right-to-know regulations under the Emergency Planning and Community Right-to-Know Act of 1986 require that we organize and disclose information about hazardous materials used or produced in our operations.

***Hydraulic Fracturing.*** Substantially all of the oil and natural gas production in which we have interests is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing is an important and common practice used to stimulate production of hydrocarbons from tight shale formations. We routinely utilize hydraulic fracturing techniques in most of our drilling and completion programs. The process involves the injection of water, sand, and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions. However, even on private lands, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act's Underground Injection Control Program. The federal Safe Drinking Water Act protects the quality of the nation's public drinking water through the adoption of drinking water standards and controlling the injection of waste fluids, including saltwater disposal fluids, into below-ground formations that may adversely affect drinking water sources.

Increased regulation and scrutiny on oil and gas activities involving hydraulic fracturing techniques could potentially lead to a decrease in the completion of new oil and gas wells, an increase in compliance costs, delays, and changes in federal income tax laws, all of which could adversely affect our financial position, results of operations, and cash flows. As new laws or regulations that significantly restrict hydraulic fracturing are adopted at the state and local levels, such laws could make it more difficult or costly for us to perform fracturing to stimulate production from tight formations. In addition, if hydraulic fracturing becomes regulated at the federal level as a result of federal legislation or regulatory initiatives by the EPA or other federal agencies, our fracturing activities could become subject to additional permitting requirements, which could result in additional permitting delays and potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and gas that we are ultimately able to produce from our reserves.

We believe the trend in local, state, and federal environmental legislation and regulation will continue toward stricter standards, particularly under President Biden's administration. While we believe we are in substantial compliance with existing environmental laws and regulations applicable to our current operations and that our continued compliance with existing requirements will not have a material adverse impact on our financial condition and results of operations, we cannot give any assurance that we will not be adversely affected in the future.

***National Environmental Policy Act (*"*NEPA*"*).*** Oil and natural gas exploration, development and production activities on federal lands, including tribal lands and lands administered by the BLM, are subject to NEPA. NEPA requires federal agencies, including the BLM, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an Environmental Assessment that assesses the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. If we were to conduct any exploration and production activities on federal lands in the future, those activities may need to obtain governmental permits that are subject to the requirements of NEPA. This process has the potential to delay, limit or increase the cost of developing oil and natural gas projects. Authorizations under NEPA are also subject to protest, appeal or litigation, any or all of which may delay or halt projects. Many of our activities and those of our third-party operating partners are covered under categorical exclusions which results in a shorter NEPA review process, however, the impact of the NEPA review process on our activities and those of our third-party operating partners is uncertain at this time and could lead to delays and increased costs that could materially adversely affect our revenues and results of operations.

**Governmental Regulation**

Our operations are subject to various rules, regulations and limitations impacting the oil and natural gas exploration and production industry as a whole.

*Regulation of Oil and Natural Gas Production*

Our oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state, tribal and local authorities and agencies. For example, North Dakota requires permits for drilling operations, drilling bonds and reports concerning operations and imposes other requirements relating to the exploration and production of oil and natural gas. Many states may also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the process of drilling, the flaring of natural gas, completion and abandonment, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. The effect of these regulations is to limit the amount of oil and natural gas that we can produce from our wells and to limit the number of wells or the locations at which we can drill. Moreover, many states impose a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within their jurisdictions. Failure to comply with any such rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry will most likely increase our cost of doing business and may affect our profitability. Because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws. Significant expenditures may be required to comply with governmental laws and regulations and may have a material adverse effect on our financial condition and results of operations. Additionally, currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered. Therefore, we are unable to predict the future costs or impact of compliance. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by Congress, the states, the Federal Energy Regulatory Commission (“FERC”) and the courts. We cannot predict when or whether any such proposals may become effective.

*Regulation of Transportation of Oil*

Sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at negotiated prices. Nevertheless, Congress could re-enact price controls in the future. Our sales of crude oil are affected by the availability, terms and cost of transportation. The transportation of oil by common carrier pipelines is also subject to rate and access regulation. The FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. In general, interstate oil pipeline rates must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates may be permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates for oil pipelines that allows a pipeline to increase its rates annually up to a prescribed ceiling, without making a cost-of-service filing. Every five years, the FERC reviews the appropriateness of the index level in relation to changes in industry costs.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any way that is of material difference from those of our competitors that are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is generally governed by pro-rationing provisions set forth in the pipelines’ published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our similarly situated competitors.

*Regulation of Transportation and Sales of Natural Gas*

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the Natural Gas Act of 1938 (“NGA”), the Natural Gas Policy Act of 1978 (“NGPA”) and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Onshore gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states. Although the FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, the FERC’s determinations as to the classification of facilities is done on a case-by-case basis. State regulation of natural gas gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transportation services provided by intrastate pipelines are also regulated by FERC. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulation within a particular state will generally affect all intrastate natural gas shippers within the state on a comparable basis, we believe that the regulation of similarly situated intrastate natural gas transportation in any states in which we operate and ship natural gas on an intrastate basis will not affect our operations in any way that is of material difference from those of our competitors. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas.

**Research and Development**

No research and development expenditures have been incurred during the past three fiscal years.

**Insurance**

We have general liability and property insurance coverage in amounts we deem sufficient for our business operations, consisting of property loss insurance on major assets for the approximate value of the assets and additional liability and operator’s and control of well insurance for our industrial gas, oil and natural gas operations and drilling programs. We do not have insurance coverage for the lost revenues associated with a business interruption, nor do we have coverage for the loss of our oil and natural gas reserves. There is no guarantee that any insurance coverage would be sufficient to protect the value of our assets or to fully cover any losses sustained. Payment of substantial liabilities in excess of coverage could require diversion of internal capital away from regular business, which could result in curtailment of projected future operations.

**Human Capital**

As of March 10, 2025, we had 20 full-time employees and 1 part-time employee, none of whom were subject to a collective bargaining agreement. In addition, we utilize several consultants on an as-needed basis. We recognize that our employees are our most valuable assets and drive the way we pursue our short-term and long-term goals. To attract and retain talent we promote:

- integrity and ethical behavior in the conduct of our business;
- environmental, health and safety priorities:
- prioritizing the success of others and the team;
- communicating why we do what we do and how every employee contributes to achieving success; and
- support for team members’ professional and personal development.

The core values of integrity and ethical behavior are the pillars of our culture, and as a result, the health and safety of our employees and contractors is our highest priority. All employees are responsible for upholding Company-wide standards and values. We have policies designed to promote ethical conduct and integrity that employees are required to read and acknowledge.

We strive to provide competitive, performance-based compensation and benefits to our employees, including market-competitive pay, and various healthcare, retirement, and other benefit packages. The Compensation Committee of our Board of Directors oversees our compensation programs and designs programs to incentivize achievement of our corporate strategy and the matters of importance to our stakeholders.

**Forward Plan**

In 2025 and beyond, we intend to seek additional opportunities in the oil, natural gas and industrial gas sectors, including but not limited to further acquisition of assets, participation with industry partners in exploration and development projects, acquisition of existing companies, and the purchase of other industrial gas assets. We will continue to monetize legacy assets and redeploy capital into our core focus areas. During the first half of 2025 we intend to complete two wells (including the well we drilled in the fourth quarter 2024) and drill two additional new wells targeting an industrial gas zone. Share repurchases under our approved share repurchase program continued in 2024, and we have extended the share repurchase program until June 30, 2026. These repurchases may resume so long as share prices remain attractive and repurchases remain in the best interests of both the Company and its stockholders.

**Business Strategy**

Key elements of our business strategy include:

- *Deploy our Capital in a Conservative and Strategic Manner and Review Opportunities to Bolster our Liquidity*. In the current industry environment, maintaining liquidity is critical. Therefore, we plan to be highly selective in the projects we evaluate and to review opportunities to bolster our liquidity and financial position through various means.

- *Evaluate and Pursue Value-Enhancing Transactions*. We plan to continuously evaluate strategic alternative opportunities with the goal of enhancing stockholder value.

**Industry Operating Environment**

The industrial gas and oil and natural gas industries are affected by many factors that we generally cannot control. Government regulations, particularly in the areas of taxation, energy, climate change and the environment, can have a significant impact on operations and profitability. Significant factors that may impact commodity prices in the current fiscal year and future periods include the ongoing international conflicts, the level of inflation and interest rates, access to capital at commercial reasonable costs, attacks on merchant vessels in the Red Sea and related political developments in response to tariffs and international conflicts, demand in domestic, Asian and European markets, and the extent to which exporting nations manage commodity supply or incentivize incremental production. Seasonal weather patterns and economic cycles also have a significant impact on commodity in both the industrial gas and oil and gas industries.

These factors may adversely impact the supply and demand for our products and influence our ability to develop, produce, process and transport industrial gas, oil and natural gas. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including investments, receivables, and forward-looking guidance.

**Development**

During 2025, we will continue to evaluate opportunities to monetize legacy oil and natural gas assets and redeploy capital into our focus areas. As part of our development activities, we will focus on performing two industrial gas well completions (including the well we drilled in the fourth quarter 2024) and drilling two new industrial gas wells. We may also participate in development projects with other operators near our acreage position in Toole County, Montana.

**Seasonality**

Winter weather conditions can limit or temporarily halt our drilling and producing activities. These constraints and the resulting shortages or high costs could delay or temporarily halt the operations and materially increase our operating and capital costs. Such seasonal anomalies can also pose challenges for meeting well drilling objectives and may increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay or temporarily halt our operations and those of our operating partners.

**Title to Properties**

Title to properties is subject to royalty, overriding royalty, carried working, net profits, working and other similar interests and contractual arrangements, liens for current taxes not yet due and other encumbrances. As is customary in the case of undeveloped properties, limited investigation of record title is made at the time of acquisition (other than preliminary review of local records).

Investigation, including a title opinion of local counsel, generally is made before commencement of drilling operations.

**Marketing, Major Customers and Delivery Commitments**

Markets for industrial gases, oil and natural gas are volatile and are subject to wide fluctuations depending on numerous factors beyond our control, including seasonality, economic conditions, foreign imports, political conditions, actions by exporting countries, and domestic demand, government regulations and policies. All of our existing oil and gas production is marketed by our industry partners for our benefit and is sold to competing buyers, including large oil refining companies and independent marketers. Substantially all of our production is sold pursuant to agreements with pricing based on prevailing commodity prices, subject to adjustment for regional differentials and similar factors. Our industrial gas project is under development and as such, there is no industrial gas production that is currently marketed. We had no significant delivery commitments as of December 31, 2024.

**Competition**

Our operations are highly competitive in the search for and acquisition of additional oil and gas reserves and industrial gas resources. Our competitors principally consist of independent operators, small, and intermediate-sized industrial gas, oil and natural gas companies. Specifically, we compete for property acquisitions and our operating partners compete for the equipment and labor required to operate and develop our properties. Our competitors may be able to pay more for properties and may be able to define, evaluate, bid for and purchase a greater number of properties than we can. Ultimately, our future success will depend on our ability to develop or acquire additional reserves and resources at costs that allow us to remain competitive.

**Available Information**

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act, are filed with the U.S. Securities and Exchange Commission. Such reports and other information filed by the Company with the SEC are available free of charge at https://investors.usnrg.com/investors/sec-filings when such reports are available on the SEC's website. The Company periodically provides other information for investors on its corporate website, https://usnrg.com. The information contained on the websites referenced in this Form 10-K is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only. Copies of documents filed by us with the SEC are also available from us without charge, upon oral or written request to our Secretary, who can be contacted at the address and telephone number set forth on the cover page of this Report. You may also find information related to our corporate governance, board committees and code of ethics on our website.

**Item 1A. Risk Factors.**

*An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below as well as the other information in this filing before deciding to invest in our company. Any of the risk factors described below could significantly and adversely affect our business, prospects, financial condition and results of operations. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect our business, prospects, financial condition and results of operations. As a result, the trading price or value of our common stock could be materially adversely affected, and you may lose all or part of your investment.*

***Summary Risk Factors***

An investment in our securities involves a high degree of risk. You should carefully consider the risks summarized below. These risks include, but are not limited to, the following:

- our ability to obtain sufficient cash flow from operations, borrowing, and/or other sources to fully develop our undeveloped acreage positions;
- volatility in industrial gas and oil and natural gas prices, including declines in prices, which would have a negative impact on operating cash flow and could require further ceiling test write-downs or impairments on our gas assets;
- the possibility that our business may be subject to new adverse regulatory or legislative actions (including changes to existing tax rules and regulations and changes in environmental regulation);
- the general risks of exploration and development activities, including the failure to find sufficient commercial quantities of industrial gas, oil and natural gas to provide a reasonable return on investment;
- future production rates, and/or the ultimate recoverability of reserves, falling below estimates;
- the ability to replace oil and natural gas reserves and industrial gas resources as they deplete from production;
- environmental risks;
- risks associated with our plan to develop additional operating capabilities, including the potential inability to recruit and retain personnel with the requisite skills and experience and liabilities we could assume or incur as an operator or to acquire operated properties or obtain operatorship of existing properties;

- availability of pipeline capacity and other means of transporting production, and related midstream infrastructure and services;
- competition in leasing new acreage and for drilling programs with operating companies, resulting in less favorable terms or fewer opportunities being available;
- higher drilling and completion costs related to competition for drilling and completion services and shortages of labor and materials;
- disruptions resulting from unanticipated weather events, natural disasters, and public health crises and pandemics, such as the coronavirus, resulting in possible delays of drilling and completions and the interruption of anticipated production streams of hydrocarbons, which could impact expenses and revenues;
- our lack of effective disclosure controls and procedures and internal control over financial reporting;
- our ability to maintain the listing of our common stock on The Nasdaq Capital Market;
- dilution caused by new equity and/or debt offerings;
- our need for additional capital to complete future acquisitions, conduct our operations and fund our business, and our ability to obtain such necessary funding on favorable terms, if at all;
- the speculative nature of our industrial gas, oil and gas operations, and general risks associated with the exploration for, and production; including accidents, equipment failures or unanticipated mechanical problems which may occur while drilling or completing wells or in production activities; operational hazards and unforeseen interruptions for which we may not be adequately insured; the threat and impact of terrorist attacks, cyber-attacks or similar hostilities; declining reserves and production; and losses or costs we may incur as a result of title deficiencies or environmental issues in the properties in which we invest, any one of which may adversely impact our operations;
- changes in the legal and regulatory environment, including new or amended environmental legislation or regulatory initiatives which could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us;
- improvements in, or new discoveries of alternative energy technologies that could have a material adverse effect on our financial condition and results of operations;
- the fact that our officers and directors beneficially own a majority of our common stock and that their interests may be different from other stockholders;
- our dependence on the continued involvement of our present management;
- economic downturns and possible recessions caused thereby (including as a result of changes in supply or demand, inflation and interest rates or global conflicts, such as the current conflicts in Ukraine and Israel);
- the effects of global pandemics on our operations, properties, the market for our industrial gas, oil and natural gas;
- future litigation or governmental proceedings which could result in material adverse consequences, including judgments or settlements;
- anti-takeover effects of our governing documents and Delaware law; and
- Other risks disclosed below under “Risk Factors”.

***Risk Factors***

*The following risk factors should be carefully considered in evaluating the information in this annual report on Form 10-K.*

**Risks Related to the Industrial Gas, Oil and Natural Gas Industries and Our Business**

***We may need additional capital to complete future acquisitions, conduct our operations, and fund our business, and our ability to obtain the necessary funding is uncertain.***

We may need to raise additional funding to complete future potential acquisitions and will be required to raise additional funds through public or private debt or equity financing or other various means to fund our operations and complete workovers and acquire assets. In such a case, adequate funds may not be available when needed or may not be available on favorable terms. If we need to raise additional funds in the future by issuing equity securities, dilution to existing stockholders will result, and such securities may have rights, preferences, and privileges senior to those of our common stock. If funding is insufficient at any time in the future and we are unable to generate sufficient revenue from new business arrangements, to complete future acquisitions or operations, our results of operations and the value of our securities could be adversely affected.

Additionally, due to the nature of our business, i.e., that rates of production generally decline over time as oil and gas reserves and industrial gas resources are depleted, if we are unable to acquire additional properties and/or develop our reserves or resources, either because we are unable to raise sufficient funding for such development activities, or otherwise, or in the event we are unable to acquire additional properties, we believe that our revenues will continue to decline over time. Furthermore, in the event we are unable to raise additional required funding in the future, we will not be able to participate in the drilling of additional wells, will not be able to complete other drilling and/or workover activities.

If this were to happen, we may be forced to scale back our business plan which could result in the value of our outstanding securities declining in value.

***Industrial gas, oil, natural gas liquids (NGL) and natural gas prices, are volatile and declines in the prices of such commodities have in the past, and will continue in the future to, adversely affect our business, financial condition or results of operations, and our ability to meet our capital expenditure obligations or targets and financial commitments.***

The price of industrial gas and oil and, to a lesser extent, natural gas and NGLs, heavily influences our revenue, profitability, cash flows, liquidity, access to capital, present value and quality of our reserves, the nature and scale of our operations, and our future rate of growth. Industrial gas, oil, NGL, and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. In recent years, the markets for industrial gas, oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. Further, oil prices and natural gas prices do not necessarily fluctuate in direct relation to each other. The price of crude oil has experienced significant volatility over the last five years, with the price of a barrel of oil dropping below $20 during the early part of 2020, due in part to reduced global demand stemming from the global COVID-19 outbreak, and then surging over $125 a barrel in early March 2022 following Russia's invasion of Ukraine, before more recently trading around $70-$80 a barrel. A prolonged period of low market prices for oil and natural gas, or further declines in the market prices for oil and natural gas, will likely result in capital expenditures being further curtailed and will adversely affect our business, financial condition and liquidity. Additionally, lower oil and natural gas prices have, and may in the future, cause, a decline in our stock price. The below table highlights the recent volatility in oil and gas prices by summarizing the high and low daily NYMEX WTI oil spot price and daily NYMEX natural gas Henry Hub spot price for the periods presented:

| | Daily NYMEX WTI oil spot price (per Bbl) | | Daily NYMEX natural gas Henry Hub spot price (per Mmbtu) | |
|---|---|---|---|---|
| | **High** | **Low** | **High** | **Low** |
| Year ended December 31, 2020 | $ 63.27 | $ (36.98) | $ 3.14 | $ 1.33 |
| Year ended December 31, 2021 | $ 85.64 | $ 47.47 | $ 23.86 | $ 2.43 |
| Year ended December 31, 2022 | $ 123.64 | $ 71.05 | $ 9.85 | $ 3.46 |
| Year ended December 31, 2023 | $ 93.67 | $ 66.61 | $ 3.78 | $ 1.74 |
| Year ended December 31, 2024 | $ 87.69 | $ 66.73 | $ 13.20 | $ 1.21 |
| Quarter ended March 31, 2025 (through February 24, 2025) | $ 80.73 | $ 70.72 | $ 9.86 | $ 2.93 |

Declines in the prices we receive for our oil and natural gas can also adversely affect our ability to finance capital expenditures, make acquisitions, raise capital and satisfy our financial obligations. In addition, declines in prices can reduce the amount of industrial gas, oil and natural gas that we can produce economically and the estimated future cash flow from that production and, as a result, adversely affect the quantity and present value of our proved reserves. Among other things, a reduction in the amount or present value of our reserves can limit the capital available to us, and the availability of other sources of capital likely will be based to a significant degree on the estimated quantity and value of the reserves.

As described above, industrial gas, oil, NGLs, and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the commodities market has been volatile. An extended period of continued lower prices, or additional price declines, will have further adverse effects on us. The prices we receive for any future production and levels of such production, will continue to depend on numerous factors, including the following:

- the domestic and foreign demand and supply of industrial gas, oil, NGLs, and natural gas;
- the prices and availability of competitors' supplies of industrial gas, oil, NGLs, and natural gas;
- the actions of the exporting countries or organizations such as Organization of Petroleum Exporting Countries, and state-controlled companies relating to price and production controls;
- the price and quantity of foreign imports of industrial gas, oil, NGLs, and natural gas;
- the impact of U.S. dollar exchange rates on industrial gas, oil, NGLs, and natural gas prices and interest rates and inflation;
- domestic and foreign governmental regulations and taxes;
- speculative trading of industrial gas, oil, NGLs, and natural gas futures contracts;
- localized supply and demand fundamentals, including the availability, proximity, and capacity of gathering and transportation systems for natural gas;
- the availability of pipeline, other transportation and refining capacity;
- the prices and availability of alternative fuel sources;
- the threat, or perceived threat, or results, of viral pandemics, for example, as previously experienced with the COVID-19 pandemic;

- weather conditions and natural disasters;
- political conditions in or affecting industrial gas, oil, NGLs, and natural gas producing regions, including the Middle East and South America, and the conflicts in Ukraine and Israel;
- the continued threat of terrorism and the impact of military action and civil unrest;
- public pressure on, and legislative and regulatory interest within, federal, state, and local governments to stop, significantly limit, or regulate hydraulic fracturing activities;
- the level of global industrial gas, oil, NGL, and natural gas inventories and exploration and production activity;
- authorization of exports from the United States of industrial gas, oil, and liquefied natural gas;
- the impact of energy conservation efforts;
- technological advances affecting energy and industrial gas consumption; and
- global economic conditions.

Declines in industrial gas, oil, NGL, or natural gas prices will reduce not only our revenue but also the quantity of production that can be produced economically. Should industrial gas, oil, natural gas and prices decline in the future, our operated wells, may be forced to be shut-in, and exploration and development plans for prospects and exploration or development activities may need to be postponed or abandoned. As a result, we may have to make substantial downward adjustments to our estimated proved reserves or industrial gas resources, each of which would have a material adverse effect on our business, financial condition, and results of operations.

***The Company's operations have in the past been, and could in the future be, disrupted by natural or human causes beyond its control.***

The Company's operations are subject to disruption from natural or human causes beyond its control, including risks from hurricanes, severe storms, floods, lightning strikes, heat waves, other forms of severe weather, wildfires, ambient temperature increases, sea level rise, war, accidents, civil unrest, political events, fires, earthquakes, system failures, cyber threats, terrorist acts and epidemic or pandemic diseases such as the COVID-19 pandemic, some of which may be impacted by climate change and any of which could result in suspension of operations or harm to people or the natural environment. Any of the above events could have a future material adverse effect on the Company's results of operations or financial condition.

***The future value and resources associated with our industrial gas development are unknown and the Company may never realize the value of any resources.***

No reserves or resources have been assigned in connection with our industrial gas interests to date, given their early stage of development. The future value of the Company is therefore dependent on the success or otherwise of drilling and development activities, which are principally directed toward the further exploration, appraisal and development of its assets in Montana, and construction of an industrial gas processing facility. Exploration, appraisal and development of industrial gas resources are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of our industrial gas interests will lead to a commercial discovery or, if there is a commercial discovery, that the Company will be able to realize the value of such resources as intended. If at any stage the Company is precluded from pursuing its exploration and development programs, or construction of a processing facility, or such programs are otherwise not continued, the Company's business, financial condition and/or results of operations and, accordingly, the price of the Company's shares, is likely to be materially adversely affected. Industrial gas exploration involves a high degree of risk and there is no assurance that expenditures made for future exploration or development activities will result in discoveries reserves that are commercially or economically viable.

***The Company's industrial gas properties are in the exploration stage; such properties may never yield commercial quantities of industrial gas; and the Company may not be able to commercially extract them, if present.***

The Company's industrial gas properties are in the exploration stage only. The Company has never had any material interest in industrial gas producing properties. There is no assurance that commercial quantities will be discovered at any of the properties or any future properties, nor is there any assurance that the exploration or development programs will yield any positive results. Even if commercial quantities of industrial gas are discovered, there can be no assurance that any development will result in profitable production. Factors which may limit the Company's ability to produce include, but are not limited to, commodity prices, availability of additional capital and financing and the nature of any industrial gas deposits.

***Our industrial gas, oil, natural gas and NGL operations are subject to environmental, legislative and regulatory initiatives that can materially adversely affect the timing and cost of operations and the demand for industrial gas, crude oil, natural gas, and NGLs.***

Our operations are subject to stringent and complex federal, state and local laws and regulations relating to the protection of human health and safety, the environment and natural resources. These laws and regulations can restrict or impact our business activities in many ways including, but not limited to the following:

- requiring the installation of pollution-control equipment or otherwise restricting the handling or disposal of waste and other substances associated with operations;
- limiting or prohibiting construction activities in sensitive areas, such as wetlands, coastal regions or areas that contain endangered or threatened species and/or species of special statewide concern or their habitats;
- requiring investigatory and remedial actions to address pollution caused by our operations or attributable to former operations;
- requiring noise, lighting, visual impact, odor and/or dust mitigation, setbacks, landscaping, fencing, and other measures;
- restricting access to certain equipment or areas to a limited set of employees or contractors who have proper certification or permits to conduct work (e.g., confined space entry and process safety maintenance requirements); and
- restricting or even prohibiting water use based upon availability, impacts or other factors.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial or restoration obligations, and the issuance of orders enjoining future operations or imposing additional compliance requirements. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances, hydrocarbons or wastes have been disposed or otherwise released. Moreover, local restrictions, such as state or local moratoria, city ordinances, zoning laws and traffic regulations, may restrict or prohibit the execution of operational plans. In addition, third parties, such as neighboring landowners, may file claims alleging property damage, nuisance or personal injury arising from our operations or from the release of hazardous substances, hydrocarbons or other waste products into the environment.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. We monitor developments at the federal, state and local levels to keep informed of actions pertaining to future regulatory requirements that might be imposed in order to mitigate the costs of compliance with any such requirements. We also monitor industry groups that help formulate recommendations for addressing existing or future regulations and that share best practices and lessons learned in relation to pollution prevention and incident investigations.

We cannot reasonably predict what applicable laws, regulations or guidance may eventually be adopted with respect to our operations or the ultimate cost to comply with such requirements. It is also possible that such regulations, or our requirement to comply with such regulations, could have a material adverse effect on our operations, negatively affect our margins, and/or force us to curtail certain business operations.

***Our industrial gas operations will require us to obtain licenses and permits which may not be obtained, may be delayed, or may limit our ability to undertake exploration, production and post gas processing injection activities.***

The industrial gas operations of the Company will require us to obtain licenses for operating, permits, and in some cases, renewals of existing licenses and permits from government agencies. There can be no assurances that the Company will attain all permits and licenses necessary to achieve profitable production of industrial gas operations in the future. Further, the ability of the Company to obtain, sustain or renew any such licenses and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies.

***Our industrial gas operations are subject to risks and hazards which may not be covered by insurance.***

The Company’s industrial gas operations are subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, mechanical failures, labor shortages, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to our properties and/or facilities, personal injury or death, environmental damage to the properties, or delays in exploration, development and production activities, monetary losses and possible legal liability. Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with our operations. The Company may also be unable to maintain insurance to cover these risks at reasonable costs. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. These events and limits to insurability may result in significant costs that could have a material adverse effect on our financial performance and results of operations.

***We face risks associated with our ability to locate and commercially extract industrial gas.***

The future value of the Company will depend in part on our ability to find and develop, produce, process and transport industrial gas resources that are economically recoverable within the Kevin Dome Structure in Toole County, Montana. The circumstances in which a discovered resource accumulation becomes or remains commercially viable depends on a number of factors. These include the particular attributes of the deposit, such as size, depth concentration, development cost and proximity to infrastructure as well as key external factors such as industrial gas supply and demand. This, along with other factors such as maintaining title to licenses, leases and permits, successful design, construction, commissioning and operating of wells and processing facilities may result in projects not being developed, or operations becoming unprofitable. Exploration involves activities and drilling operations which may not generate a positive return on investment. This may arise from dry wells, but also from wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The outcome of any drilling program may be dependent on matters which include the resources composition, the flow rate and the rate of any decrease in pressure as the gas flows to the surface. These matters cannot be known until the Company undertakes drilling and production testing programs. The production from successful wells may also be impacted by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells. The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, landholder disputes, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its properties and obtain all required approvals for its activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of the Company’s properties, a reduction in the cash reserves of the Company and possible relinquishment of the Company’s properties.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realized in practice, which may materially and adversely affect the Company’s results of operations. Industrial gas exploration involves significant risk because it is unknown whether wells to be drilled will contain commercially economic quantities of industrial gas to develop into producing wells. As such, there can be no assurance that existing or future exploration programs will result in discovery of commercially viable resources. If there are resources located, there is no guarantee they can be commercially produced and processed.

***The Company has never had any industrial gas producing properties and such properties may not result in profitable production.***

The Company’s industrial gas interests are in the exploration stage only. The Company has never had any material interest in industrial gas producing properties. Even with the application of the best science and technology, there is no assurance that commercial quantities will be discovered at any of the Company's current properties or any properties the Company may acquire in the future, nor is there any assurance that the exploration or development programs of the Company will yield any positive results. The future development of any properties found to be economically feasible will require the construction and operation of wells and related infrastructure. Even if commercial quantities of industrial gas are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where it can profitably be produced thereon. Factors which may limit the ability of the Company to produce industrial gas from its properties include, but are not limited to, commodity prices, availability of additional capital and financing and the nature of any resource deposits. It is common in exploratory operations to experience unexpected costs, problems and delays during construction and development. In addition, delays in the early stages of production often occur. Accordingly, there cannot be any assurance that activities will result in profitable industrial gas operations.

***The Company faces industrial gas drilling risks.***

The Company’s industrial gas exploration and development activities are dependent on the availability of drilling rigs and related equipment in the Kevin Dome Structure in Toole County, Montana. Increases in exploration activities could result in higher demand and limited availability for some types of drilling rigs and equipment in certain areas, which may result in delays to the Company’s planned exploration and development activities.

The Company may encounter hazards inherent in drilling activities. Examples of such hazards include unusual or unexpected formations, abnormal pressures or rock properties, adverse weather conditions, mechanical difficulties, conditions which could result in damage to plant or equipment or shortages or delays in the delivery of rigs and/or other equipment. Drilling may result in wells that, or which encounter resources, that may not achieve economically viable results.

While the Company intends to take adequate precautions to minimize risks associated with drilling activities, there can be no guarantee that the Company will not experience one or more material incidents during drilling activities that may have an adverse impact on the operating and financial performances of the Company, including costs associated with control of well operation, recovery of plant and equipment, environmental rectification and compensation along with delays and other impacts on anticipated results.

***The Company may be unable or unwilling to develop commercially viable industrial gas operations.***

On a long-term basis, in order for the Company’s industrial gas operations to be successful, the Company must explore, develop produce, process and dispose of post gas-processing waste materials, or acquire interests in producing industrial gas properties. Our success depends on our ability to locate, identify, and acquire prospective acreage and productive industrial gas property interests, find markets for such properties, and effectively distribute the industrial gas into those markets. The development activities may not be economically viable because of unproductive properties, as well as properties that are productive but do not generate sufficient revenue to return a profit. Investing in a property does not ensure that the investment will be profitable since profitability depends on the cost of drilling and operating any wells on the property may exceed the value of industrial gas extracted from such wells. In addition, drilling hazards or environmental damage could increase the cost of operating any property. If the developmental costs exceed the Company’s estimate or if the development efforts of the Company do not produce results which meet our expectations, such efforts may not be commercially viable.

***There are numerous risks associated with estimating industrial gas resources.***

No reserves or resources have been assigned in connection with the Company’s industrial gas interests to date, given their early stage of development. The future value of the Company’s industrial gas interests, if any, is therefore dependent on the success of our activities, which are principally directed toward the future exploration, appraisal and development of our industrial gas assets, and potential acquisition of property interests in the future. Estimating industrial gas volumes is subject to significant uncertainties associated with technical data and the interpretation of that data, future commodity prices, and development and operating costs. There can be no guarantee that the Company will successfully convert its properties into known resources or reserves and produce such estimated volume, if any. Estimates may alter significantly or become more uncertain when new information becomes available due to, for example, additional drilling or production tests over the life of the field. As estimates change, development and production plans may also vary. Downward revision of volume estimates may adversely affect the Company’s operational or financial performance.

Industrial gas volume estimates are expressions of judgment based on knowledge, experience and industry practice. These estimates are imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment or, even if valid when originally calculated, may alter significantly when new information or techniques become available. As further information becomes available through additional drilling and analysis the estimates are likely to change. Any adjustments to volume could affect the Company’s exploration and development plans which may, in turn, affect the Company’s performance. The process of estimating industrial gas resources is complex and requires significant decisions and assumptions to be made in evaluating the reliability of available geological, geophysical, engineering, and economic data for each property. Different engineers may make different estimates of resources, cash flows, or other variables based on the same available data.

Estimates include numerous assumptions relating to operating conditions and economic factors, including, for example, prices at which recovered industrial gas can be sold, future operating costs, costs associated with operations on producing wells to restore or increase production, and prevailing environment conditions associated with drilling.

***The Company faces risks associated with its current lack of distribution agreements.***

While the Company intends to partner with or sell to major industrial gas companies, the Company’s strategy is to become a fully integrated industrial gas developer and processor and to sell directly to a limited number of major distributors and end-users in order to capture higher margins on its products. The Company currently does not have any formal agreements in place for accomplishing these strategic objectives, and the associated costs of and estimated timeline for the completion of these strategic objectives will not be able to be determined until such time that appraisal wells have been drilled and feasibility studies have been completed. Although the Company intends to enter into such formal agreements in the future, they may never be entered into. The absence of formal agreements could adversely affect the oversight and operations of any arrangement with these major industrial gas companies, major distributors and end-users, and the lack of clarity and specifically defined roles could lead to a strain on, or breakdown of, the working relationships between the Company and any of these major industrial gas companies, major distributors or end-users. Furthermore, in the event of a dispute prior to entry into formal agreements, it will not be immediately clear what recourse each party has against the other, if any.

***The Company’s industrial gas production and margins thereon, if any, will be subject to changing prices.***

The Company’s possible future industrial gas revenues may be derived from royalties gained from potential joint ventures or other arrangements. Consequently, the Company’s potential future earnings will likely be closely related to the market prices of industrial gas. Industrial gas prices fluctuate and are affected by numerous industry factors including global and regional supply and demand for the resource, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, such as inflation, interest rates, currency exchange rates. If prices of industrial gas were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on recoverability of its industrial gas investment.

***The Company’s industrial gas operations will be subject to gas processing and transportation costs and risks.***

Disruption in, or increased costs of gas processing and transportation services could make industrial gas a less competitive product or could make the Company’s future production, if any, less competitive than other sources. The industry depends on electricity and fuel gas to process gas, and trucking, ocean-going vessels, pipeline facilities, and barge transportation to deliver shipment. Gas processing and transportation costs are a significant component of the total operating cost. Disruptions of gas processing and transportation services due to shortages, weather problems, strikes, delays, lockouts, or other events beyond the control of the Company could temporarily impair the ability to supply industrial gas to customers and may result in lost sales. In addition, increases in gas processing and transportation costs could adversely affect profitability.

***The Company’s industrial gas exploration and production activities will be subject to technological risks.***

The industrial gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technology. Other companies may have greater financial, technical, and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Company does. There can be no assurance that the Company will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. If the Company is unable to use the most advanced commercially available technology in its business, its financial condition and results of operations could be materially adversely affected.

***Our business and operations were previously adversely affected by the COVID-19 pandemic and may be adversely affected by other similar outbreaks.***

Due to the COVID-19 pandemic and falling oil and gas prices, operators responded by significantly decreasing drilling and completion activity and shutting in or curtailing production from a significant number of producing wells, which had a material adverse effect on our operations in the region. Future adverse public health developments, including voluntary and mandatory quarantines, travel restrictions, and other restrictions, could similarly have a material adverse effect on our operations, and those of our subcontractors, customers, and suppliers, and result in delays or disruptions and/or temporary suspensions of operations. Other contagious diseases in the human population could have similar adverse effects.

***Declining general economic, business or industry conditions have, and will continue to have, a material adverse effect on our results of operations, liquidity, and financial condition, and are expected to continue having a material adverse effect for the foreseeable future.***

Concerns over global economic conditions, the threat of pandemic diseases and the results thereof, energy costs, geopolitical issues, tariffs, changing inflation and interest rates, the availability and cost of credit have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of industrial gas, oil and natural gas, declining business and consumer confidence, and increased unemployment, may result in an economic slowdown and/or a recession, which could expand to a global depression. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices and are expected to continue having a material adverse effect for the foreseeable future. If the economic climate in the United States or abroad continues to deteriorate, demand for petroleum products could diminish, which could further impact the price at which we can sell industrial gas, oil, natural gas, and natural gas liquids, and/or affect the ability of our vendors, suppliers and customers to continue operations, and ultimately adversely impact our results of operations, liquidity and financial condition. In addition, a decline in consumer confidence or changing patterns in the availability and use of disposable income by consumers can negatively affect the demand for oil and gas and as a result our results of operations.

***The Company's operations could be disrupted by natural or human causes beyond its control.***

The Company's operations are subject to disruption from natural or human causes beyond its control, including risks from hurricanes, severe storms, floods, lightning strikes, heat waves, other forms of severe weather, wildfires, ambient temperature increases, sea level rise, war, accidents, civil unrest, political events, fires, earthquakes, system failures, cyber threats, terrorist acts and epidemic or pandemic diseases such as the COVID-19 pandemic, some of which may be impacted by climate change and any of which could result in suspension of operations or harm to people or the natural environment. Any of the above events could have a future material adverse effect on the Company's results of operations or financial condition.

***Economic uncertainty may affect our access to capital and/or increase the costs of such capital.***

Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession, application of tariffs and trade wars, the price of energy, fluctuating interest rates and inflation, the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment, and tax rates. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, results of operations, and financial condition.

***The development of industrial gas, oil and natural gas properties involves substantial risks that may result in a total loss of investment.***

The business of exploring for, working over and developing industrial gas, natural gas and oil properties involves a high degree of business and financial risk, and thus a significant risk of loss of initial investment that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The cost and timing of drilling, workover completing and operating wells is often uncertain. Factors which can delay or prevent drilling or production, or otherwise impact expected results, include but are not limited to:

- unexpected drilling conditions;
- inability to obtain required permits from governmental authorities;
- inability to obtain, or limitations on, easements from landowners;
- high pressure or irregularities in geologic formations;
- equipment failures;
- title problems;
- fires, explosions, blowouts, cratering, pollution, spills and other environmental risks or accidents;
- changes in government regulations and issuance of local drilling restrictions or moratoria;
- adverse weather;
- reductions in commodity prices;
- pipeline ruptures; and
- unavailability or high cost of equipment, field services and labor.

A productive well may become uneconomic in the event unusual quantities of water or other non-commercial substances are encountered in the well bore that impair or prevent production. We may participate in wells that are or become unproductive or, though productive, do not produce in economic quantities. In addition, even commercial wells can produce less, or have higher costs, than we projected.

In addition, initial 24-hour or other limited-duration production rates announced regarding our industrial gas, oil and natural gas properties are not necessarily indicative of future production rates.

Dry holes and other unsuccessful or uneconomic exploration, exploitation and development activities can adversely affect our cash flow, profitability and financial condition, and can adversely affect our reserves.

***Oil price differential and oil price differentials in other properties in Wyoming and Montana could have adverse impacts on our revenue.***

Crude oil produced from our properties in Wyoming and Montana realize lower prices from those prices associated with West Texas Intermediate Crude (“WTI”). This discount, or differential, which is due in part to transportation costs, may widen in the future, which would reduce the price we receive for our Wyoming and Montana production. We may also be adversely affected by widening differentials in other areas of operation. This makes it more likely that a downturn in oil prices will result in a ceiling limitation write-down of our oil and natural gas properties. A widening of the differential would reduce the cash flow from our Wyoming and Montana properties and adversely impact our ability to participate fully in drilling. Our production in other areas could also be affected by adverse changes in differentials. In addition, changes in differentials could make it more difficult for us to effectively hedge our exposure to changes in commodity prices.

***Unanticipated costs could require new capital that may not be available.***

The industrial gas and oil and natural gas businesses hold the potential opportunity for significant returns on investment, but achievement of such returns is subject to high risk. For example, initial results from one or more industrial gas, oil and natural gas programs could be marginal but warrant investing in more wells. Dry holes, over-budget exploration costs, low commodity prices, or any combination of these or other adverse factors, could result in production revenues falling below projections, thus adversely impacting cash expected to be available for a continued work program, and a reduction in cash available for investment in other programs. These types of events could require a reassessment of priorities and therefore potential re-allocations of existing capital and could also mandate obtaining new capital. There can be no assurance that we will be able to complete any financing transaction on acceptable terms.

***Competition may limit our opportunities in the industrial gas, oil and natural gas business.***

The industrial gas and oil and natural gas businesses are very competitive. We compete with many public and private exploration and development companies in finding investment opportunities. We also compete with industrial gas and oil and natural gas operators in acquiring acreage positions. Our principal competitors are small to mid-size companies with in-house industrial gas and/or petroleum exploration and drilling expertise. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours. They also may be willing and able to pay more for industrial gas, oil and natural gas properties than our financial resources permit, and may be able to define, evaluate, bid for and purchase a greater number of properties. In addition, there is substantial competition in the industrial gas, oil and natural gas industry for investment capital, and we may not be able to compete successfully in raising additional capital if needed.

***Successful exploitation of shale formations is subject to risks related to horizontal drilling and completion techniques.***

Operations in shale formations in many cases involve utilizing the latest drilling and completion techniques in an effort to generate the highest possible cumulative recoveries and therefore generate the highest possible returns. Risks that are encountered while drilling include, but are not limited to, landing the well bore in the desired drilling zone, staying in the zone while drilling horizontally through the shale formation, running casing the entire length of the well bore (as applicable to the formation) and being able to run tools and other equipment consistently through the horizontal well bore.

For wells that are hydraulically fractured, completion risks include, but are not limited to, being able to fracture stimulate the planned number of fracture stimulation stages, and successfully cleaning out the well bore after completion of the final fracture stimulation stage. Ultimately, the success of these latest drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficient period of time.

Costs for any individual well will vary due to a variety of factors. These wells are significantly more expensive than a typical onshore shallow conventional well. Accordingly, unsuccessful exploration or development activity affecting even a small number of wells could have a significant impact on our results of operations. Costs other than drilling and completion costs can also be significant for shale wells.

***If our access to oil and natural gas markets is restricted, it could negatively impact our production and revenues. Securing access to takeaway capacity may be particularly difficult in less developed areas of Montana and Wyoming.***

Market conditions or limited availability of satisfactory industrial gas, oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our industrial gas, oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and other midstream facilities. The ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines, rail transportation and processing facilities owned and operated by third parties. In particular, access to adequate gathering systems or pipeline or rail takeaway capacity is limited in Montana and Wyoming. In order to secure takeaway capacity and related services, we or our operating partners may be forced to enter into arrangements that are not as favorable to operators as those in other areas.

The disruption of third-party facilities due to maintenance and/or weather could negatively impact our ability to market and deliver our products. The third parties' control when or if such facilities are restored after disruption, and what prices will be charged for products. Federal and state regulation of industrial gas, oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

***If we are unable to replace reserves, we will not be able to sustain production.***

Our future operations depend on our ability to find, develop, and acquire industrial gas, crude oil, natural gas, and NGL reserves that are economically producible. Our properties produce crude oil, natural gas, and NGLs at a declining rate over time and are expected to produce industrial gas at a declining rate over time. In order to maintain current production rates, we must locate and develop or acquire new crude oil, natural gas, and NGL reserves to replace those being depleted by production and in the future will need to locate and develop or acquire new industrial gas reserves. Without successful drilling or acquisition activities, our reserves and production will decline over time. In addition, competition for industrial gas, crude oil and natural gas properties is intense, and many of our competitors have financial, technical, human, and other resources necessary to evaluate and integrate acquisitions that are substantially greater than those available to us.

As part of our growth strategy, we intend to make acquisitions. However, suitable acquisition candidates may not be available on terms and conditions we find acceptable, and acquisitions pose substantial risks to our business, financial condition and results of operations. In pursuing acquisitions, we compete with other companies, many of which have greater financial and other resources than we do. In the event we do complete an acquisition, its successful impact on our business will depend on a number of factors, many of which are beyond our control. These factors include the purchase price for the acquisition, future industrial gas, crude oil, natural gas, and NGL prices, the ability to reasonably estimate or assess the recoverable volumes of reserves, rates of future production and future net revenues attainable from reserves, future operating and capital costs, results of future exploration, exploitation, and development activities on the acquired properties, and future abandonment and possible future environmental or other liabilities. There are numerous uncertainties inherent in estimating quantities of proved industrial gas, oil and natural gas reserves, actual future production rates, and associated costs and potential liabilities with respect to prospective acquisition targets. Actual results may vary substantially from those assumed in the estimates. A customary review of subject properties will not necessarily reveal all existing or potential problems.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties if they have substantially different operating and geological characteristics or are in different geographic locations than our existing properties. To the extent that acquired properties are substantially different than our existing properties, our ability to efficiently realize the expected economic benefits of such transactions may be limited. If we are unable to integrate acquisitions successfully and realize anticipated economic, operational and other benefits in a timely manner, substantial costs and delays or other operational, technical or financial problems could result.

Integrating acquired businesses and properties involves a number of special risks. These risks include the possibility that management may be distracted from regular business concerns by the need to integrate operations and systems and that unforeseen difficulties can arise in integrating operations and systems and in retaining and assimilating employees. Any of these or other similar risks could lead to potential adverse short-term or long-term effects on our operating results and may cause us to not be able to realize any or all of the anticipated benefits of the acquisitions.

***Many of our joint operating agreements contain provisions that may be subject to legal interpretation, including allocation of non-consent interests, complex payout calculations that impact the timing of reversionary interests, and the impact of joint interest audits.***

Substantially all of our oil and natural gas interests are subject to joint operating and similar agreements. Some of these agreements include payment provisions that are complex and subject to different interpretations and/or can be erroneously applied in particular situations.

Joint interest audits are a normal process in our business to ensure that operators adhere to standard industry practices in the billing of costs and expenses related to our oil and natural gas properties. However, the ultimate resolution of joint interest audits can extend over a long period of time in which we attempt to recover excessive amounts charged by the operator. Joint interest audits result in incremental costs for the audit services and we can incur substantial amounts of legal fees to resolve disputes with the operators of our properties.

***Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or the relevant underlying assumptions will materially affect the quantity and present value of our reserves.***

Oil and natural gas reserve reports are prepared by independent consultants to provide estimates of the quantities of hydrocarbons that can be economically recovered from proved properties, utilizing commodity prices for a trailing 12-month period and taking into account expected capital, operating and other expenditures. These reports also provide estimates of the future net present value of the reserves, which we use for internal planning purposes and for testing the carrying value of the properties on our balance sheet.

The reserve data included in this Report represents estimates only. Estimating quantities of, and future cash flows from, proved oil and natural gas reserves is a complex process and not an exact science. It requires interpretations of available technical data and various estimates, including estimates based upon assumptions relating to economic factors, such as future production costs; ad valorem, severance and excise taxes; availability of capital; estimates of required capital expenditures, workover and remedial costs; and the assumed effect of governmental regulation. The assumptions underlying our estimates of our proved reserves could prove to be inaccurate, and any significant inaccuracy could materially affect, among other things, future estimates of the reserves, the economically recoverable quantities of oil and natural gas attributable to the properties, the classifications of reserves based on risk of recovery, and estimates of our future net cash flows.

At December 31, 2024, 100% of our estimated proved reserves were developed producing. Estimation of proved undeveloped reserves and proved developed non-producing reserves is almost always based on analogy to existing wells, volumetric analysis or probabilistic methods, in contrast to the performance data used to estimate producing reserves. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations.

You should not assume that the present values referred to in this report represent the current market value of our estimated oil and natural gas reserves. The timing and success of the production and the expenses related to the development of oil and natural gas properties, each of which is subject to numerous risks and uncertainties, will affect the timing and amount of actual future net cash flows from our proved reserves and their present value. In addition, our PV-10 and standardized measure estimates are based on costs as of the date of the estimates and assume fixed commodity prices. Actual future prices and costs may be materially higher or lower than the prices and costs used in the estimate.

Further, the use of a 10% discount factor to calculate PV-10 and standardized measure are determined under generally accepted accounting standards in the U.S. These values do not necessarily represent fair value or reflect the most appropriate discount factor given actual interest rates and risks to which our business or the oil and natural gas industry in general are subject.

***Our hedging activities have in the past and may in the future prevent us from benefiting fully from increases in oil and gas prices and may expose us to other risks, including counterparty risk.***

From time to time, we use derivative instruments, typically fixed-rate swaps and costless collars, to manage price risk underlying our oil and natural gas production. We have in the past, and to the extent that we continue to engage in hedging activities to protect ourselves against commodity price declines, we may in the future, be prevented from fully realizing the benefits of increases in oil and/or gas prices above the prices established by our hedging contracts. Our hedging activities may expose us to the risk of financial loss in certain circumstances, including instances in which the counterparties to our hedging contracts fail to perform under the contracts. Our hedges have in the past and may in the future result in losses and reduce the amount of revenue we would otherwise obtain upon the sale of our oil and natural gas production and may also decrease our margins and net revenues.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative contracts for the relevant period. If the actual amount of production is higher than we estimated, we will have greater commodity price exposure than we intended. If the actual amount of production is lower than the notional amount that is subject to our derivative instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity, resulting in a substantial diminution of our liquidity. As a result of these factors, our hedging activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows.

Derivative instruments also expose us to the risk of financial loss in some circumstances, including when:

- the counter-party to the derivative instrument defaults on its contract obligations;
- there is an increase in the differential between the underlying price in the derivative instrument and actual prices received; or
- the steps we take to monitor our derivative financial instruments do not detect and prevent transactions that are inconsistent with our risk management strategies.

In addition, depending on the type of derivative arrangements we enter into, the agreements could limit the benefit we would receive from increases in oil prices. It cannot be assumed that the hedging transactions we have entered into, or will enter into, will adequately protect us from fluctuations in commodity prices.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") provides for statutory and regulatory requirements for derivative transactions, including crude oil and natural gas derivative transactions. Among other things, the Dodd-Frank Act provides for the creation of position limits for certain derivatives transactions, as well as requiring certain transactions to be cleared on exchanges for which cash collateral will be required. The Dodd-Frank Act requires the Commodities Futures and Trading Commission (the "CFTC"), the SEC and other regulators to promulgate rules and regulations implementing the Dodd-Frank Act.

The CFTC has finalized other regulations implementing the Dodd-Frank Act's provisions regarding trade reporting, margin, clearing and trade execution; however, some regulations remain to be finalized and it is not possible at this time to predict when the CFTC will adopt final rules. For example, the CFTC has re-proposed regulations setting position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions are expected to be made exempt from these limits. Also, it is possible that under recently adopted margin rules, some registered swap dealers may require us to post initial and variation margins in connection with certain swaps not subject to central clearing.

The Dodd-Frank Act and any additional implementing regulations could significantly increase the cost of some commodity derivative contracts (including through requirements to post collateral, which could adversely affect our available liquidity), materially alter the terms of some commodity derivative contracts, limit our ability to trade some derivatives to hedge risks, reduce the availability of some derivatives to protect against risks we encounter and reduce our ability to monetize or restructure our existing commodity derivative contracts. If we reduce our use of derivatives as a consequence, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. If the implementing regulations result in lower commodity prices, our revenues could be adversely affected. Any of these consequences could adversely affect our business, financial condition and results of operations.

Increases in the differential between the ceiling value for oil and natural gas prices set forth in our commodity derivative contracts and commodity derivative collar contracts has in the past adversely affected and is anticipated to continue to adversely affect our business, financial condition and results of operations.

***Our acreage must be drilled before lease expiration, generally within three to five years, in order to hold the acreage by production. In the highly competitive market for acreage, failure to drill sufficient wells in order to hold acreage will result in a substantial lease renewal cost, or if renewal is not feasible, the loss of our lease and prospective drilling opportunities.***

Unless production is established within the spacing units covering the undeveloped acres on which some of our potential drilling locations are identified, the leases for such acreage will expire. The costs to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. The risk that our leases may expire will generally increase when commodity prices fall, as lower prices may cause our operating partners to reduce the number of wells they drill. In addition, on certain portions of our acreage, third-party leases could become immediately effective if our leases expire. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business.

***Our producing properties are primarily located in Montana, Wyoming, Texas, and Oklahoma, making us vulnerable to risks associated with having operations concentrated in these geographic areas.***

Because our operations are geographically concentrated in Montana, Wyoming, Texas, and Oklahoma, the success and profitability of our operations may be disproportionally exposed to the effect of regional events. These include, among others, regulatory issues, natural disasters and fluctuations in the prices of industrial gas, crude oil and natural gas produced from wells in the region and other regional supply and demand factors, including gathering, pipeline and other transportation capacity constraints, available rigs, equipment, oil field services, supplies, labor and infrastructure capacity. Any of these events has the potential to cause producing wells to be shut-in, delay operations and growth plans, decrease cash flows, increase operating and capital costs and prevent development of lease inventory before expiration. In addition, our operations may be adversely affected by seasonal weather and lease stipulations designed to protect wildlife, which can intensify competition for services, infrastructure and equipment during months when drilling is possible and may result in periodic shortages. Any of these risks could have a material adverse effect on our financial condition and results of operations.

***Insurance may be insufficient to cover future liabilities.***

Our business is currently focused on industrial gas and oil and natural gas exploration and development, and we also have potential exposure to general liability and property damage associated with the ownership of other corporate assets. We have obtained insurance policies for our industrial gas and oil and natural gas operations covering both operated and non-operated properties, as well as, policies covering corporate liabilities and damage to corporate assets.

We would be liable for claims in excess of coverage and for any deductible provided for in the relevant policy. If uncovered liabilities are substantial, payment could adversely impact the Company's cash on hand, resulting in possible curtailment of operations. Moreover, some liabilities are not insurable at a reasonable cost or at all.

***We are dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration.***

We are dependent upon information technology systems in the conduct of our operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyberattacks, natural disasters and defects in design. Cybersecurity incidents, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Various measures have been implemented to manage our risks related to information technology systems and network disruptions. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could potentially be subject to operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

***Improvements in, or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations.***

Because our operations depend on the demand for oil and natural gas, any improvement in or new discoveries of alternative energy technologies (such as wind, solar, geothermal, fuel cells and biofuels) that increase the use of alternative forms of energy and reduce the demand for oil, gas and oil and gas related products could have a material adverse impact on our business, financial condition and results of operations.

***Competition due to advances in renewable fuels may lessen the demand for our products and negatively impact our profitability.***

Alternatives to petroleum-based products and production methods are continually under development. For example, a number of automotive, industrial and power generation manufacturers are developing alternative clean power systems using fuel cells or clean-burning gaseous fuels that may address increasing worldwide energy costs, the long-term availability of petroleum reserves and environmental concerns, which if successful could lower the demand for oil and gas. If these non-petroleum-based products and oil alternatives continue to expand and gain broad acceptance such that the overall demand for oil and gas is decreased, it could have an adverse effect on our operations and the value of our assets.

***Permitting requirements could delay our ability to start or continue our operations.***

Industrial gas, oil and natural gas projects are subject to extensive permitting requirements. 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 made.

***Negative public perception regarding us and/or our industry could have an adverse effect on our operations.***

Negative public perception regarding us and/or our industry resulting from, among other things, concerns raised by advocacy groups about hydraulic fracturing, waste disposal, oil spills, seismic activity, climate change, explosions of natural gas transmission lines and the development and operation of pipelines and other midstream facilities may lead to increased regulatory scrutiny, which may, in turn, lead to new state and federal safety and environmental laws, regulations, guidelines and enforcement interpretations. Additionally, environmental groups, landowners, local groups and other advocates may oppose our operations through organized protests, attempts to block or sabotage our operations or those of our midstream transportation providers, intervene in regulatory or administrative proceedings involving our assets or those of our midstream transportation providers, or file lawsuits or other actions designed to prevent, disrupt or delay the development or operation of our assets and business or those of our midstream transportation providers. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens and increased risk of litigation. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits we require to conduct our operations to be withheld, delayed or burdened by requirements that restrict our ability to profitably conduct our business.

Recently, activists concerned about the potential effects of climate change have directed their attention towards sources of funding for fossil-fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in energy-related activities. Ultimately, this could make it more difficult to secure funding for exploration and production activities.

***Seasonal weather conditions adversely affect our ability to conduct drilling activities in some of the areas where we operate.***

Industrial gas, oil and natural gas operations in Montana, Wyoming and Texas can be adversely affected by seasonal weather conditions. In Montana and Wyoming, drilling and other industrial gas, oil and natural gas activities sometimes cannot be conducted as effectively during the winter months, and this can materially increase our operating and capital costs. Texas operations are also subject to the risk of adverse weather events, including hurricanes.

***Shortages of equipment, services and qualified personnel could reduce our cash flow and adversely affect results of operations.***

The demand for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the industrial gas, oil and natural gas industry can fluctuate significantly, often in correlation with industrial gas, oil and natural gas prices and activity levels in new regions, causing periodic shortages. During periods of high industrial gas, oil and natural gas prices, the demand for drilling rigs and equipment tends to increase along with increased activity levels, and this may result in shortages of equipment. Higher industrial gas, oil and natural gas prices generally stimulate increased demand for equipment and services and subsequently often result in increased prices for drilling rigs, crews and associated supplies, oilfield equipment and services, and personnel in exploration, production and midstream operations. These types of shortages and subsequent price increases could significantly decrease our profit margin, cash flow and operating results and/or restrict or delay our ability to drill those wells and conduct those activities that we currently have planned and budgeted, causing us to miss our forecasts and projections.

***Our oil and natural gas reserves are estimated and may not reflect the actual volumes of oil and natural gas we will receive, and significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.***

The process of estimating accumulations of oil and natural gas is complex and is not exact, due to numerous inherent uncertainties. The process relies on interpretations of available geological, geophysical, engineering, and production data. The extent, quality, and reliability of this technical data can vary. The process also requires certain economic assumptions related to, among other things, oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes, and availability of funds. The accuracy of a reserves estimate is a function of:

- the quality and quantity of available data;
- the interpretation of that data;
- the judgment of the persons preparing the estimate; and
- the accuracy of the assumptions.

The accuracy of any estimates of proved reserves generally increases with the length of the production history. Due to the limited production history of our properties, the estimates of future production associated with these properties may be subject to greater variance to actual production than would be the case with properties having a longer production history. As our wells produce over time and more data is available, the estimated proved reserves will be re-determined on at least an annual basis and may be adjusted to reflect new information based upon our actual production history, results of exploration and development, prevailing oil and natural gas prices and other factors.

Actual future production, oil, and natural gas prices, revenues, taxes, development expenditures, operating expenses, and quantities of recoverable oil and natural gas most likely will vary from our estimates. It is possible that future production declines in our wells may be greater than we have estimated. Any significant variance to our estimates could materially affect the quantities and present value of our reserves.

***We may purchase industrial gas, oil and natural gas properties with liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations.***

Before acquiring industrial gas, oil and natural gas properties, we estimate the reserves, future industrial gas, oil and natural gas prices, operating costs, potential environmental liabilities, and other factors relating to the properties. However, our review involves many assumptions and estimates, and their accuracy is inherently uncertain. As a result, we may not discover all existing or potential problems associated with the properties we buy. We may not become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. We generally do not perform inspections on every well or property, and we may not be able to observe mechanical and environmental problems even when we conduct an inspection. The seller may not be willing or financially able to give us contractual protection against any identified problems, and we may decide to assume environmental and other liabilities in connection with the properties we acquire. If we acquire properties with risks or liabilities we did not know about or that we did not assess correctly, our business, financial condition, and results of operations could be adversely affected as we settle claims and incur cleanup costs related to these liabilities.

The properties we acquire may be subject to liabilities or risks that we did not know about or that we did not assess correctly, and, as a result, we could be subject to liabilities that could adversely affect our results of operations as a result of such acquisitions.

**Risks Related to Our Financial Statements**

***We have written down, and may in the future be forced to further write-down, material portions of our assets due to low oil and natural gas prices.***

The full cost method of accounting is used for oil and gas acquisition, exploration, development and production activities. Under the full cost method, all costs associated with the acquisition, exploration, and development of oil and natural gas properties are capitalized and accumulated in a country-wide cost center. This includes any internal costs that are directly related to development and exploration activities, but does not include any costs related to production, general corporate overhead, or similar activities. Proceeds received from disposals are credited against accumulated cost, except when the sale represents a significant disposal of reserves, in which case a gain or loss is recognized. The sum of net capitalized costs and estimated future development and dismantlement costs for each cost center is depleted on the equivalent unit-of-production method, based on proved oil and natural gas reserves. Excluded from amounts subject to depreciation, depletion, and amortization are costs associated with unevaluated properties.

We perform a quarterly ceiling test for our only oil and natural gas cost center, which is the United States. Under the full cost method, net capitalized costs are limited to the lower of (a) unamortized cost reduced by the related net deferred tax liability and asset retirement obligations, and (b) the cost center ceiling. The cost center ceiling is defined as the sum of (i) estimated future net revenue, discounted at 10% per annum, from proved reserves, based on unescalated costs, adjusted for contract provisions, any financial derivatives qualifying as accounting hedges and asset retirement obligations, and unescalated oil and natural gas prices during the period, (ii) the cost of properties not being amortized, and (iii) the lower of cost or market value of unproved properties included in the cost being amortized, less income tax effects related to tax assets directly attributable to the natural gas and crude oil properties. If the net book value reduced by the related net deferred income tax liability and asset retirement obligations exceeds the cost center ceiling limitation, a non-cash impairment charge is required in the period in which the impairment occurs.

Material write-downs or impairments of our oil and gas properties have in the past and may in the future have a material adverse effect on our assets and/or our financial condition, either of which may cause the value of our securities to decline in value.

***We have identified material weaknesses in our internal control over financial reporting, and our management has concluded that our disclosure controls and procedures were not effective for periods since 2017. We cannot assure you that additional material weaknesses or significant deficiencies do not exist or that they will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results or prevent fraud, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.***

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We maintain a system of internal control over financial reporting, which is defined as a process designed by, or under the supervision of, our principal executive officer and principal financial officer, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America ("GAAP"). A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.  A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Based on the results of management’s assessment and evaluation of our internal controls, our principal executive officer and principal financial officer concluded that our internal control over financial reporting was not effective as of December 31, 2024 due to a material weakness related to the ineffective design of our accounting system.  Specifically, reliance could not be placed on some of the control elements of the accounting system. These control elements include a lack of certain functionality related to system-based account reconciliations, missing systematic controls in areas such as segregation of duties enforcement and data input validation, and an absence of independent evaluation of third-party information technology general controls (“ITGCs”). The Company's manual review controls partially compensate for the system design limitations, but this material weakness cannot be remediated without the implementation of a system-based solution.

As a result, our management also concluded that our disclosure controls and procedures were not effective as of  December 31, 2024, such that the information relating to us required to be disclosed in the reports we file with the SEC (a) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) is accumulated and communicated to our management to allow timely decisions regarding required disclosures and such disclosure controls and procedures have not been deemed effective since approximately December 31, 2016.

Maintaining effective disclosure controls and procedures and effective internal control over financial reporting are necessary for us to produce reliable financial statements and the Company is committed to remediating its material weaknesses in such controls as promptly as possible. However, there can be no assurance as to when these material weaknesses will be remediated or that additional material weaknesses will not arise in the future. Any failure to remediate the material weaknesses, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a material adverse effect on our financial condition and the trading price of our common stock, and/or result in litigation against us or our management. In addition, even if we are successful in strengthening our controls and procedures, those controls and procedures may not be adequate to prevent or identify irregularities or facilitate the fair presentation of our financial statements or our periodic reports filed with the SEC.

***There are inherent limitations in all control systems and misstatements due to error or fraud that may occur and not be detected.***

The ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 require us to identify material weaknesses in internal control over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Our management does not expect that our internal controls and disclosure controls, even assuming all material weaknesses and control deficiencies are remediated, will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of the Company or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may not be detected.

***Our ability to use net operating loss carryforwards and realize built in losses to offset future taxable income for U.S. federal income tax purposes is subject to limitation.***

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses (“NOLs”) and realized built in losses (“RBILS”) to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5% stockholders, applying certain look-through rules) increases by more than 50 percentage points over such stockholders’ lowest percentage ownership during the testing period (generally three years).

On December 27, 2017, we paid down debt under our credit facility with APEG II with shares of our common stock, which represented a 49.3% ownership change in the Company. In addition, on January 5, 2022, we issued 19,905,736 shares of our common stock for the acquisition of assets, representing a then 81.0% ownership change in the Company. As a result of these transactions, our ability to use these NOLs and RBILS were significantly reduced.

**Risks Related to Governmental Regulations**

***Industrial gas, oil and natural gas operations are subject to environmental, legislative and regulatory initiatives that can materially adversely affect the timing and cost of operations and the demand for industrial gas, oil, natural gas, and NGLs.***

Our operations are subject to stringent and complex federal, state and local laws and regulations relating to the protection of human health and safety, the environment and natural resources. These laws and regulations can restrict or impact our business activities in many ways including, but not limited to the following:

- requiring the installation of pollution-control equipment or otherwise restricting the handling or disposal of waste and other substances associated with operations;
- limiting or prohibiting construction activities in sensitive areas, such as wetlands, coastal regions or areas that contain endangered or threatened species and/or species of special statewide concern or their habitats;
- requiring investigatory and remedial actions to address pollution caused by our operations or attributable to former operations;
- requiring noise, lighting, visual impact, odor and/or dust mitigation, setbacks, landscaping, fencing, and other measures;
- restricting access to certain equipment or areas to a limited set of employees or contractors who have proper certification or permits to conduct work (e.g., confined space entry and process safety maintenance requirements); and
- restricting or even prohibiting water use based upon availability, impacts or other factors.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial or restoration obligations, and the issuance of orders enjoining future operations or imposing additional compliance requirements. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances, hydrocarbons or wastes have been disposed or otherwise released. Moreover, local restrictions, such as state or local moratoria, city ordinances, zoning laws and traffic regulations, may restrict or prohibit the execution of operational plans. In addition, third parties, such as neighboring landowners, may file claims alleging property damage, nuisance or personal injury arising from our operations or from the release of hazardous substances, hydrocarbons or other waste products into the environment.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. We monitor developments at the federal, state and local levels to keep informed of actions pertaining to future regulatory requirements that might be imposed in order to mitigate the costs of compliance with any such requirements. We also monitor industry groups that help formulate recommendations for addressing existing or future regulations and that share best practices and lessons learned in relation to pollution prevention and incident investigations.

See "*Environmental Laws and Regulations*" in Item 1 – Business in this Form 10-K for a discussion of the major environmental, health and safety laws and regulations that relate to our business. We believe, but cannot be certain, that we are in material compliance with these laws and regulations. We cannot reasonably predict what applicable laws, regulations or guidance may eventually be adopted with respect to our operations or the ultimate cost to comply with such requirements.

***Proposed changes to U.S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations, and cash flows.***

From time to time, legislative proposals are made that would, if enacted, result in the elimination of the immediate deduction for intangible drilling and development costs, the elimination of the deduction from income for domestic production activities relating to oil and gas exploration and development, the repeal of the percentage depletion allowance for oil and gas properties, and an extension of the amortization period for certain geological and geophysical expenditures. Such changes, if adopted, or other similar changes that reduce or eliminate deductions currently available with respect to industrial gas, oil and gas exploration and development, could adversely affect our business, financial condition, results of operations, and cash flows.

***Our ability to produce crude oil, natural gas, and associated liquids economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations and/or completions or are unable to dispose of or recycle the water we use at a reasonable cost and in accordance with applicable environmental rules.***

The hydraulic fracturing process on which we and others in our industry depend to complete wells that will produce commercial quantities of crude oil, natural gas, and NGLs requires the use and disposal or recycling of significant quantities of water. Our inability to secure sufficient amounts of water, or to dispose of, or recycle the water used in our operations, could adversely impact our operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as hydraulic fracturing or disposal of wastes, including, but not limited to, produced water, drilling fluids, and other wastes associated with the exploration, development, or production of crude oil, natural gas, and NGLs.

Compliance with environmental regulations and permit requirements governing the withdrawal, storage, and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase our operating costs and cause delays, interruptions, or termination of our operations, the extent of which cannot be predicted, all of which could have an adverse effect on our operations and financial condition.

***Our industries and the broader US economy experienced higher than expected inflationary pressures in 2022 and beyond, related to continued supply chain disruptions, tariffs, labor shortages and geopolitical instability. Should these conditions reappear, our business, results of operations and cash flows could be materially and adversely affected.***

We have previously seen significant increases in the costs of certain materials, including steel, sand and fuel, as a result of availability constraints, supply chain disruption, increased demand, labor shortages associated with a fully employed US labor force, high inflation, interest rates and other factors. Those supply and demand fundamentals were further aggravated by disruptions in global energy supply caused by multiple geopolitical events, including the ongoing conflict between Russia and Ukraine. While prior supply chain constraints and demand fundamentals have more or less reverted to pre-2022 levels, tariffs, inflationary pressures and future supply chain disruptions, increased demand, labor shortages, increased inflation and interest rates, and other factors may adversely impact our operating costs and may negatively impact our ability to procure materials and equipment in a timely and cost-effective manner, if at all, in the future, which could result in reduced margins and production delays and, as a result, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

***The conflicts in Ukraine and Israel and related price volatility and geopolitical instability could negatively impact our business.***

In late February 2022, Russia launched significant military action against Ukraine. The sanctions announced by the United States and other countries against Russia and Belarus following Russia’s invasion of Ukraine to date include restrictions on selling or importing goods, services, or technology in or from affected regions and travel bans and asset freezes impacting connected individuals and political, military, business, and financial organizations in Russia and Belarus. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. Separately, in October 2023, Israel and certain Iranian-backed Palestinian forces began an armed conflict in Israel, the Gaza Strip, and surrounding areas, which threaten to extend into other Middle Eastern countries. These conflicts have caused, and could intensify, volatility in natural gas, oil and NGL prices. The extent and duration of the military actions, sanctions, and resulting market disruptions could be significant and could potentially have a substantial negative impact on the global economy and/or our business for an unknown period of time. We believe that the increase in crude oil prices during the first half of 2022 was partially due to the impact of the conflict between Russia and Ukraine on the global commodity and financial markets, and in response to economic and trade sanctions that certain countries have imposed on Russia. Any such volatility and disruptions may also magnify the impact of other risks described herein.

**Risks Related to Management, Employees and Directors**

***Potential conflicts of interest could arise for certain members of our Board of Directors that hold management positions with other entities and also represent our majority stockholders.***

John A. Weinzierl, Duane H. King and Joshua Batchelor, each a member of the Board of Directors of the Company, may hold various other management positions with privately-held companies, some of which are involved in the oil and gas industry, and together such persons control or have joint control, over a majority of our common stock. We believe these positions will not conflict with their roles or responsibilities with our company. Certain of these entities are party to agreements with the Company and if any of these companies enter into any additional transactions or agreements with our company, or other related party transactions or matters exist, potential conflicts of interest could arise from the directors performing services for us and these other entities.

***Certain of our directors beneficially own approximately 52.9% of our outstanding common stock, which gives them majority voting control over stockholder matters, and each are also party to a Nominating and Voting Agreement, which allows them to control who is appointed to the Board of Directors of the Company and their interests may be different from your interests; and as a result of such ownership, we are a "controlled company" under applicable Nasdaq Capital Market Rules.***

John A. Weinzierl, Duane H. King and Joshua Batchelor, our Chairman, director, and director, respectively, beneficially own an aggregate of 18,366,735 shares of our common stock, representing approximately 51.1% of our outstanding common stock, including approximately 27.5%, 10.1% and 17.4% of our common stock beneficially owned by each of John A. Weinzierl, Duane H. King and Joshua Batchelor, including the recent grants approved as of February 14, 2025. Ownership splits include shares owned directly and indirectly by each director. As such, Messrs. Weinzierl, King and Batchelor can control the outcome of all matters requiring a stockholder vote, including the election of directors, the adoption of amendments to our Certificate of Incorporation or Bylaws and the approval of mergers and other significant corporate transactions. Subject to any fiduciary duties owed to the stockholders generally, while Messrs. Weinzierl's, King's and Batchelor's interests may generally be aligned with the interests of our stockholders, in some instances Messrs. Weinzierl, King and Batchelor may have interests different than the rest of our stockholders. Messrs. Weinzierl's, King's and Batchelor's influence or control of our company as stockholders may have the effect of delaying or preventing a change of control of our company and may adversely affect the voting and other rights of other stockholders. Because Messrs. Weinzierl, King and Batchelor control the stockholder vote, investors may find it difficult to replace Messrs. Weinzierl, King and Batchelor (and such persons as they may appoint from time to time) as members of our management and board of directors if they disagree with the way our business is being operated. Additionally, the interests of Messrs. Weinzierl, King and Batchelor may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other stockholders.

Separately, each of the entities controlled by Messrs. Weinzierl, King and Batchelor entered into an Amended and Restated Nominating and Voting Agreement with us and certain of their affiliates and other third parties on September 16, 2022 (the "A&R Voting Agreement"). The A&R Voting Agreement provides that each of Lubbock Energy Partners LLC; Banner Oil & Gas, LLC, Woodford Petroleum, LLC and Llano Energy LLC (each a "Nominating Party"), each of which were at the time of entry into the A&R Voting Agreement, beneficially owned by one or more of Messrs. Weinzierl, King and Batchelor, has the right to designate for nomination to the Board two nominees (for so long as such Nominating Party (and its affiliates) beneficially owns at least 15% of the Company's outstanding common stock) and one nominee (for so long as such Nominating Party (and its affiliates) beneficially owns at least 5% of the Company's common stock), for appointment at any stockholder meeting or via any consent to action without meeting of the stockholders of the Company. The A&R Voting Agreement also requires the Board to include such nominees in the slate of directors up for appointment at each meeting of stockholders where directors will be appointed, and take other actions to ensure that such persons are elected to the Board by the stockholders of the Company. Pursuant to the A&R Voting Agreement, if any Nominating Party's nominated party ceases for any reason to serve on the Board, such nominated party will be provided the right to appoint another person to the Board, who shall be appointed to the Board pursuant to the power to fill vacancies given to the Board without a stockholder vote, by the Bylaws of the Company.

Because of Messrs. Weinzierl's, King's and Batchelor's ownership of the Company, as discussed above, we are a "controlled company" under the rules of the Nasdaq Capital Market. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" and, as such, can elect to be exempt from certain corporate governance requirements, including requirements that:

- a majority of the Board of Directors consist of independent directors;
- the board maintain a nominations committee with prescribed duties and a written charter; and
- the board maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors.

As a "controlled company," we may elect to rely on some or all of these exemptions, provided that we have to date not taken advantage of any of these exemptions and do not currently intend to take advantage of any of these exemptions moving forward. Notwithstanding that, should the interests of Messrs. Weinzierl, King and Batchelor differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Capital Market corporate governance standards. Even if we do not avail ourselves of these exemptions, our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

***We depend significantly upon the continued involvement of our present management.***

We depend to a significant degree upon the involvement of our management, specifically, our Chief Executive Officer, Ryan L. Smith. Our performance and success are dependent to a large extent on the efforts and continued employment of Mr. Smith. We do not believe that Mr. Smith could be quickly replaced with personnel of equal experience and capabilities, and his successor(s) may not be as effective. If Mr. Smith or any of our other key personnel resign or become unable to continue in their present roles and if they are not adequately replaced, our business operations could be adversely affected. The Company entered into an agreement with Mr. Smith on May 5, 2022. The term of Mr. Smith's Employment Agreement commenced on May 5, 2022, and had an initial term expiring January 1, 2024, subject to automatic one-year renewals thereafter in the event neither party provides the other at least 60 days prior written notice of their intention not to renew the terms of the agreement. Because neither party provided the other notice of termination prior to January 1, 2024, the agreement renewed for an additional one year, and currently had a term through January 1, 2025 (subject to additional one year renewals thereafter). On August 14, 2024, effective July 1, 2024, the Company entered into a new amended and restated employment agreement with Mr. Smith, which amended and restated in its entirety the prior employment agreement between the Company and Mr. Smith dated May 5, 2022. That new agreement has an initial term expiring January 1, 2027, subject to automatic successive two-year renewals thereafter.

We have an active Board of Directors that meets several times throughout the year and is intimately involved in our business and the determination of our operational strategies. Members of our Board of Directors work closely with management to identify potential prospects, acquisitions, and areas for further development. If any of our directors resign or become unable to continue in their present role, it may be difficult to find replacements with the same knowledge and experience and as a result, our operations may be adversely affected.

**Risks Related to Our Credit Agreement**

***Our obligations under our credit agreement with FirstBank Southwest (the "Credit Agreement") are secured by a first priority security interest in substantially all of our assets.***

Our obligations under the Credit Agreement are secured by a first priority security interest in substantially all of our assets. Additionally, substantially all of our subsidiaries agreed to guarantee our obligations under the Credit Agreement. As such, our creditor may enforce its security interests over our assets and/or our subsidiaries which secure the repayment of such obligations, take control of our assets and operations, force us to seek bankruptcy protection, or force us to curtail or abandon our current business plans and operations. If that were to happen, any investment in the Company could become worthless. Our Credit Agreement expires January 5, 2026, and there can be no assurance that we can renew or extend the Credit Agreement with the same terms or conditions.

***Our failure to comply with the covenants in the documents governing our existing and future indebtedness could materially adversely affect our financial condition and liquidity.***

In connection with the Credit Agreement, we agreed to comply with certain affirmative and negative covenants and agreed to meet certain financial covenants. We are required to make certain mandatory repayments under the Credit Agreement, in the event the borrowing base decreases below the aggregate amount of loans made by the lenders and/or if as of the last business day of any calendar month, certain required debt ratios required under the Credit Agreement are not met, there are outstanding amounts owed to the lenders, and the Company has consolidated cash on hand in excess of $5 million, and in some cases we are also required to pay cash to the agent to be held as collateral. The Credit Agreement contains customary indemnification requirements, representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries party to such Credit Agreement (the "Loan Parties"), including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, transactions with affiliates, and dividends and other distributions. In addition, the Credit Agreement contains financial covenants, tested quarterly, that limit the Company's ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3:1 and require its ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1:1 or higher. The Credit Agreement also requires us to hedge certain oil and gas volumes, based on our utilization of the borrowing base.

Events of default under the Credit Agreement include: the failure by the Company to timely make payments due under the Credit Agreement; material misrepresentations or misstatements in any representation or warranty of any of the Loan Parties; failure by the Company or any of its subsidiaries to comply with their covenants under the Credit Agreement and other related agreements, subject in certain cases to rights to cure; certain defaults under other indebtedness of the Loan Parties; insolvency or bankruptcy-related events with respect to the Company or any of its subsidiaries; certain unsatisfied judgments against the Company or any of its subsidiaries in an amount in excess of $500,000; if the Credit Agreement or certain related agreements or security interests created by them cease to be in full force and effect; certain ERISA-related events reasonably expected to have a material adverse effect on the Company and its subsidiaries; and the occurrence of a change in control, each as discussed in greater detail in the Credit Agreement, and subject to certain cure rights. If any event of default occurs and is continuing under the Credit Agreement, the lenders may terminate their commitments, and may require the Company and its subsidiaries to repay outstanding debt and/or to provide a cash deposit as additional security for outstanding letters of credit.

A breach of any of the covenants of the Credit Agreement or any future agreements, if uncured or unwaived, could lead to an event of default under any such document, which in some circumstances could give our creditors the right to demand that we accelerate repayment of amounts due and/or enforce their security interests over substantially all of our assets. This would likely in turn trigger cross-acceleration or cross-default rights in other documents governing our indebtedness. Therefore, in the event of any such breach, we may need to seek covenant waivers or amendments from our creditors or seek alternative or additional sources of financing, and we may not be able to obtain any such waivers or amendments or alternative or additional financing on acceptable terms, if at all. In addition, any covenant breach or event of default could harm our credit rating and our ability to obtain additional financing on acceptable terms. The occurrence of any of these events could have a material adverse effect on our financial condition and liquidity and/or cause our lenders to enforce their security interests which could ultimately result in the foreclosure of our assets, which would have a material adverse effect on our operations and the value of our securities.

***The covenants in our credit and loan agreements restrict our ability to operate our business and might lead to a default under our Credit Agreement.***

The Credit Agreement contains customary indemnification requirements, representations and warranties and customary affirmative and negative covenants applicable to the Loan Parties and their subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, transactions with affiliates, and dividends and other distributions. In addition, the Credit Agreement contains financial covenants, tested quarterly, that limit the Company's ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3:1 and require its ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1:1 or higher.

As a result of these covenants and limitations, we may not be able to respond to changes in business and economic conditions and to obtain additional financing, if needed, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. Our Credit Agreement requires, and our future credit facilities and loan agreements may require, us to maintain certain financial ratios and satisfy certain other financial condition tests. Our ability to meet these financial ratios and tests can be affected by events beyond our control, and we may not be able to meet those tests. The breach of any of these covenants could result in a default under our Credit Agreement or future credit facilities. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding under such Credit Agreement, including accrued interest or other obligations, to be immediately due and payable. If amounts outstanding under such Credit Agreement were to be accelerated, our assets might not be sufficient to repay in full that indebtedness and our other indebtedness.

A prolonged period of weak, or a significant decrease in, industry activity and overall markets, may make it difficult to comply with our covenants and the other restrictions in the agreements governing our debt and current global and market conditions have increased the potential for that difficulty.

**Risks Related to Our Common Stock**

***We currently have 245,000,000 shares of common stock authorized and there may be future issuances of sales of our common stock, which could adversely affect the market price of our common stock and dilute a stockholder's ownership of common stock.***

The exercise of any options granted to executive officers and other employees under our equity compensation plans could have an adverse effect on the market price of the shares of our common stock. Additionally, we are not restricted from issuing additional shares of common stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive shares of common stock, and currently have 245,000,000 authorized shares of common stock, provided that we are subject to the requirements of The Nasdaq Capital Market ("Nasdaq")(which generally requires stockholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and/or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days preceding the signing of the binding agreement). Issuances of a substantial number of shares of our common stock and/or sales of a substantial number of shares of our common stock in the public market or the perception that such issuances or sales might occur could materially adversely affect the market price of the shares of our common stock. Because our decision to issue securities in the future, including in connection with any future offering, will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of our future issuances or offerings. Accordingly, our stockholders bear the risk that our future issuances and/or offerings will reduce the market price of our common stock and dilute their stock holdings in us.

***We have established preferred stock which can be designated by the Board of Directors without stockholder approval.***

We have 5,000,000 shares of preferred stock authorized (none of which are outstanding). Shares of preferred stock may be designated and issued by our Board of Directors without stockholder approval with voting powers, and such preferences and relative, participating, optional, or other special rights and powers as determined by our Board of Directors, which may be greater than the shares of common stock currently outstanding. As a result, shares of preferred stock may be issued by our Board of Directors which cause the holders to have voting power over our shares or provide the holders of the preferred stock the right to convert the shares of preferred stock they hold into shares of our common stock, which may cause substantial dilution to our then common stock stockholders and/or have other rights and preferences (including, but not limited to voting rights) greater than those of our common stock stockholders. Investors should keep in mind that the Board of Directors has the authority to issue additional shares of preferred stock, which could cause substantial dilution to our existing stockholders or result in a change of control. Because our Board of Directors is entitled to designate the powers and preferences of the preferred stock without a vote of our stockholders, subject to Nasdaq rules and regulations, our stockholders will have no control over what designations and preferences our future preferred stock, if any, will have.

***Our stock price has historically been and is likely to continue to be volatile.***

Our stock is traded on The Nasdaq Capital Market under the symbol "USEG". For the twelve-month period ending March 10, 2025, our common stock has traded as high as $6.40 per share and as low as $0.81 per share. We expect our common stock will continue to be subject to wide fluctuations as a result of a variety of factors, including factors beyond our control. These factors include:

- price volatility in the industrial gas, oil and natural gas commodities markets;
- variations in our drilling, recompletion and operating activity;
- relatively small amounts of our common stock trading on any given day;
- additions or departures of key personnel;
- legislative and regulatory changes; and
- changes in the national and global economic outlook, including, but not limited to, as a result of inflation and interest rates, and global conflicts, including the current ongoing conflict between Ukraine and Russia), and tariffs.

The stock market has recently experienced significant price and volume fluctuations, and industrial gas, oil and natural gas prices have also experienced significant volatility. These fluctuations have particularly affected the market prices of securities of industrial gas, oil and natural gas companies like ours.

***Our Common Stock may be delisted from The Nasdaq Capital Market if we cannot satisfy Nasdaq's continued listing requirements.***

Among the conditions required for continued listing on The Nasdaq Capital Market, Nasdaq requires us to maintain at least one of the following: $2.5 million in stockholders' equity, at least $35 million in market value of listed securities or $500,000 in net income over the prior two years or two of the prior three years and also meet other conditions including having a majority of independent directors and maintaining a stock price over $1.00 per share. Our stockholders' equity may not remain above Nasdaq's $2.5 million minimum, we may not have at least $35 million in market value of listed securities, and we may not generate over $500,000 of yearly net income moving forward, we may not be able to maintain independent directors, and we may not be able to maintain a stock price over $1.00 per share. Delisting from The Nasdaq Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our stock, the sale or purchase of our stock would likely be made more difficult and the trading volume and liquidity of our stock could decline. Delisting from The Nasdaq Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB market or OTC Pink market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. In the event our common stock is delisted from The Nasdaq Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

***If we are delisted from The Nasdaq Capital Market, your ability to sell your shares of our common stock could also be limited by the penny stock restrictions, which could further limit the marketability of your shares.***

If our common stock is delisted, it could come within the definition of "penny stock" as defined in the Exchange Act and would then be covered by Rule 15g-9 of the Exchange Act. That Rule imposes additional sales practice requirements on broker-dealers who sell securities to persons other than established customers and accredited investors. For transactions covered by Rule 15g-9, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, Rule 15g-9, if it were to become applicable, would affect the ability or willingness of broker-dealers to sell our securities, and accordingly would affect the ability of stockholders to sell their securities in the public market. These additional procedures could also limit our ability to raise additional capital in the future.

***Our Board of Directors has determined to suspend our quarterly cash dividend.***

On April 13, 2022, August 5, 2022, November 7, 2022, February 9, 2023, and May 18, 2023, the Company's Board of Directors approved the declaration and payment of quarterly cash dividends of $0.0225 per share of common stock. Our Board of Directors, at its sole discretion, determines the amount of the quarterly dividends to be distributed to our shareholders, if any, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including future acquisitions and divestitures. Consequently, our dividend levels may fluctuate. On August 9, 2023, the Board of Directors determined it appropriate to suspend dividend payments, with the associated future capital resources being allocated towards the Company's share repurchase program and repayments of the outstanding balance on our credit facility. The Board of Directors may or may not reinstate future dividend payments in the future, the amount and frequency of which will be determined at the sole discretion of the Board. To the extent that the dividend is not reinstated in the future, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

***Our stock repurchases are discretionary and even if effected, they may not achieve the desired objectives.***

On January 29, 2025, the Board of Directors authorized and approved an extension of the ongoing share repurchase program for up to $5.0 million of the currently outstanding shares of the Company's common stock originally approved by the Board of Directors on April 26, 2023, and set to expire on June 30, 2024. Subject to any future extension in the discretion of the Board of Directors of the Company, the repurchase program is now scheduled to expire on June 30, 2026, or when a maximum of $5.0 million of the Company's common stock has been repurchased, or when such program is discontinued by the Board of Directors. Under the stock repurchase program, shares may be repurchased from time to time in the open market or through negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. Repurchases are made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. The program does not obligate the Company to acquire a minimum amount of shares.

There can be no assurance that any repurchases pursuant to our stock repurchase program will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchase such shares. The amounts and timing of the repurchases may also be influenced by general market conditions, regulatory developments (including recent legislative actions which, subject to certain conditions, may impose an excise tax of 1% on our stock repurchases) and the prevailing price and trading volumes of our common stock. If our financial condition deteriorates or we decide to use our cash for other purposes, we may suspend repurchase activity at any time.

***A sale of a substantial number of registered shares of common could cause the price of our common stock to decline and make it harder for us to sell equity in the future.***

We have registered the resale of 19,905,736 shares of common stock pursuant to a Form S-3 Registration Statement, which shares of common stock represent approximately 58.9% of our currently outstanding shares of common stock. Such shares of common stock may be resold in the public market immediately without restriction. The registered shares represent a significant number of shares of our common stock, and if sold in the market all at once or at about the same time, could significantly depress the market price of our common stock during the period the registration statement remains effective and could also affect our ability to raise equity capital in the future at a time and price that we deem reasonable or appropriate.

## Risks Relating to Our Governing Documents and Delaware Law

***Our Certificate of Incorporation provides for indemnification of officers and directors at our expense and limits their liability, which may result in a major cost to us and hurt the interests of our stockholders because corporate resources may be expended for the benefit of officers or directors.***

Article VI.B. of our Certificate of Incorporation provides for indemnification as follows: "To the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, the Corporation shall indemnify and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred by such indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the indemnitee, to repay all amounts so advanced if it shall ultimately be determined that the indemnitee is not entitled to be indemnified under Article VI.B. of the Certificate of Incorporation or otherwise."

Our obligation to indemnify our officers and directors may discourage stockholders from bringing a lawsuit against our officers or directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against our officers and directors, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against our officers and directors pursuant to these indemnification provisions.

We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under federal securities laws is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification for liabilities arising under federal securities laws, other than the payment by us of expenses incurred or paid by a director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by a director, officer or controlling person in connection with our activities, we will (unless in the opinion of our counsel, the matter has been settled by controlling precedent) submit to a court of appropriate jurisdiction, the question whether indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The legal process relating to this matter if it were to occur is likely to be very costly and may result in us receiving negative publicity, either of which factors is likely to materially reduce the market and price for our shares.

***Our Certificate of Incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company's stockholders and requires us, under certain circumstances, to indemnify officers, directors and employees.***

The limitation of monetary liability against our directors, officers and employees under Delaware law and the existence of indemnification rights to them may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our Certificate of Incorporation contains a specific provision that limits the liability of our directors for monetary damages to the Company and the Company's stockholders, including as a result of a breach of their fiduciary duties, except to the extent such exception from liability is not permitted under Delaware General Corporation Law. We also have contractual indemnification obligations under our employment and engagement agreements with our executive officers and directors, as well as pursuant to indemnification agreements. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against our directors and officers, which the Company may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against our directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers, even though such actions, if successful, might otherwise benefit us and our stockholders.

***Anti-takeover provisions may impede the acquisition of the Company.***

Certain provisions of the Delaware General Corporation Law (DGCL) have anti-takeover effects and may inhibit a non-negotiated merger or other business combination, notwithstanding the fact that our Certificate of Incorporation provides that we are not subject to Section 203 of the DGCL, which relates to certain restrictions on business combinations with interested stockholders. These provisions are intended to encourage any person interested in acquiring the Company to negotiate with, and to obtain the approval of, our directors, in connection with such a transaction. As a result, certain of these provisions may discourage a future acquisition of the Company, including an acquisition in which the stockholders might otherwise receive a premium for their shares. In addition, we can also authorize "blank check" preferred stock, which could be issued by our Board of Directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock.

***Anti-takeover provisions in our Certificate of Incorporation and our Amended and Restated Bylaws, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Our Certificate of Incorporation and Amended and Restated Bylaws and Delaware law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or delay attempts by our stockholders to replace or remove our management. Our corporate governance documents include provisions:

- a classified board of directors, as a result of which our board of directors is divided into three classes, with each class serving for staggered three-year terms;

- the removal of directors only for cause;

- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board of Directors;

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; and

- limiting the liability of, and providing indemnification to, our directors and officers.

Any provision of our Certificate of Incorporation or Amended and Restated Bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

***Our Certificate of Incorporation contains exclusive forum provisions that may discourage lawsuits against us and our directors and officers.***

Our Certificate of Incorporation provides that unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware, will be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim for breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our Certificate of Incorporation or Bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine.

The choice of forum provision in our Certificate of Incorporation does not waive our compliance with our obligations under the federal securities laws and the rules and regulations thereunder. Moreover, the provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act or by the Securities Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts with respect to suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain claims under the Securities Act.

Notwithstanding the above, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Certificate of Incorporation provides that unless the Company consents, the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, there is uncertainty as to whether a court would enforce such a provision. While the Delaware courts have determined that choice of forum provisions of the type included in our Certificate of Incorporation are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in our exclusive forum provision. In such instance, to the extent applicable, we would expect to vigorously assert the validity and enforceability of our exclusive forum provision. This may require additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit the ability of the Company's stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with the Company or the Company's directors or officers, which may discourage such lawsuits against the Company and the Company's directors and officers. Alternatively, if a court were to find one or more of these exclusive forum provisions inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions or forums, which could materially and adversely affect our business, financial condition, or results of operations.

**General Risk Factors**

***Because we are a smaller reporting company, the requirements of being a public company, including compliance with the reporting requirements of the Exchange Act and the requirements of the Sarbanes-Oxley Act and the Dodd-Frank Act, may strain our resources, increase our costs and distract management, and we may be unable to comply with these requirements in a timely or cost-effective manner.***

As a public company with listed equity securities, we must comply with the federal securities laws, rules and regulations, including certain corporate governance provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the Dodd-Frank Act, related rules and regulations of the SEC and Nasdaq, with which a private company is not required to comply. Complying with these laws, rules and regulations will occupy a significant amount of time of our board of directors and management and will significantly increase our costs and expenses, which we cannot estimate accurately at this time. Among other things, we must:

- establish and maintain a system of internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the related rules and regulations of the SEC and the Public Company Accounting Oversight Board;
- comply with rules and regulations promulgated by Nasdaq;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- maintain various internal compliance and disclosures policies, such as those relating to disclosure controls and procedures and insider trading in our common stock;
- involve and retain to a greater degree outside counsel and accountants in the above activities;
- maintain a comprehensive internal audit function; and
- maintain an investor relations function.

In addition, being a public company subject to these rules and regulations may require us to accept less director and officer liability insurance coverage than we desire or to incur substantial costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

***Our business could be adversely affected by security threats, including cybersecurity threats.***

We face various security threats, including cybersecurity threats to gain unauthorized access to our sensitive information or to render our information or systems unusable, and threats to the security of our facilities and infrastructure or third-party facilities and infrastructure, such as gathering and processing facilities, refineries, rail facilities and pipelines. The potential for such security threats subjects our operations to increased risks that could have a material adverse effect on our business, financial condition and results of operations. For example, unauthorized access to our seismic data, reserves information or other proprietary information could lead to data corruption, communication interruptions, or other disruptions to our operations.

Our implementation of various procedures and controls to monitor and mitigate such security threats and to increase security for our information, systems, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of, or damage to, sensitive information or facilities, infrastructure and systems essential to our business and operations, as well as data corruption, reputational damage, communication interruptions or other disruptions to our operations, which, in turn, could have a material adverse effect on our business, financial position and results of operations.

***The threat and impact of terrorist attacks, cyber-attacks or similar hostilities may adversely impact our operations.***

We cannot assess the extent of either the threat or the potential impact of future terrorist attacks on the energy industry in general, and on us in particular, either in the short-term or in the long-term. Uncertainty surrounding such hostilities may affect our operations in unpredictable ways, including the possibility that infrastructure facilities, including pipelines and gathering systems, production facilities, processing plants and refineries, could be targets of, or indirect casualties of, an act of terror, a cyber-attack or electronic security breach, or an act of war.

***We may have difficulty managing growth in our business, which could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion.***

Because of our small size, growth in accordance with our business plans, if achieved, will place a significant strain on our financial, technical, operational and management resources. As we expand our activities, including our planned increase in oil exploration, development and production, and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrence of unexpected expansion difficulties, including the inability to recruit and retain experienced managers, geoscientists, petroleum engineers and landmen could have a material adverse effect on our business, financial condition and results of operations and our ability to execute our business plan in a timely fashion.

***Failure to adequately protect critical data and technology systems could materially affect our operations.***

Information technology solution failures, network disruptions and breaches of data security could disrupt our operations by causing delays or cancellation of customer orders, impeding processing of transactions and reporting financial results, resulting in the unintentional disclosure of customer, employee or our information, or damage to our reputation. There can be no assurance that a system failure or data security breach will not have a material adverse effect on our financial condition, results of operations or cash flows.

***If we complete acquisitions or enter into business combinations in the future, they may disrupt or have a negative impact on our business.***

If we complete acquisitions or enter into business combinations in the future, funding permitting, we could have difficulty integrating the acquired companies' assets, personnel and operations with our own. Additionally, acquisitions, mergers or business combinations we may enter into in the future could result in a change of control of the Company, and a change in the board of directors or officers of the Company. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the effect expansion may have on our core business. Regardless of whether we are successful in making an acquisition or completing a business combination, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions and business combinations are accompanied by a number of inherent risks, including, without limitation, the following:

- the difficulty of integrating acquired companies, concepts and operations;
- the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies;

- change in our business focus and/or management;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and partners as a result of any integration of new management personnel;
- the potential inability to manage an increased number of locations and employees;
- our ability to successfully manage the companies and/or concepts acquired;
- the failure to realize efficiencies, synergies and cost savings; or
- the effect of any government regulations which relate to the business acquired.

Our business could be severely impaired if and to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with an acquisition or business combination, many of which cannot be presently identified. These risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations.

Any acquisition or business combination transaction we enter into in the future could cause substantial dilution to existing stockholders, result in one party having majority or significant control over the Company or result in a change in business focus of the Company.

***If persons engage in short sales of our common stock, the price of our common stock may decline.***

Selling short is a technique used by a stockholder to take advantage of an anticipated decline in the price of a security. In addition, holders of options and warrants will sometimes sell short knowing they can, in effect, cover through the exercise of an option or warrant, thus locking in a profit. A significant number of short sales or a large volume of other sales within a relatively short period of time can create downward pressure on the market price of a security. Further sales of common stock issued upon exercise of future warrants or other convertible securities could cause even greater declines in the price of our common stock due to the number of additional shares available in the market upon such exercise, which could encourage short sales that could further undermine the value of our common stock. Stockholders could, therefore, experience a decline in the values of their investment as a result of short sales of our common stock.

***Stockholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities.***

Wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of shares of our common stock, preferred stock, or warrants to purchase shares of our common stock. Our Board of Directors has authority, without action or vote of the stockholders, subject to the requirements of The Nasdaq Capital Market (which generally require stockholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and/or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days preceding the signing of the binding agreement), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing stockholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management.

***Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.***

From time to time, we are involved in lawsuits, regulatory inquiries and may be involved in governmental and other legal proceedings arising out of the ordinary course of our business. Many of these matters raise difficult and complicated factual and legal issues and are subject to uncertainties and complexities. The timing of the final resolutions to these types of matters is often uncertain. Additionally, the possible outcomes or resolutions to these matters could include adverse judgments or settlements, either of which could require substantial payments, adversely affecting our results of operations and liquidity.

***We may become involved in securities class action litigation that could divert management's attention and harm the combined company's business, and insurance coverage may not be sufficient to cover all costs and damages.***

In the past, securities class action or stockholder derivative litigation often follows certain significant business transactions, such as a material acquisition like the one completed in January 2022. The combined company may become involved in this type of litigation in the future. Litigation often is expensive and diverts management's attention and resources, which could adversely affect the combined company's business.

***The physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects. An economy-wide transition to lower GHG energy sources could have a variety of adverse effects on our operations and financial results.***

Many scientists have shown that increasing concentrations of carbon dioxide, methane and other GHGs in the Earth's atmosphere are changing global climate patterns. One consequence of climate change could be increased severity of extreme weather, such as increased hurricanes and floods. If such events were to occur, or become more frequent, our operations could be adversely affected in various ways, including through damage to our facilities or from increased costs for insurance.

Another possible consequence of climate change is increased volatility in seasonal temperatures. The market for natural gas is generally improved by periods of colder weather and impaired by periods of warmer weather, so any changes in climate could affect the market for the fuels that we produce. As a result, if there is an overall trend of warmer temperatures, it would be expected to have an adverse effect on our business.

Efforts by governments, international bodies, businesses and consumers to reduce GHGs and otherwise mitigate the effects of climate change are ongoing. The nature of these efforts and their effects on our business are inherently unpredictable and subject to change. However, actions taken by private parties in anticipation of, or to facilitate, a transition to a lower-GHG economy will affect us as well. For example, our cost of capital may increase if lenders or other market participants decline to invest in fossil fuel-related companies for regulatory or reputational reasons. Similarly, increased demand for low-carbon or renewable energy sources from consumers could reduce the demand for, and the price of, the products we produce. Technological changes, such as developments in renewable energy and low-carbon transportation, could also adversely affect demand for our products.

***The Company does not insure against all potential losses, which could result in significant financial exposure.***

The Company does not have commercial insurance or third-party indemnities to fully cover all operational risks or potential liability in the event of a significant incident or series of incidents causing catastrophic loss. As a result, the Company is, to a substantial extent, self-insured for such events. The Company relies on existing liquidity, financial resources and borrowing capacity to meet short-term obligations that would arise from such an event or series of events. The occurrence of a significant incident, series of events, or unforeseen liability for which the Company is self-insured, not fully insured or for which insurance recovery is significantly delayed could have a material adverse effect on the Company's results of operations or financial condition.

***Increasing attention to environmental, social, and governance (ESG) matters may impact our business.***

Increasing attention to ESG matters, including those related to climate change and sustainability, increasing societal, investor and legislative pressure on companies to address ESG matters, may result in increased costs, reduced profits, increased investigations and litigation or threats thereof, negative impacts on our stock price and access to capital markets, and damage to our reputation. Increasing attention to climate change, for example, may result in demand shifts for hydrocarbon and additional governmental investigations and private litigation, or threats thereof, against the Company. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters, including climate change and climate-related risks. Such ratings are used by some investors to inform their investment and voting decisions. Also, some stakeholders, including but not limited to sovereign wealth, pension, and endowment funds, have been divesting and promoting divestment of or screening out of fossil fuel equities and urging lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Unfavorable ESG ratings and investment community divestment initiatives, among other actions, may lead to negative investor sentiment toward the Company and to the diversion of investment to other industries, which could have a negative impact on our stock price and our access to and costs of capital. Additionally, evolving expectations on various ESG matters, including biodiversity, waste and water, may increase costs, require changes in how we operate and lead to negative stakeholder sentiment.

***Global economic conditions could materially adversely affect our business, results of operations, financial condition and growth.***

Adverse macroeconomic conditions, including inflation, slower growth or recession, new or increased tariffs, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations could materially adversely affect our operations, expenses, access to capital and the market for oil and gas. In addition, uncertainty about, or a decline in, global or regional economic conditions could have a significant impact on our expected funding sources, suppliers and partners. A downturn in the economic environment could also lead to limitations on our ability to issue new debt; reduced liquidity; and declines in the fair value of our financial instruments. These and other economic factors could materially adversely affect our business, results of operations, financial condition and growth.

***We may be adversely affected by climate change or by legal, regulatory or market responses to such change.***

The long-term effects of climate change are difficult to predict; however, such effects may be widespread. Impacts from climate change may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects of climate change could increase the cost of certain products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business. Climate change could also lead to increased costs as a result of physical damage to or destruction of our facilities, equipment and business interruption due to weather events that may be attributable to climate change. These events and impacts could materially adversely affect our business operations, financial position or results of operation.

***We might be adversely impacted by changes in accounting standards.***

Our consolidated financial statements are subject to the application of GAAP, which periodically is revised or reinterpreted. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the Financial Accounting Standards Board and the SEC. It is possible that future accounting standards may require changes to the accounting treatment in our consolidated financial statements and may require us to make significant changes to our financial systems. Such changes might have a materially adverse impact on our financial position or results of operations.

***SEC rules could limit our ability to book proved undeveloped reserves (“PUDs”) in the future.***

SEC rules require that, subject to limited exceptions, PUDs may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement has limited and may continue to limit our ability to book additional PUDs as we pursue our drilling program. Moreover, we may be required to write down our PUDs if we do not drill or plan on delaying those wells within the required five-year timeframe.

***Future changes to U.S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations, and cash flows.***

From time to time, legislative proposals are made that would, if enacted, result in the elimination of the immediate deduction for intangible drilling and development costs, the elimination of the deduction from income for domestic production activities relating to industrial gas, oil and natural gas exploration and development, the repeal of the percentage depletion allowance for oil and gas properties, and an extension of the amortization period for certain geological and geophysical expenditures. Such changes, if adopted, or other similar changes that reduce or eliminate deductions currently available with respect to industrial gas oil and gas exploration and development, could adversely affect our business, financial condition, results of operations, and cash flows.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 1C. Cybersecurity.**

*Risk Management and Strategy*

The Company's cybersecurity environment is led by our information technology (IT) group, which, in addition to cybersecurity matters, oversees the Company's IT infrastructure. The IT group is responsible for monitoring and managing the security of the Company's corporate network and enterprise systems, including technical controls, and safety protocols and responding to security threats.

The Company maintains a cybersecurity risk management program that establishes safeguards for protecting the confidentiality, integrity, and availability of our data, technology, and information systems. The program includes general controls for managing changes in and access to the Company's IT environment, cybersecurity awareness and training to help employees identify and mitigate against cybersecurity threats, cybersecurity incident response plans and third-party incident response retainers to help expedite the Company's response in the event of a cybersecurity incident.

The Company's Director of IT is primarily responsible for the day-to-day operation of the Company's cybersecurity program and for identifying cybersecurity threats and incidents and managing the material risks associated with the cybersecurity threats. The Company's Director of IT engages third-party vendors and cybersecurity consortiums periodically for cybersecurity-related guidance and certifications. In the event of a cybersecurity incident, the Company's process calls for the Director of IT and Chief Financial Officer, to work to assess and respond to the incident and provide briefings to the Chief Executive Officer and the Audit Committee of the Board of Directors.

The Audit Committee is responsible for providing oversight over management's processes to identify and evaluate cybersecurity risks to which the Company is exposed and to implement processes and programs to manage cybersecurity risks and mitigate any incidents. The Audit Committee also reports material cybersecurity risks to the Board. We believe this risk management process provides visibility and oversight to allow the Board and executive leadership team to make timely, data-driven decisions ensuring that the Company, its employees, investors, and partners are adequately protected.

As of and for the year ended December 31, 2024, there have been no cybersecurity incidents that have materially affected the Company's business strategy, results of operations, or financial condition.

**Item 2. Properties.**

Our oil and gas properties are described below and under Item 8, Notes 5 and 16 of the Notes to Consolidated Financial Statements under the captions "Oil and Natural Gas Producing Activities" and "Supplemental Oil and Natural Gas Information (Unaudited)", respectively.

**Oil and Natural Gas Interests**

Reserve estimates are based on average prices per barrel of oil and per Mmbtu of natural gas at the first day of each month of the 12-month period prior to the end of the reporting period. Reserve estimates as of December 31, 2024, 2023 and 2022 are based on the following average prices, in each case as adjusted for transportation, quality, and basis differentials applicable to our properties on a weighted average basis:

| | Average Price During | | |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| Oil (per Bbl) | $ 75.48 | $ 78.22 | $ 93.67 |
| Gas (per Mmbtu) | $ 2.13 | $ 2.64 | $ 6.36 |

Presented below is a summary of our proved oil and natural gas reserve quantities, all of which are located in the United States, as of the end of each of our last three fiscal years:

| | As of December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2024 (1)** | | | **2023 (1)** | | | **2022 (1)** | | |
| | **Oil (MBbl)** | **Natural Gas (MMcf)** | **Total (MBOE)** | **Oil (MBbl)** | **Natural Gas (MMcf)** | **Total (MBOE)** | **Oil (MBbl)** | **Natural Gas (MMcf)** | **Total (MBOE)** |
| Proved developed | 1,592 | 2,307 | 1,977 | 3,155 | 10,054 | 4,830 | 5,109 | 16,317 | 7,828 |
| Proved non-producing | - | - | - | 28 | 28 | 33 | 31 | 31 | 36 |
| Proved undeveloped | - | - | - | - | - | - | - | - | - |
| Total proved reserves | 1,592 | 2,307 | 1,977 | 3,183 | 10,082 | 4,863 | 5,140 | 16,348 | 7,864 |

(1) Our reserve estimates as of December 31, 2024, 2023 and 2022 are based on reserve reports prepared by Don Jacks of On Point Resources, Inc. A copy of On Point Resources, Inc.'s latest report is filed as Exhibit 99.1 to this annual report on Form 10-K.

*Internal Controls Over Proved Reserve Estimates*

Our internal controls over the recording of proved reserves are structured to objectively and accurately estimate our reserve quantities and values in compliance with the SEC's regulations. Our process for managing and monitoring our proved reserves is delegated to On Point Resources, a third-party independent petroleum engineering company. Oversight is provided by management and the Audit Committee of our Board of Directors, as discussed below.

On Point Resources, Inc.'s President, Don Jacks has worked in the energy industry since 1981 and has been contracted by the Company to perform our proved reserve estimates since 2019. He holds a Bachelor of Science Degree and a Master of Science Degree in Petroleum Engineering from The University of Texas at Austin and has been a Registered Professional Petroleum Engineer in the state of Texas since 1992. He is also a member of the Society of Petroleum Evaluation Engineers (SPEE) and has been a chapter officer since 2005. Technical and engineering reviews of our assets are performed quarterly by Mr. Jacks and reported to our management. Data obtained from these reviews, in conjunction with economic data and our ownership information, is used in making a determination of estimated proved reserve quantities.

Our reserves are reviewed by our management quarterly and by the Audit Committee of our Board of Directors at least annually. Our management, which includes our Chief Executive Officer and Chief Financial Officer, is responsible for reviewing and verifying that the estimate of proved reserves is reasonable, complete, and accurate. The Audit Committee reviews a summary of the final reserves estimate and meets independently with Mr. Jacks separate from our management to discuss processes and findings in the reserve report. The Audit Committee can and does request reports and information from Mr. Jacks to independently verify values reported by the management team.

You should not place undue reliance on estimates of proved reserves. See "*Risk Factors - Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or the relevant underlying assumptions will materially affect the quantity and present value of our reserves.*" A variety of methodologies are used to determine our proved reserve estimates. The principal methodologies employed are reservoir simulation, decline curve analysis, volumetrics, material balance, advance production type curve matching, petrophysics/log analysis and analogy. Some combination of these methods is used to determine reserve estimates in substantially all of our fields.

The primary inputs to the reserve estimation process are comprised of technical information, financial data, ownership interests and production data. All field and reservoir technical information is assessed for validity when meetings are held with management, land personnel and third-party operators to discuss field performance and to validate future development plans. Current revenue and expense information is obtained from our accounting records, which are subject to their own set of internal controls over financial reporting. All current financial data such as commodity prices, lease operating expenses, production taxes and field commodity price differentials are updated in the reserve database and then analyzed to ensure that they have been entered accurately and that all updates are complete. Our current ownership in mineral interests and well production data are also subject to the aforementioned internal controls over financial reporting, and they are incorporated into the reserve database as well and verified to ensure their accuracy and completeness. Our reserve database is currently maintained by Don Jacks of On Point Resources, Inc. Mr. Jacks works with our personnel to review field performance, future development plans, current revenues and expense information. Following these reviews, the reserve database and supporting data is updated so that Mr. Jacks can prepare his independent reserve estimates and final report.

*Proved Undeveloped Reserves.* As of December 31, 2024, 2023 and 2022, we did not record any proved undeveloped ("PUD") reserves due to the lack of an approved development plan for development of potential PUD reserves and uncertainty regarding the deployment of such capital that would be required to develop any PUD reserves.

*Oil and Natural Gas Production, Production Prices, and Production Costs.* The following table sets forth certain information regarding our net production volumes, average sales prices realized and certain expenses associated with sales of oil and natural gas for the years ended December 31, 2024, 2023 and 2022.

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Production Volume** | | | |
| Oil (Bbls) | 256,166 | 391,645 | 396,456 |
| Natural gas (Mcfe) | 958,325 | 1,396,650 | 1,344,735 |
| BOE | 415,887 | 624,420 | 620,579 |
| | | | |
| **Daily Average Production Volume** | | | |
| Oil (Bbls per day) | 700 | 1,073 | 1,086 |
| Natural gas (Mcfe per day) | 2,618 | 3,826 | 3,684 |
| BOE per day | 1,136 | 1,711 | 1,700 |
| | | | |
| **Net prices realized**(1) | | | |
| Oil per Bbl | $ 70.91 | $ 72.39 | $ 91.54 |
| Natural gas per Mcfe | 2.56 | 2.84 | 6.14 |
| Oil and natural gas per BOE | 49.58 | 51.75 | 71.79 |
| | | | |
| **Operating Expenses per BOE** | | | |
| Lease operating expenses, gathering, transportation, and treating, and production taxes | $ 30.40 | $ 28.70 | $ 32.63 |
| Depreciation, depletion, accretion, and amortization | 19.85 | 17.99 | 15.48 |

(1) Net prices realized represent actual prices realized without regard to the effects of commodity derivatives.

We encourage you to read this information in conjunction with the information contained in our financial statements and related notes included in this annual report on Form 10-K.

The following table provides a regional summary of our production for the years ended December 31, 2024, 2023 and 2022

| | 2024 | | | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Oil (Bbl)** | **Natural Gas (Mcfe)** | **Total (BOE)** | **Oil (Bbl)** | **Natural Gas (Mcfe)** | **Total (BOE)** | **Oil (Bbl)** | **Natural Gas (Mcfe)** | **Total (BOE)** |
| Rockies | 112,191 | 37,829 | 118,496 | 146,199 | 84,431 | 160,271 | 161,655 | 223,394 | 198,887 |
| South Texas, West Texas, and Gulf Coast | 69,367 | 39,677 | 75,980 | 143,825 | 168,884 | 171,972 | 163,532 | 244,935 | 204,355 |
| Mid-continent | 74,608 | 880,819 | 221,411 | 101,621 | 1,143,335 | 292,177 | 71,269 | 876,407 | 217,337 |
| Total | 256,166 | 958,325 | 415,887 | 391,645 | 1,396,650 | 624,420 | 396,456 | 1,344,736 | 620,579 |

*Drilling and Other Exploratory and Development Activities - Oil and Natural Gas.* The following table sets forth information with respect to development and exploratory activity on oil and natural gas wells in which we own an interest during the periods ended December 31, 2024, 2023 and 2022.The table below does not include industrial gas wells. The Company drilled one industrial gas well during the fourth quarter of 2024.

| | 2024 | | 2023 | | 2022 | |
|---|---|---|---|---|---|---|
| | Gross | Net | Gross | Net | Gross | Net |
| Development wells: | | | | | | |
| Productive | - | - | 1 | 0.01 | 8.0 | 0.24 |
| Non-productive | - | - | - | - | - | - |
| Sub-total | - | - | 1 | 0.01 | 8.0 | 0.24 |
| Exploratory wells: | | | | | | |
| Productive | - | - | - | - | - | - |
| Non-productive | - | - | - | - | - | - |
| Sub-total | - | - | - | - | - | - |
| Total | - | - | 1 | 0.01 | 8.0 | 0.24 |

The number of gross oil and gas wells is the total number of wells we participated in, regardless of our ownership interest in the wells. The information above should not be considered indicative of future drilling performance, nor should it be assumed that there is any correlation between the number of productive wells drilled and the amount of oil and natural gas that may ultimately be recovered.

*Present Activities.* Since April 12, 2023, we have not drilled or participated in the drilling of any oil and gas wells, however, we are in the process of returning to production idle wells we acquired in 2022. The table above does not include industrial gas wells. The Company drilled one industrial gas well during the fourth quarter of 2024 and is expected to be completed in the first half of 2025.

*Oil and Natural Gas Properties, Wells, Operations and Acreage.* The following table summarizes information about our gross and net productive wells as of December 31, 2024.

| | Gross Producing Wells | | | Net Producing Wells | | | Average Working Interest | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oil | Gas | Total | Oil | Gas | Total | Oil | Gas | Total |
| Rockies | 264 | 3 | 267 | 259 | 3 | 261.8 | 98.0% | 100.0% | 98.1% |
| West Texas, South Texas, and Gulf Coast | 48 | 8 | 56 | 46 | 7 | 52.9 | 96.7% | 81.3% | 94.5% |
| Mid-continent | 11 | 3 | 14 | 10 | 2 | 12.5 | 91.8% | 81.3% | 89.6% |
| Total | 323 | 14 | 337 | 315.3 | 11.9 | 327.3 | 97.6% | 85.3% | 97.1% |

Wells are classified as oil or natural gas wells according to the predominant production stream.

*Acreage.* The following table summarizes our estimated developed and undeveloped leasehold acreage for oil and natural gas (does not include industrial gas acreage) as of December 31, 2024:

| | Developed | | Undeveloped | | Total | |
|---|---|---|---|---|---|---|
| Area | Gross | Net | Gross | Net | Gross | Net |
| Rockies | 156,459 | 130,019 | - | - | 156,459 | 130,019 |
| West Texas, South Texas, and Gulf Coast | 13,256 | 12,997 | - | - | 13,256 | 12,997 |
| Mid-Continent | 5,294 | 4,766 | - | - | 5,294 | 4,766 |
| Total | 175,010 | 147,782 | - | - | 175,010 | 147,782 |

For our non-operated properties, we are subject to lease expiration if the operator does not commence the development of operations within the agreed terms of our leases. In addition, our leases typically provide that the lease does not expire at the end of the primary term if drilling operations have commenced. As of December 31, 2024, all of our acreage is held by production.

**Industrial Gas Assets**

Excluded from tables above are our assets related to our industrial gas project. Through two acquisitions, one occurring on June 26, 2024, and another on January 7, 2025, we acquired approximately 168,000 acres on the Kevin Dome in Toole County, Montana. During the fourth quarter of 2024, we drilled and completed portions of our first well – Big Rose, which is currently being evaluated with additional completion procedures expected in first half of 2025. We also acquired a shut-in industrial gas well in connection with the Synergy acquisition and plan to complete and test that well in the first half of 2025. Additionally, we are planning to drill two new wells during the first half of 2025. We have not recorded any proven industrial gas reserves or resources attributable to our acquired acreage.

**Real Estate**

In April 2024, we sold three city lots covering 13.84 acres in Riverton, Wyoming. The proceeds from the sale, net of closing costs amounted to $139 thousand.

**Office Space**

As of March 13, 2025, we have leased office space for our Company headquarters in Houston, Texas of 11,000 square feet. The lease is described in greater detail in "*Note 4. Leases*", to the footnotes to the financial statements included herein.

The Company believes its existing facilities and equipment are in good operating condition and are suitable for the conduct of its business.

## Item 3. Legal Proceedings.

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in any legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. We may become involved in material legal proceedings in the future.

*Environmental Contingencies*

The nature of the industrial gas, natural gas and oil businesses carries with it certain environmental risks for us and our subsidiaries. We have implemented various policies, programs, procedures, training and audits to reduce and mitigate such environmental risks. We conduct periodic reviews, on a company-wide basis, to assess changes in our environmental risk profile. In the event we believe that economic losses are probable and reasonably estimable, we establish environmental reserves. We manage our exposure to environmental liabilities in acquisitions by using an evaluation process that seeks to identify pre-existing contamination or compliance concerns and address the potential liability. Depending on the extent of an identified environmental concern, we may, among other things, exclude a property from the transaction, require the seller to remediate the property to our satisfaction in an acquisition or agree to assume liability for the remediation of the property.

## Item 4. Mine Safety Disclosures.

Not applicable.

# PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

**Market Information**

Our common stock is traded on the Nasdaq Capital Market under the symbol "USEG".

**Holders**

As of March 10, 2025, we had 33,821,019 shares of common stock issued and outstanding held by 325 stockholders of record.

**Dividends**

On April 13, 2022, August 5, 2022, November 7, 2022, February 9, 2023 and May 18, 2023, the Company's Board of Directors approved the declaration and payment of quarterly cash dividends of $0.0225 per share of common stock. Our Board of Directors, at its sole discretion, determines the amount of the quarterly dividends to be distributed to our shareholders, if any, based on consideration of a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including future acquisitions and divestitures. Consequently, our dividend levels may fluctuate. On August 9, 2023, the Board of Directors determined it appropriate to suspend dividend payments, with the associated future capital resources being allocated towards the Company's share repurchase program and repayments of the outstanding balance on our credit facility. The Board of Directors may or may not reinstate future dividend payments in the future, the amount and frequency of which will be determined at the sole discretion of the Board. To the extent that the dividend is not reinstated in the future, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

The determination to pay dividends on our common stock is at the discretion of our Board of Directors.

**Recent Sales of Unregistered Securities**

There were no sales of unregistered securities during the quarter ended December 31, 2024, or for the period from January 1, 2024 to the filing date of this report, which have not previously been reported in a Current Report on Form 8-K.

**Purchases of Equity Securities by The Issuer and Affiliated Purchasers**

The following table sets forth share repurchase activity for the respective periods:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1) |
|---|---|---|---|---|
| Three Months Ended, March 31, 2024 | 318,200 | $ 1.06 | 318,200 | $ 4,229,203 |
| Three Months Ended, June 30, 2024 | 145,300 | $ 1.16 | 145,300 | $ 4,058,047 |
| Three Months Ended, September 30, 2024 | 19,000 | $ 1.05 | 19,000 | $ 4,037,713 |
| Three Months Ended December 31, 2024 | 134,100 | $ 1.53 | 134,100 | $ 3,830,436 |
| Total | 616,600 | $ 1.18 | 616,600 | $ 3,830,436 |

(1) On April 26, 2023, the Board of Directors of the Company authorized and approved a share repurchase program for up to $5.0 million of the currently outstanding shares of the Company's common stock, which was originally extended on March 19, 2024 and more recently extended on January 29, 2025. Subject to any future extensions, the repurchase program is scheduled to expire on June 30, 2026, when a maximum of $5.0 million of the Company's common stock has been repurchased, or when the program is discontinued by the Company. Under the stock repurchase program, shares may be repurchased from time to time in the open market or through negotiated transactions at prevailing market rates, or by other means in accordance with federal securities laws. Repurchases are made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. The repurchase program is funded using the Company's working capital. The program does not obligate the Company to acquire a minimum amount of shares.

(2) See our Consolidated Statements of Changes in Shareholders' Equity for a full roll forward of share activity during the year ended December 31, 2024.

**Item 6. [Reserved]**

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion includes forward-looking statements. Please refer to "Cautionary Statement Regarding Forward-Looking Statements" of this annual report on Form 10-K for important information about these types of statements and "Risk Factors", above. Additionally, please refer to the "Glossary of Oil and Natural Gas Terms" of this annual report on Form 10-K for oil and natural gas industry terminology used herein.

***Summary of The Information Contained in Management's Discussion and Analysis of Financial Condition and Results of Operations***

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- **Recent Developments**. Discussion of recent developments affecting the Company and our operations.
- **Plan of Operations and Strategy**. Discussion of our strategy moving forward and how we plan to seek to increase stockholder value.
- **Critical Accounting Policies and Estimates**. Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

- **Results of Operations**. An analysis of our financial results comparing the years ended December 31, 2024 and 2023.

- **Liquidity and Capital Resources**. A discussion of our financial condition, including descriptions of balance sheet information and cash flows.

**Recent Developments**

***Acquisition of Properties***

*Wavetech*

On June 26, 2024, we entered into and closed the transactions contemplated by, a purchase and sale agreement with Wavetech Helium (“Wavetech” and the “Purchase Agreement”). Pursuant to the Purchase Agreement, effective June 1, 2024, we acquired 82.5% of Wavetech's rights under a farmout agreement for approximately 144,000 net acres located across the Kevin Dome Structure in Toole County, Montana (“the Assigned Rights”). The Assigned Rights vest upon the drilling of two wells on the property. In consideration for the Assigned Rights, the Company paid Wavetech $2.0 million in cash and 2.6 million shares of restricted common stock, which were valued at $2.7 million on June 26, 2024. In addition, prior to the closing of the Purchase Agreement, the Company incurred $0.4 million of transaction costs related to the acquisition of the Assigned Rights. Additionally, we agreed to be responsible for 100% of capital costs, including costs related to project exploration, appraisal, development drilling and completion until $20 million has been incurred related to Wavetech's 17.5% interest. The Company accounted for the acquisition of the Assigned Rights as an asset acquisition. As of March 10, 2025, we had drilled one of the two wells required to vest the Assigned Rights, and we expect this to be completed in the first half of 2025.

*Synergy*

On January 7, 2025, we entered and simultaneously closed the transactions contemplated by, a purchase and sale agreement, with Synergy Offshore LLC (“Synergy”). Synergy is controlled by Mr. Duane H. King, a member of the Board of Directors of the Company, who serves as the Chief Executive Officer and Manager of Synergy, and John A. Weinzierl, the Company’s Chairman, who is an approximate sixty percent beneficial owner of Synergy.

We acquired approximately 24,000 net operated acres located across the Kevin Dome structure in Toole County, Montana, including all leases, wells, rights and interests in, under or derived from the acquired acreage subject to Synergy retaining an undivided twenty percent (20%) of Synergy’s right title and interest in the property.

Consideration for the transaction consisted of the following: (a) $2.0 million in cash, subject to customary adjustments; (b) 1,400,000 shares of the Company’s common stock; (c) a carried working interest whereby the Company agreed to cover and pay for 100% of Synergy’s costs attributable to the Synergy acreage, until the earlier of (i) 78 months from the closing date; or (ii) the date the total costs associated therewith total $20 million; (d) our agreement to pay Synergy 18% of the cash amounts we actually realize from any law or regulation from our sequestration of carbon oxides or similar substances derived directly from an agreed area of mutual interest including Synergy’s acreage; and (e) our agreement to pay Synergy 18% of the gain we may receive in connection with the sale of the future, first, gas processing plant located on Synergy’s acreage.

***Divestiture of Properties***

During the year ended December 31, 2024, the Company closed on a series of individual divestitures for a total of $14.0 million in net proceeds before transaction costs of $0.4 million. The Company was also relieved of associated asset retirement obligations of $5.4 million. The divestitures included primarily operated properties in Texas and Mid-Continent ("Mid-con") and encompassed 408 gross wells, with two prior dispositions, one relating to our South Texas properties and one relating to our East Texas properties, each discussed in greater detail below, accounting for the majority of the proceeds.

In South Texas, the Company divested its assets in Karnes County, Texas, for approximately $5.2 million in net cash proceeds after customary purchase price adjustments, effective April 1, 2024, with the transaction closing on July 31, 2024. These primarily operated properties, consisting of 8 gross wells, which averaged 155 barrels of oil equivalent per day (85% oil) during the first quarter of 2024, representing 13% of our total production over that period.

In East Texas, the Company sold the majority of its assets across Anderson, Chambers, Henderson, and Liberty Counties, Texas, for $6.8 million in net cash proceeds, effective November 1, 2024, with the transaction closing on December 31, 2024. This package, comprising 122 gross wells, averaged approximately 1.1 million cubic feet per day of natural gas and 168 barrels of oil per day (48% oil) for the quarter ending September 30, 2024.

In the Mid-con region, the Company divested all of its operated properties in the state of Kansas and Kay County, Oklahoma, for $1.2 million in net cash proceeds, effective November 1, 2024, with the transaction closing on October 31, 2024. This package comprised 21 gross wells.

Properties divested during 2024 represented 42% of the beginning of the year reserve volumes. The Company recognized a $5.0 million loss on the sale of its East Texas properties in the fourth quarter of 2024. The Company considered this a significant divestment that would significantly alter the relationship between capitalized costs and proved reserves as the divestiture represented 36% of our reserve volumes and 30% of our reserve value at the date of the divestiture.

The net proceeds from these divestitures were used to repay the outstanding balance on our credit facility, bringing the balance as of December 31, 2024 to $0.0 million. We also used part of the proceeds to fund the continued development of the Company's industrial gas project in Montana. These divestitures reflect the Company's strategic portfolio management, exiting non-core geographic regions to enhance liquidity, strengthen the balance sheet, and redirect capital toward high-growth opportunities.

***Derivative Activities***

On September 10, 2024, the Company settled all of its then outstanding commodity derivative contracts for 2024 and 2025 production receiving $1.8 million. As of December 31, 2024, the Company no longer has any commodity derivative contracts outstanding.

***Underwritten Offering***

On January 22, 2025, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Roth Capital Partners, LLC (the “Representative”), as representative of the several underwriters named in the Underwriting Agreement (the “Underwriters”), relating to an underwritten offering of 4,236,000 shares of common stock, par value $0.01 per share, of the Company (the “Common Stock”), at a price to the public of $2.65 per share (such offering, the “Offering”).

Under the terms of the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to 635,400 additional shares of Common Stock (the “Option”), which was exercised in full on January 25, 2025.

The sale of 4,871,400 shares of Common Stock (including the full 635,400 Option) in connection with the Offering, closed on January 23, 2025. The Company intends to use the approximately $12.1 million of net proceeds from the Offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, for the development of its recent acquisition in Montana, general corporate purposes, and working capital, or for other purposes that our board of directors, in their good faith, deems to be in the best interest of the Company. Additionally, management had the ability, pursuant to the terms of the Underwriting Agreement, to use up to the entire amount of proceeds from the Option exercise to purchase shares of Common Stock from Sage Road Capital, LLC (a current shareholder of the Company whose co-manager is Joshua L. Batchelor, a member of the Board of Directors of the Company) or its affiliates at a price up to the public offering price of the Offering, less underwriting discounts, which sale took place in January 2025, as discussed below.

Under the terms of the Underwriting Agreement, the Company and the Company's directors and executive officers and their affiliates, also agreed not to sell or transfer any Common Stock without first obtaining the written consent of the Representative, subject to certain exceptions (including the Sage Road Purchase, discussed below), for 60 days after January 22, 2025, the date of the final prospectus supplement relating to the Offering.

***Related Party Share Repurchase***

On January 27, 2025, the Company entered into a Share Repurchase Agreement with Banner Oil & Gas, LLC ("Banner"), Woodford Petroleum, LLC ("Woodford"), and Sage Road Energy II, LP, ("Sage Road", and together with Banner and Woodford, the "Selling Stockholders"). In his capacity as co-Managing Partner of Sage Road Capital, LLC, which indirectly controls and manages certain funds which own a majority interest in Banner, Woodford and Sage Road, Joshua L. Batchelor, a member of the Board of Directors of the Company, may be deemed to beneficially own the shares of Common Stock held by the Selling Stockholders.

Pursuant to the Share Repurchase Agreement, the Company, in a private transaction, outside of, and separate from the Company's previously disclosed share repurchase program, on January 27, 2025, repurchased (a) 534,020 shares of Common Stock held by Banner, (b) 41,229 shares of Common Stock held by Woodford, and (c) 60,151 shares of Common Stock held by Sage Road, for an aggregate of $1,574,362 or $2.47775 per share, which is the price per share of the 4,871,400 shares of Common Stock which we sold in our underwritten public offering which closed on January 23, 2025, less underwriting discounts and commissions, and which represented an 8.2% premium to the closing sales price of the Company's Common Stock on January 27, 2025.

The Share Repurchase Agreement contains customary representations, warranties and covenants of the parties. The share repurchase was approved by the disinterested members of the Board of Directors of the Company, as well as the Company's Audit Committee, comprised solely of independent directors not affiliated with Mr. Batchelor or the Selling Stockholders.

***Debt Repayment***

During the year ended December 31, 2024, the Company repaid $7.0 million on its credit facility, bringing the outstanding balance as of December 31, 2024 to $0.0 million. The repayments were primarily funded by the net proceeds from divestitures discussed above.

**Plan of Operations and Strategy**

In 2025 and beyond, we intend to seek additional opportunities in the oil, natural gas and industrial gas sectors, including but not limited to further acquisition of assets, participation with industry partners in exploration and development projects, acquisition of existing companies, and the purchase of other industrial gas assets. We will continue to monetize legacy assets and redeploy capital into our core focus areas. During the first half of 2025 we intend to complete two wells and drill two additional new wells targeting a industrial gas zone. Share repurchases under our approved share repurchase program continued in 2024, and the Board of Directors has extended share repurchase program until June 30, 2026. These repurchases may resume so long as share prices remain attractive and repurchases remain in the best interests of both the Company and its stockholders.

Key elements of our business strategy include:

- *Deploy our Capital in a Conservative and Strategic Manner and Review Opportunities to Bolster our Liquidity*. In the current industry environment, maintaining liquidity is critical. Therefore, we plan to be highly selective in the projects we evaluate and to review opportunities to bolster our liquidity and financial position through various means.

- *Evaluate and Pursue Value-Enhancing Transactions*. We plan to continuously evaluate strategic alternative opportunities with the goal of enhancing stockholder value.

**Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements in conformity with GAAP requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. A summary of our significant accounting policies is detailed in Note 1 – Organization, Operations and Significant Accounting Policies of our consolidated financial statements. We have outlined below those policies identified as being critical to the understanding of our business and results of operations and that require the application of significant management judgment.

*Oil and Natural Gas Reserve Estimates.* Our estimates of proved reserves are based on quantities of oil and natural gas reserves which current engineering data indicates are recoverable from known reservoirs under existing economic and operating conditions. Estimates of proved reserves are critical estimates in determining our depreciation, depletion and amortization expense ("DD&A") and our full cost ceiling limitation ("Full Cost Ceiling"). Future cash inflows are determined by applying oil and natural gas prices, as adjusted for transportation, quality and basis differentials to the estimated quantities of proved reserves remaining to be produced as of the end of that period. Future production and development costs are based on costs existing at the effective date of the report. Expected cash flows are discounted to present value using a prescribed discount rate of 10% per annum.

Estimates of proved reserves are inherently imprecise because of uncertainties in projecting rates of production and timing of developmental expenditures, interpretations of geological, geophysical, engineering and production data and the quality and quantity of available data. Changing economic conditions also may affect our estimates of proved reserves due to changes in developmental costs and changes in commodity prices that may impact reservoir economics. We utilize independent reserve engineers to estimate our proved reserves at the end of each fiscal quarter during the year.

*Oil and Natural Gas Properties.* We follow the full cost method in accounting for our oil and natural gas properties. Under the full cost method, all costs associated with the acquisition, exploration and development of oil and natural gas properties are capitalized and accumulated in a country-wide cost center. This includes any internal costs that are directly related to development and exploration activities, but does not include any costs related to production, general corporate overhead or similar activities.

The sum of net capitalized costs and estimated future development and dismantlement costs for each country-wide cost center are amortized using the equivalent unit-of-production method, based on proved oil and natural gas reserves. The capitalized costs are amortized over the life of the reserves associated with the assets, with the DD&A recognized in the period that the reserves are produced. DD&A is calculated by dividing the period's production volumes by the estimated volume of reserves associated with the investment and multiplying the calculated percentage by the sum of the capitalized investment and estimated future development costs associated with the investment. Changes in our reserve estimates will therefore result in changes in our DD&A per unit. Costs associated with production and general corporate activities are expensed in the period incurred.

Exploratory wells in progress are excluded from the DD&A calculation until the outcome of the well is determined. Similarly, unproved property costs are initially excluded from the DD&A calculation. Unproved property costs not subject to the DD&A calculation consist primarily of leasehold and seismic costs related to unproved areas. Unproved property costs are transferred into the amortization base on an ongoing basis as the properties are evaluated and proved reserves are established or impairment is determined. Unproved oil and natural gas properties are assessed quarterly for impairment to determine whether we are still actively pursuing the project and whether the project has been proven either to have economic quantities of reserves or that economic quantities of reserves do not exist.

Under the full cost method of accounting, capitalized oil and natural gas property costs less accumulated DD&A and net of deferred income taxes may not exceed the Full Cost Ceiling. The Full Cost Ceiling is equal to the present value, discounted at 10%, of estimated future net revenues from proved oil and natural gas reserves plus the unimpaired cost of unproved properties not subject to amortization, plus the lower of cost or fair value of unproved properties that are subject to amortization. When net capitalized costs exceed the Full Cost Ceiling, an impairment is recognized.

*Industrial Gas Properties.* The Company capitalizes all costs associated with the acquisition, exploration and development of industrial gas reserves. The acquisition of leases, cost of acquiring drilling permits, drilling, development and asset retirement costs are capitalized as exploration and unevaluated assets. When commercially viable quantities of industrial gas reserves are discovered, the associated costs are reclassified to evaluated assets. The Company will periodically assess exploration and unevaluated assets, and upon evaluation, will reclass the assets to evaluated. Any additional costs to develop the asset or to construct infrastructure to produce and process industrial gases, including processing plant construction costs, will also be capitalized as evaluated. Interest expense, if any, is capitalized on qualifying expenditures. Evaluated industrial gas assets are subject to depreciation, depletion and amortization once production commences utilizing the units of production method. Evaluated industrial gas assets are stated at cost, less accumulated depletion, depreciation and amortization.

The carrying value of evaluated assets is reviewed for impairment when there are indications that the asset may not be recoverable due to significant and prolonged declines in prices, significant reductions in estimated resources, changes in the Company's plans or other significant events that indicate that an impairment may exist. If any such indication of impairment exists and the sum of the undiscounted cash flows is less than the carrying value of the evaluated property, the carrying value is reduced to estimated fair value and reported as an impairment charge in the period with a reduction in the associated carrying cost. Individual evaluated properties are grouped for impairment purposes at the lowest level for which there are identifiable cash flows. The fair value of impaired assets is typically determined based on the present value of expected future cash flows using discount rates believed to be consistent with market participants. The impairment test incorporates several assumptions involving expectations of future cash flows which can change significantly over time. These assumptions include estimates of future production, future contracted industrial gas prices, estimates of future operating and development costs.

*Joint Interest Operations*. Until the January 2022 acquisition, the majority of our properties were operated by other companies. Therefore, we relied to a large extent on the operator of the property to provide us with timely and accurate information about the operations of the properties. Revenue statements and joint interest billings from the operators serve as our primary source of information to record revenue, operating expenses and capital expenditures for our properties on a monthly basis. Many of our properties are subject to complex participation and operating agreements where our working interests and net revenue interests are subject to change upon the occurrence of certain events, such as the achievement of "payout." These calculations may be subject to error and differences of interpretation which can cause uncertainties about the proper amount that should be recorded in our accounting records. When these issues arise, we make every effort to work with the operators to resolve the issues promptly.

*Acquisitions*. The Company accounts for acquisitions as business combinations if the acquired assets meet the definition of a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar assets, the acquisition is not considered a business and is accounted for as an asset acquisition. This determination of whether the gross assets acquired are concentrated in a group of similar assets is based on whether the risks associated with managing and creating outputs from the assets are similar.

*Divestitures.* For divestitures involving oil and gas assets included in the full cost pool, the Company evaluates if a given divestiture has a significant impact to either our reserves volumes or the full cost pool unit-of-production depletion rate. If a divestiture has a significant impact to reserves volumes or the full cost pool depletion rate, the Company will consider if recognizing gain or loss on the transaction is appropriate. If a divestiture does not have a significant impact to reserves volumes or the full cost pool depletion rate, the Company records proceeds, net of transaction costs and purchase price adjustments, to the full cost pool, with no gain or loss recognized on the consolidated statements of operations. Relief of any associated asset retirement obligations are also recorded to the full cost pool. Revenue and expenditures are recorded following our standard accounting policies up until the month that a divestment closes.

*Revenue Recognition.* We recognize revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606-*Revenue from Contracts with Customers. See* *Note 3- Revenue From Contracts With Customers* to our consolidated financial statements.

*Stock-Based Compensation.* We measure the cost of employee services received in exchange for all equity awards granted, including stock options, based on the fair market value of the award as of the grant date. We recognize the cost of the equity awards over the period during which an employee is required to provide service in exchange for the award, usually the vesting period.

**Recent Accounting Standards**

Please refer to the section entitled *Recent Accounting Pronouncements* under *Note 1 – Organization, Operations and Significant Accounting Policies* to our consolidated financial statements, for additional information on recently issued accounting standards and our plans for adoption of those standards.

**Results of Operations**

**Comparison of our Statements of Operations for the Years Ended December 31, 2024 and 2023**

During the year ended December 31, 2024, we recorded a net loss of $25.8 million. The net loss is primarily due to a reduction in revenue of $11.7 million (discussed below), ceiling test write downs of $11.9 million of the Company's oil and gas properties as a result of divestments, lower crude oil and natural gas prices and other reserves revisions since December 31, 2023 and a loss on sale of our East Texas properties of $5.0 million. During the year ended December 31, 2023 we recorded a net loss of $32.4 million.

In the following sections we discuss our revenue, operating expenses, and non-operating income (expense) for the year ended December 31, 2024 compared to the year ended December 31, 2023.

*Revenue.* Presented below is a comparison of our oil and natural gas sales, production quantities and average sales prices for the years ended December 31, 2024 and 2023 (dollars in thousands, except average sales prices):

| | 2024 | 2023 | Change Amount | Change Percent |
|---|---|---|---|---|
| **Revenue:** | | | | |
| Oil | $ 18,165 | $ 28,352 | $ (10,187) | -36% |
| Gas | 2,454 | 3,964 | (1,510) | -38% |
| Total | $ 20,619 | $ 32,316 | $ (11,697) | -36% |
| **Production quantities:** | | | | |
| Oil (Bbls) | 256,166 | 391,645 | (135,479) | -35% |
| Gas (Mcfe) | 958,325 | 1,396,650 | (438,325) | -31% |
| BOE | 415,887 | 624,420 | (208,533) | -33% |
| BOE per day | 1,136 | 1,711 | (574) | -34% |
| **Average sales prices:** | | | | |
| Oil (Bbls) | $ 70.91 | $ 72.39 | $ (1.48) | -2% |
| Gas (Mcfe) | 2.56 | 2.84 | (0.28) | -10% |
| BOE | 49.58 | 51.75 | (2.18) | -4% |

The decrease in our oil and gas revenue of $11.7 million for the year ended December 31, 2024, as compared to the year ended December 31, 2023, was due to decreases in both production quantities and commodity prices. The realized price received for our oil production decreased 2% and the realized price received for our natural gas production decreased 10% for the year ended December 31, 2024, compared to the year ended December 31, 2023.

For the year ended December 31, 2024, we produced 415,887 BOE, or an average of 1,136 BOE per day, as compared to 624,420 BOE or 1,711 BOE per day, during the comparable period in 2023. Our oil production decreased 35% and our natural gas production decreased 31% compared to the prior year period. Production declines were primarily the result of property sales during 2024 and the sale of substantially all of our non-operated properties in the fourth quarter of 2023. In addition, we experienced temporary weather-related events, such as severe storms, flooding and winter weather at certain of our property locations in Texas and Montana. During the year ended December 31, 2024, our BOE production mix was 62% oil and 38% natural gas and liquids, consistent with 63% oil and 37% natural gas and liquids in the comparable period of 2023.

*Oil and Natural Gas Production Costs.* Presented below is a comparison of our oil and natural gas production costs for the years ended December 31, 2024 and 2023 (in thousands):

| | 2024 | 2023 | Change Amount | Change Percent |
|---|---|---|---|---|
| Lease operating expenses | $ 11,160 | $ 15,254 | $ (4,094) | -27% |
| Gathering, transportation, and treating | 205 | 557 | (352) | -63% |
| Production taxes | 1,276 | 2,107 | (831) | -39% |
| Total | $ 12,641 | $ 17,918 | $ (5,277) | -29% |
| Lease operating expense per BOE | $ 26.83 | $ 24.43 | 2.41 | 10% |
| Gathering, transportation, and treating per BOE | $ 0.49 | $ 0.89 | (0.40) | -45% |

For the year ended December 31, 2024, lease operating expenses were $11.2 million or $26.83 per BOE, a decrease of $4.1 million when compared to the $15.3 million or $24.43 per BOE for the year ended December 31, 2023. The decrease in lease operating expense was due to the divesture of some lower cost properties during 2024 and the divestiture of substantially all of our non-operated properties in the fourth quarter of 2023. In addition, we had lower workover activity on our properties and improved operating efficiencies from integrating and optimizing our oil and natural gas assets acquired in 2022. The increase in lease operating expense on a per BOE basis is due to certain fixed cost components of our lease operating expense which remain for a period after divesting of a property.

Gathering, transportation, and treating costs decreased $352 thousand or 63%, for the year ended December 31, 2024 compared to 2023. The decrease was attributable to the divestitures of operated properties in 2024 and the sale of substantially all of our non-operating properties in the fourth quarter of 2023.

For the year ended December 31, 2024, production taxes were $1.3 million, a decrease of $0.8 million, or 39%, compared to $2.1 million in the comparable period of 2023. This decrease was attributable to and consistent with the decrease in total revenues of 36%from oil and natural gas properties as discussed above. Production taxes for our properties average 6% of revenue.

*Depreciation, Depletion, Accretion and Amortization.* Our depreciation, depletion, and amortization ("DD&A") includes depletion expense on our oil and gas properties, accretion expense from our asset retirement obligations, and depreciation expense on our fixed assets. Depletion expenses on our oil and gas properties are the primary driver of DD&A expense making up 87% and 89% of DD&A expense for the years ended December 31, 2024 and 2023, respectively. Our depletion rate for the year ended December 31, 2024, was $19.64 per BOE, compared to $17.99 per BOE for the year ended December 31, 2023. Our depletion rate can fluctuate because of acquisitions, changes in drilling and completion costs, impairments, revisions in asset retirement obligation cost estimates or timing, divestitures, changes in the mix of our production, the underlying proved reserve volumes and estimated costs to drill and complete proved undeveloped reserves. DD&A was $8.3 million for the year ended December 31, 2024, compared to $11.2 million for the year ended December 31, 2023.

*Impairment of oil and natural gas properties.* Impairment of $11.9 million during the year ended December 31, 2024 was driven by ceiling test write-downs of oil and gas properties as a result of a decrease in crude oil and natural gas prices, divestments and other reserves revisions since December 31, 2023 For the year ended December 31, 2023, the Company recorded ceiling test write-downs of its oil and natural gas properties of $26.7 million as a result of a decrease in crude oil and natural gas prices, divestments and other reserves revisions since December 31, 2022.

*General and Administrative Expenses.* Presented below is a comparison of our general and administrative expenses for the years ended December 31, 2024 and 2023 (in thousands):

| | | | Change | |
|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **Percent** |
| Compensation and benefits, including directors | $ 3,871 | $ 5,335 | $ (1,464) | -27% |
| Stock-based compensation | 1,268 | 2,293 | (1,025) | -45% |
| Professional fees, insurance and other | 3,057 | 3,895 | (838) | -22% |
| Total | $ 8,196 | $ 11,523 | $ (3,327) | -29% |

General and administrative expenses decreased by $3.3 million during the year ended December 31, 2024, as compared to the prior year period. Compensation and benefits decreased $1.5 million due to decreased headcount related to the divestment of properties during 2024. Stock-based compensation decreased $1.0 million primarily due to a reduction in the value of employee and director stock-based compensation awards amortized during 2024, Professional fees, insurance and other expenses decreased $0.8 million, primarily due to non-recurring accounting, audit, and recruiting fees recognized in 2023.

*Loss on sale of assets.* During the year ended December 31, 2024 we recognized a $5.0 million loss on the sale of our East Texas properties. The Company considered this a significant divestment that would significantly alter the relationship between capitalized costs and proved reserves as the divestiture represented 36% of our reserve volumes and 30% of our reserve value at the date of the divestiture.

*Non-Operating Income (Expense).* Presented below is a comparison of our non-operating income (expense) for the years ended December 31, 2024 and 2023 (in thousands):

| | | | Change | |
|---|---|---|---|---|
| | **2024** | **2023** | **Amount** | **Percent** |
| Commodity derivative gain (loss), net | $ 537 | $ 2,882 | (2,345) | -81% |
| Interest income (expense), net | (530) | (1,114) | 584 | -52% |
| Other income (expense) | (33) | 25 | (58) | -232% |
| Total non-operating expense | $ (26) | $ 1,793 | $ (1,819) | -101% |

Commodity derivative gain (loss), net is the result of changes in derivative fair values associated with fluctuations in forward price curves for the commodities underlying our outstanding derivative contracts and the monthly cash settlements of our derivative positions during the period. On September 10, 2024, the Company settled all of its then outstanding commodity derivative contracts and received proceeds of $1.8 million. For the year ended December 31, 2024, we recognized gains on the settlement of commodity derivative contracts of $0.5 million.

Interest expense, net, represents the interest related to our Credit Facility. The decrease in interest expense, net is primarily driven by a decrease in the outstanding principal balance on our credit facility as we have paid down the amount borrowed on the facility with proceeds from the divestments of properties. As of December 31, 2024, we had borrowed $0.0 million on the credit facility as compared to $5.0 million outstanding as of December 31, 2023. The average interest rate increased to 9.2% per annum for the year ended December 31, 2024, as compared to 8.9% per annum for the year ended December 31, 2023. The balance outstanding on the Credit Facility as of December 31, 2024 was $0.0 million.

Other income (expense), net is primarily impacted from changes in the fair value of our investment in Anfield Energy. We recognized a net gain of $33 thousand on these items for the year ended December 31, 2024, but recognized a loss of $25 thousand for the comparable period of 2023.

*Income Tax Benefit (Expense)*. Income tax benefit decreased $0.9 million during the year ended December 31, 2024, as compared to December 31, 2023. This change is almost entirely related to a deferred tax benefit from the reduction of our net deferred tax liability. The change in our net deferred tax liability is primarily related to property and equipment deferred tax liabilities that decreased as a result of the $11.9 million in before tax ceiling test write-downs of our oil and gas properties recognized for the year ended December 31, 2024.

**Liquidity and Capital Resources**

Based on the current commodity price environment and our current working capital, we believe we have sufficient liquidity and capital resources to execute our business plan while continuing to meet our current financial obligations. We continue to manage our commitments in order to maintain flexibility with regard to our activity level and capital expenditures.

As described above under "Item 1. Business-Recent Events", during 2024 we closed on a series of individual divestitures for a total of $14.0 million in net proceeds before transaction costs of $0.4 million. The net proceeds from these divestitures were used to repay the outstanding balance on our credit facility, bringing the balance as of December 31, 2024 to $0.0 million. We also used a portion of the proceeds from the divestitures for the development of our industrial gas properties acquired during 2024. As of December 31, 2024, the Company was in compliance with all financial covenants related to the credit facility.

Over the next year, we anticipate our industrial gas development to cost between $4.0 and $6.5 million on drilling and completing 2 – 4 industrial gas wells, acreage extension payments as well as site and preliminary design for our anticipated industrial gas processing plant and related infrastructure. The total costs depend primarily on the number of industrial gas wells drilled and the timing of construction on an industrial gas processing plant. In addition, depending on timing, regulatory requirements and weather, we plan to incur costs for plugging and abandonment of oil and natural gas wells of approximately $1.0 million. We view much of these capital activities as discretionary for which we can control both the timing and amount of the expenditures. Other activities, such as some repairs and maintenance may be required from time to time by regulatory bodies. We anticipate our expenditures will be funded primarily by cash on hand, operating cash flows, proceeds from divestitures of oil and gas properties, and if necessary, borrowings under our credit facility. In the event that readily available sources of cash flow are insufficient to fund our capital needs, we may utilize equity and credit markets as a funding mechanism. In the event we sell equity, such sales may cause dilution to existing stockholders.

*Sources of Cash*

For the year ended December 31, 2024, we funded our capital expenditures with cash on hand, cash flows from operating activities, proceeds from the divestitures of oil and gas producing properties and borrowings under our credit facility. In January 2025, we raised $12.1 million ($10.5 million after the Related Party Share Repurchase – see *Note 16 Subsequent Events*) in an underwritten offering of 4,236,000 shares of our common stock. In future quarters, if cash flows are not sufficient to fund our capital expenditures and operations, we may raise funds through additional equity offerings or from other sources of financing. We also may re-evaluate our capital spend program as economic conditions warrant. Additionally, we may enter into carrying cost and sharing arrangements with third parties for certain development programs. All of our sources of liquidity can be affected by the changes in economic conditions, rising interest rates, changes in debt and equity markets, force majeure events, fluctuations in commodity prices, operating costs, tax law changes, and volumes produced, all of which would affect us and our industry.

Credit Agreement

On January 5, 2022, we entered into a four-year credit agreement with FirstBank Southwest as administrative agent, which provides for a revolving line of credit with a borrowing base of $20 million, and a maximum credit amount of $100 million. Under the Credit Agreement, revolving loans may be borrowed, repaid and re-borrowed until January 5, 2026, when all outstanding amounts must be repaid. The Credit Agreement contains customary indemnification requirements, representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries. In addition, the Credit Agreement contains financial covenants, tested quarterly, that limit our ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3:1 and require our ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1:1 or higher. We were in compliance with all financial covenants as of December 31, 2024.

The borrowing base is subject to redetermination semi-annually, commencing on or about April 1 and October 1 of each year during the four-year term of the Credit Agreement. Our borrowing base can be adjusted as a result of changes in commodity prices, acquisitions or divestitures of proved properties, or financing activities, all as provided for in the Credit Agreement. We are currently in talks with our bank to renew and extend the Credit Agreement and anticipate that process to be complete in the second quarter of 2025.

Cash flows provided by our operating activities, proceeds received from divestitures of properties, capital markets activities, and our capital expenditures, including acquisitions, all impact the amount we borrow under our revolving Credit Agreement. The amount outstanding on the Credit Agreement as of December 31, 2024, was $0.0 million.

*Uses of Cash*

We use cash for the acquisition and development of our industrial gas properties, capital expenditures, workovers and operating costs related to our oil and gas properties, and general and administrative costs, settlements of commodity derivative contracts, debt obligations including interest, and share repurchases. During the year ended December 31, 2024, we spent approximately $6.5 million on the acquisition and development of our industrial gas properties.

The amount and allocation of our future capital expenditures will depend upon a number of factors, including our cash flows from operating, investing, and financing activities, our ability to execute our development program, and the number and size of acquisitions that we complete. In addition, the impact of industrial gas, oil and natural gas prices on investment opportunities, the availability of capital, tax law changes, and the timing and results of our development activities may lead to changes in funding requirements for future development. We periodically review our capital expenditure budget to assess if changes are necessary based on current and projected cash flows, acquisition and divestiture activities, and other factors. We will continue to monitor the economic environment through the remainder of the year and adjust our activity level as warranted.

As described above under "Item 1. Business-Recent Events" we closed on a series of individual divestitures for a total of $14.0 million in net proceeds before transaction costs of $0.4 million. The net proceeds from these divestitures were used to repay the outstanding balance on our credit facility, bringing the balance as of December 31, 2024 to $0.0 million and development of our industrial gas properties acquired during 2024.

The following table sets forth certain measures about our liquidity as of December 31, 2024 and 2023, in thousands:

| | 2024 | 2023 | Change |
|---|---|---|---|
| Cash and equivalents | $ 7,723 | $ 3,351 | $ 4,372 |
| Working capital deficit [(1)] | (2,624) | (2,706) | 82 |
| Total assets | 49,667 | 80,444 | (30,777) |
| Outstanding debt | - | 5,000 | (5,000) |
| Total shareholders' equity | 23,821 | 46,522 | (22,701) |
| Select Ratios: | | | |
| Current ratio [(2)] | 0.79 to 1.00 | 0.76 to 1.00 | |
| Debt-to-equity ratio [(3)] | 0 to 1.00 | 0.11 to 1.00 | |

(1) Working capital is computed by subtracting total current liabilities from total current assets.
(2) The current ratio is computed by dividing total current assets by total current liabilities.
(3) The debt-to-equity ratio is computed by dividing total debt by total shareholders' equity.

As of December 31, 2024, we had a working capital deficit of $2.6 million compared to a working capital deficit of $2.7 million as of December 31, 2023, an increase in working capital deficit of $0.1 million. However, when including the available borrowing capacity under the credit facility of $20.0 million as of December 31, 2024, we have a working capital surplus of $17.4 million, not including the cash proceeds received from the equity offering noted above.

As of December 31, 2024, we had cash and cash equivalents of $7.7 million and accounts payable and accrued liabilities of $5.5 million. As of December 31, 2023, we had cash and cash equivalents of $3.4 million and accounts payable and accrued liabilities of approximately $4.1 million. Revenue and royalties payable were nearly unchanged year over year.

If we have needs for financing in 2025, alternatives that we will consider would potentially include borrowing amounts on our Credit Agreement, selling all or a partial interest in certain of our oil and natural gas assets, selling our marketable equity securities, issuing additional shares of our common stock for cash or as consideration for acquisitions in public or private offerings, and other alternatives, as we determine how to best fund our capital programs and meet our financial obligations.

**Cash Flows**

The following table summarizes our cash flows for the years ended December 31, 2024 and 2023 (in thousands):

| | 2024 | 2023 | Change |
|---|---|---|---|
| Net cash provided by (used in): | | | |
| Operating activities | $ 4,587 | $ 5,472 | $ (885) |
| Investing activities | 5,768 | 2,826 | 2,942 |
| Financing activities | (5,983) | (9,358) | 3,375 |

*Operating Activities.* Cash provided by operating activities for the year ended December 31, 2024, was $4.6 million as compared to cash provided by operating activities of $5.5 million for 2023, a decrease of $0.9 million. The decrease in cash provided by operating activities is mainly attributable to a reduction in cash receipts for revenues as a result of divestments and a decrease in prices we received for our oil and natural gas production partially offset by decreases in operating expenses.

*Investing Activities.* Cash provided by investing activities for the year ended December 31, 2024, was $5.8 million compared to cash provided by investing activities of $2.8 million for 2023, an increase of $2.9 million. The increase of cash provided by our investing activities for the year ended December 31, 2024 was primarily due to $13.5 million of net proceeds from the sale of non-operated oil and natural gas properties, which were partially offset by capital expenditures related to oil and natural gas properties of $1.4 million. and acquisition and development of industrial gas properties of $6.8 million. The comparable number in 2023 represents cash provided by investing activities of $2.8 million which represented proceeds from the sale of substantially all of our non-operated properties of $6.7 million and $3.4 million of capital expenditures related to capital workovers on our oil and natural gas properties.

*Financing Activities.* Cash used in financing activities for the year ended December 31, 2024, was $6.0 million as compared to cash used in financing activities of $9.4 million for the comparable period in 2023. The cash used in financing activities during the year ended December 31, 2024 was primarily attributable to net payments of debt under our credit facility of $5.0 million and amounts paid to repurchase our common stock of $0.8 million The comparable number in 2023 mainly represents net payments of borrowings on our credit facility of $7.0 million and dividends paid on our common stock of $1.2 million.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

**Item 8. Financial Statements and Supplementary Data.**

Financial statements meeting the requirements of Regulation S-X are included below.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

We are required to maintain disclosure controls and procedures (as defined by Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that required information is recorded, processed, summarized, and reported within the required timeframe, as specified in the rules of the SEC. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

During 2023, the Company reported material weaknesses in our internal controls over financial reporting related the ineffective design of third-party information technology general controls (“ITGCs”) related to our accounting system, a lack of sufficient evidence of management review in certain controls with a review component, and certain business process controls not being implemented for a sufficient portion of the year. In response to these material weaknesses, the Company hired experienced accounting professionals in the second and third quarter of the year to guide and oversee the Company’s control environment. As a result of these changes, we have one material weakness remaining open as of December 31, 2024, related to the ineffective design of our accounting system, and as of December 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective.

**Management’s Report on Internal Control Over Financial Reporting**.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer (Principal Accounting/Financial Officer), our management conducted an evaluation of the effectiveness of the design and operation of our internal control over financial reporting as of December 31, 2024. In making its assessment, our management used the criteria set forth in the “Internal Control – Integrated Framework” (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on the evaluation conducted under this framework, our management concluded that certain controls over our accounting system as described below were not designed appropriately. As a result, the Chief Executive Officer and our Chief Financial Officer concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2024.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. In connection with management’s assessment of our internal control over financial reporting as of December 31, 2024, we have concluded we have a material weakness. Specifically, our accounting system was not designed appropriately, and reliance could not be placed on some of the control elements of the accounting system. These control elements include a lack of certain functionality related to system-based account reconciliations, missing systematic controls in areas such as segregation of duties enforcement and data input validation, and an absence of independent evaluation of third-party ITGCs. The Company's manual review controls partially compensate for the system design limitations, but this material weakness cannot be remediated without the implementation of a system-based solution.

**Changes in Internal Control Over Financial Reporting**.

During the fiscal year ended December 31, 2024, we improved the documentation for control activities with a review component to include reviewer notes and documented approval and took steps to ensure that controls operated consistently throughout the year. As a result, we remediated the following material weaknesses that were outstanding as of December 31, 2022:

- Certain control activities with a review component were not implemented and operating effectively for a sufficient portion of the year and did not include sufficient evidence of review procedures performed or formal approval by the reviewer.
- Certain business process controls were not implemented for a sufficient portion of the year and did not include sufficient evidence of operation.

In January 2025, we began outsourcing much of our day-to-day accounting to a third-party provider, which will involve utilizing a new accounting system that we believe will remediate the historic material weakness during 2025. The outsourcing arrangement will be subject to the Company’s supervision and review and many processes such as oil and gas reserves, income taxes, payroll, asset retirement obligations, and financial reporting among other corporate accounting functions will be maintained by Company accounting personnel. We anticipate assessing controls over the new accounting system in the third and fourth quarters of 2025.

Except as discussed above, there were no changes in the Company’s internal control over financial reporting during the fourth quarter of 2023, which were identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

**Limitations on the Effectiveness of Controls**

The Company's disclosure controls and procedures are designed to provide the Company's Chief Executive Officer and Chief Financial Officer with reasonable assurances that the Company's disclosure controls and procedures will achieve their objectives. However, the Company's management does not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting can or will prevent all human error. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are internal resource constraints, and the benefit of controls must be weighed relative to their corresponding costs. Because of the limitations in all control systems, no evaluation of controls can provide complete assurance that all control issues and instances of error, if any, within the Company are detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur due to human error or mistake. Additionally, controls, no matter how well designed, could be circumvented by the individual acts of specific persons within the organization. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions.

**Attestation Report of the Registered Public Accounting Firm**

This report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. Under SEC rules, such attestation is not required for non-accelerated filers such as the Company.

**Item 9B – Other Information.**

*(b) Rule 10b5-1 Trading Plans.* During the quarter ended December 31, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f)) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

Information required by Items 10, 11, 12, 13 and 14 of Part III is omitted from this Annual Report and will be filed in a definitive proxy statement or by an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report.

### Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be included in the Company's 2025 Proxy Statement to be filed with the SEC within 120 days after December 31, 2024 in connection with the solicitation of proxies for the Company's 2025 annual meeting of shareholders, including under the headings "Requirements and Deadlines for Shareholders to Submit Proposals for 2026 Annual Meeting", "Election of Directors", "Executive Officers", "Corporate Governance", "Code of Conduct", "Insider Trading/Anti-Hedging Policies", "Committees of the Board", and "Delinquent Section 16(a) Reports" (to the extent applicable and warranted) and is incorporated herein by reference.

### Item 11. Executive Compensation.

The information required by this Item will be included in the Company's 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2024 in connection with the solicitation of proxies for the Company's 2024 annual meeting of shareholders, including under the headings "Executive and Director Compensation", "Executive Compensation", "Directors Compensation", "Outstanding Equity Awards at Fiscal Year-End", "Policy on Timing of Award Grants", and "Compensation Committee Interlocks and Insider Participation", and is incorporated herein by reference.

*Insider Trading Policies and Procedures*

The Company has an insider trading policy governing the purchase, sale and other dispositions of the Company's securities that applies to all Company personnel, including directors, officers, employees, and other covered persons. The Company also plans to follow procedures for the repurchase of any shares of its securities. The Company believes that its insider trading policy and planned repurchase procedures are reasonably designed to promote compliance with insider trading laws, rules and regulations, and listing standards applicable to the Company. A copy of the Company's insider trading policy is filed as Exhibit 19.1 to this Form 10-K.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item will be included in the Company's 2025 Proxy Statement to be filed with the SEC within 120 days after December 31, 2024 in connection with the solicitation of proxies for the Company's 2025 annual meeting of shareholders, including under the heading "Principal Holders of Voting Securities and Ownership by Officers and Directors" and "Equity Compensation Plan Information" and is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item will be included in the Company's 2025 Proxy Statement to be filed with the SEC within 120 days after December 31, 2024 in connection with the solicitation of proxies for the Company's 2025 annual meeting of shareholders, including under the headings "Certain Relationships and Related Transactions" and "Director Independence" and is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services.

Our independent public accounting firm is Weaver and Tidwell, L.L.P, Houston, Texas, PCAOB ID 410.

The information required by this Item will be set forth under the heading "Ratification of Appointment of Independent Auditors"-"Principal Accounting Fees and Services" in the Company's 2024 Proxy Statement to be filed with the SEC within 120 days after December 31, 2024 and is incorporated herein by reference.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of U.S. Energy Corp.

***Opinion on the Consolidated Financial Statements***

We have audited the accompanying consolidated balance sheet of U.S. Energy Corp. and Subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

**Estimation of proved reserves impacting the recognition and valuation of depletion expense and impairment of oil and natural gas properties**

Critical Accounting Matter Description

As described in Note 1 to the financial statements, the Company accounts for its oil and natural gas properties using the full cost method of accounting which requires management to make estimates of proved reserve volumes and future revenues and expenses to calculate depletion expense and measure its oil and natural gas properties for potential impairment. To estimate the volume of proved reserves and future revenues, management makes significant estimates and assumptions, including forecasting the production decline rate of producing properties. In addition, the estimation of proved reserves is also impacted by management's judgments and estimates regarding the financial performance of wells associated with proved reserves to determine if wells are expected, with reasonable certainty, to be economical under the appropriate pricing assumptions required in the estimation of depletion expense and potential impairment measurements. We identified the estimation of proved reserves of oil and natural gas properties, due to its impact on depletion expense and impairment evaluation, as a critical audit matter.

The principal consideration for our determination that the estimation of proved reserves is a critical audit matter is that changes in certain inputs and assumptions, which require a high degree of subjectivity necessary to estimate the volume and future revenues of the Company's proved reserves could have a significant impact on the measurement of depletion expense or the impairment assessment. In turn, auditing those inputs and assumptions required subjective and complex auditor judgment.

How the Critical Audit Matter was Addressed in the Audit

We obtained an understanding of the design and implementation of management's controls and our audit procedures related to the estimation of proved reserves included the following, among others.

- We evaluated the level of knowledge, skill, and ability of the Company's reservoir engineering specialists and their relationship to the Company, made inquiries of those reservoir engineers regarding the process followed and judgments made to estimate the Company's proved reserve volumes, and read the reserve report prepared by the Company's specialists.

- To the extent key, sensitive inputs and assumptions used to determine proved reserve volumes and other cash flow inputs and assumptions are derived from the Company's accounting records, such as commodity pricing, historical pricing differentials, operating costs, and working and net revenue interests, we tested management's process for determining the assumptions, including examining the underlying support, on a sample basis. Specifically, our audit procedures involved testing management's assumptions, to the extent key, as follows:
    - Compared the estimated pricing differentials used in the reserve report to realized prices related to revenue transactions recorded in the current year and examined contractual support for the pricing differentials;
    - Evaluated the forecasted operating costs at year-end compared to historical operating costs;
    - Evaluated the working and net revenue interests used in the reserve report by inspecting a sample of ownership interests;
    - Applied analytical procedures to the reserve report by comparing to historical actual results and to the prior year reserve report.

/s/ WEAVER AND TIDWELL, L.L.P.

We have served as the Company's auditor since 2023.

Houston, Texas
March 13, 2025

**U.S. ENERGY CORP. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2024 AND 2023**
**(in thousands, except share and per share amounts)**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and equivalents | $ 7,723 | $ 3,351 |
| Oil and natural gas sales receivables | 1,298 | 2,336 |
| Marketable equity securities | 131 | 164 |
| Commodity derivative asset | - | 1,844 |
| Other current assets | 572 | 527 |
| Real estate assets held for sale, net of selling costs | - | 150 |
| **Total current assets** | 9,724 | 8,372 |
| **Oil and natural gas properties under full cost method:** | | |
| Evaluated properties | 142,029 | 176,679 |
| Less accumulated depreciation, depletion and amortization | (112,958) | (106,504) |
| **Net oil and natural gas properties** | 29,071 | 70,175 |
| **Unproved industrial gas properties, not subject to amortization** | 9,384 | - |
| **Other assets:** | | |
| Property and equipment, net | 660 | 899 |
| Right of use asset | 528 | 693 |
| Other assets | 300 | 305 |
| **Total other assets** | 1,488 | 1,897 |
| **Total assets** | $ 49,667 | $ 80,444 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | $ 5,466 | $ 4,064 |
| Accrued compensation and benefits | 850 | 702 |
| Revenue and royalties payable | 4,836 | 4,857 |
| Asset retirement obligations | 1,000 | 1,273 |
| Current lease obligation | 196 | 182 |
| **Total current liabilities** | 12,348 | 11,078 |
| **Noncurrent liabilities:** | | |
| Credit facility | - | 5,000 |
| Asset retirement obligations | 13,083 | 17,217 |
| Long-term lease obligation | 415 | 611 |
| Deferred tax liability | - | 16 |
| **Total noncurrent liabilities** | 13,498 | 22,844 |
| **Total liabilities** | 25,846 | 33,922 |
| **Commitments and contingencies (Note 9)** | | |
| **Shareholders' equity:** | | |
| Common stock, $0.01 par value; 245,000,000 authorized; 27,903,197 and 25,333,870 shares issued and outstanding as of December 31, 2024 and 2023, respectively | 279 | 253 |
| Additional paid-in capital | 221,460 | 218,403 |
| Accumulated deficit | (197,918) | (172,134) |
| **Total shareholders' equity** | 23,821 | 46,522 |
| **Total liabilities and shareholders' equity** | $ 49,667 | $ 80,444 |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. ENERGY CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**
**(in thousands, except share and per share amounts)**

| | 2024 | 2023 |
|---|---|---|
| **Revenue:** | | |
| Oil | $ 18,165 | $ 28,352 |
| Natural gas and liquids | 2,454 | 3,964 |
| Total revenue | 20,619 | 32,316 |
| **Operating expenses:** | | |
| Lease operating expenses | 11,160 | 15,254 |
| Gathering, transportation, and treating | 205 | 557 |
| Production taxes | 1,276 | 2,107 |
| Depreciation, depletion, accretion, and amortization | 8,254 | 11,235 |
| Impairment of oil and natural gas properties | 11,918 | 26,680 |
| Acquisition transaction costs | 369 | - |
| General and administrative expenses | 8,197 | 11,523 |
| Loss on sale of assets | 4,978 | - |
| Total operating expenses | 46,357 | 67,356 |
| **Operating loss** | (25,738) | (35,040) |
| **Other income (expense):** | | |
| Commodity derivative gain, net | 537 | 2,882 |
| Interest expense, net | (530) | (1,114) |
| Other income (expense), net | (33) | 25 |
| Total other income (expense) | (26) | 1,793 |
| **Net loss before income taxes** | $ **(25,764)** | $ **(33,247)** |
| Income tax (expense) benefit | (20) | 891 |
| **Net loss** | $ **(25,784)** | $ **(32,356)** |
| Basic and diluted weighted average shares outstanding | 26,720,295 | 25,322,382 |
| Basic and diluted loss per share | $ (0.96) | $ (1.28) |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. ENERGY CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**
**(in thousands, except share amounts)**

| | Common Stock | | Additional Paid-in | Accumulated | |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Total |
| **Balances, December 31, 2022** | 25,023,812 | $ 250 | $ 216,690 | $ (138,586) | $ 78,354 |
| Shares issued to employees and directors | 708,198 | 7 | (7) | - | - |
| Shares withheld to settle tax withholding obligations for restricted stock awards | (62,140) | (1) | (150) | - | (151) |
| Share repurchases | (336,000) | (3) | (423) | - | (426) |
| Cash dividends | - | - | - | (1,192) | (1,192) |
| Stock-based compensation | - | - | 2,293 | - | 2,293 |
| Net loss | - | - | - | (32,356) | (32,356) |
| **Balances, December 31, 2023** | 25,333,870 | $ 253 | $ 218,403 | $ (172,134) | $ 46,522 |
| Shares issued for acquired properties | 2,600,000 | 26 | 2,652 | - | 2,678 |
| Shares issued to employees and directors | 710,104 | 7 | (7) | - | - |
| Shares cancelled to settle tax withholding obligations for restricted stock awards | (124,177) | (1) | (132) | - | (133) |
| Share repurchases | (616,600) | (6) | (724) | - | (730) |
| Stock-based compensation | - | - | 1,268 | - | 1,268 |
| Net loss | - | - | - | (25,784) | (25,784) |
| **Balances, December 31, 2024** | 27,903,197 | $ 279 | $ 221,460 | $ (197,918) | $ 23,821 |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. ENERGY CORP. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**
**(in thousands)**

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (25,784) | $ (32,356) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation, depletion, accretion, and amortization | 8,254 | 11,235 |
| Impairment of oil and natural gas properties | 11,918 | 26,680 |
| Deferred income taxes | (16) | (882) |
| Total commodity derivatives (gains) losses, net | (537) | (2,882) |
| Commodity derivative settlements received (paid) | 2,381 | (656) |
| (Gains) losses on marketable equity securities | 33 | (57) |
| Loss on sale of assets | 4,978 | 25 |
| Amortization of debt issuance costs | 49 | 49 |
| Stock-based compensation | 1,268 | 2,293 |
| Right of use asset amortization | 165 | 175 |
| Changes in operating assets and liabilities: | | |
| Oil and natural gas sales receivable | 1,038 | 851 |
| Other assets | (89) | 687 |
| Accounts payable accrued liabilities | 1,358 | (60) |
| Accrued compensation and benefits | 148 | (410) |
| Revenue and royalties payable | (21) | 1,184 |
| Payments on operating lease liability | (182) | (189) |
| Settlements of asset retirement obligations | (374) | (215) |
| Net cash provided by operating activities | 4,587 | 5,472 |
| **Cash flows from investing activities:** | | |
| Acquisition of industrial gas properties | (2,578) | - |
| Industrial gas properties capital expenditures | (3,908) | - |
| Oil and natural gas capital expenditures | (1,415) | (3,379) |
| Property and equipment expenditures | (11) | (488) |
| Proceeds from sale of oil and natural gas properties, net | 13,541 | 6,693 |
| Proceeds from sale of real estate assets | 139 | - |
| Net cash provided by investing activities: | 5,768 | 2,826 |
| **Cash flows from financing activities:** | | |
| Borrowings on credit facility | 2,000 | 500 |
| Payments on credit facility | (7,000) | (7,500) |
| Payments on insurance premium finance note | (62) | (647) |
| Shares withheld to settle tax withholding obligations for restricted stock awards | (133) | (151) |
| Dividends paid | - | (1,192) |
| Repurchases of common stock | (788) | (368) |
| Net cash used in financing activities | (5,983) | (9,358) |
| Net (decrease) increase in cash and equivalents | 4,372 | (1,060) |
| Cash and equivalents, beginning of year | 3,351 | 4,411 |
| Cash and equivalents, end of year | $ 7,723 | $ 3,351 |

The accompanying notes are an integral part of these consolidated financial statements. Please see *Note 15- Supplemental Disclosures of Cash Flow Information*

**U.S. ENERGY CORP. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 1. ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

### Organization and Operations

U.S. Energy Corp. (collectively with its wholly-owned subsidiaries, Energy One LLC (“Energy One”), New Horizon Resources LLC (“New Horizon Resources”) and Coyote Resources LLC ("Coyote Resources")), which was formed on August 6, 2024, are referred to as the “Company” in these Notes to Consolidated Financial Statements) is incorporated in the State of Delaware. The Company’s principal business activities are focused on the acquisition, exploration and development of industrial gas and oil and natural gas properties in the United States.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include oil and natural gas reserves that are used in the calculation of depreciation, depletion, amortization and impairment of the carrying value of proved oil and natural gas properties, and the cost and timing of future asset retirement obligations. The Company evaluates its estimates on an on-going basis and bases its estimates on historical experience and on various other assumptions the Company believes to be reasonable. Due to inherent uncertainties, including the future prices of oil and natural gas, these estimates could change in the near term and such changes could be material.

**Principles of Consolidation**

The accompanying consolidated financial statements have been prepared in conformity with GAAP and include the accounts of U.S. Energy Corp. and its wholly-owned subsidiaries Energy One, New Horizon Resources and Coyote Resources. U.S. Energy Corp. accounts for its share of oil and natural gas exploration and production activities, and industrial gas activities in which it has a direct working interest, by reporting its proportionate share of assets, liabilities, revenues, costs, and cash flows within the relevant lines on the consolidated balance sheets, statements of operations, and statements of cash flows. All inter-company balances and transactions have been eliminated in consolidation.

**Industry Segment and Geographic Information**

The Company currently operates in the exploration and production segment of the oil and gas industry, onshore in the United States. The Company's operations are all related to oil and natural gas from which the Company derives all its revenues. The Company manages its business as a single reportable segment, as its operations are focused on assets with similar economic characteristics, production processes, types of purchasers, regulatory environment and customers which are consistent across the Company. Therefore, the Company aggregates its operating regions into one reportable segment. Our principal properties and operations are currently in the Rockies region (Montana, and Wyoming), the Mid-Continent region (Oklahoma, Kansas, and North and East Texas), and West Texas, South Texas and Gulf Coast region. Our Chief Executive Officer is our chief operating decision maker (CODM). The CODM utilizes operating income or loss as the primary operating measure to evaluate the performance of properties, which is revenues less lease operating expenses. Other segment items primarily consist of total assets, DD&A, general and administrative expense, gain or loss on derivative activity, interest expense and income tax expense or benefit. Our significant segment expenses and other segment items are derived from and can be found within the Consolidated Balance Sheet and Consolidated Statement of Operations.

**Cash and Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents potentially subject the Company to a concentration of credit risk as substantially all of its deposits held in financial institutions were in excess of the federal deposit insurance limits as of December 31, 2024 and 2023. The Company maintains its cash and cash equivalents in the form of checking accounts or short-term investments with financial institutions that it believes are creditworthy. The Company's checking accounts are with the same financial institution as its credit facility.

**Oil and Natural Gas Receivables**

The Company's oil and natural gas sales receivables consist of receivables from purchasers of the Company's operated oil, natural gas, and natural gas liquids ("NGLs") sales. Generally, the Company's oil, natural gas and NGL sales receivables from operated properties are collected within one month. The Company also has joint operating agreements as a non-operator of oil and natural gas properties. Generally, receivables, if any, from the joint interest operator are collected within one to three months. The Company monitors the credit quality of its counterparties through review of collections, credit ratings, and other analyses as appropriate given relevant facts and circumstances. The Company develops its estimated allowance for credit losses primarily using an aging method and analyses of historical loss rates as well as consideration of current and future conditions that could impact its counterparties' credit quality and liquidity. Receivables are not collateralized. As of December 31, 2024, and 2023, the Company had not provided an allowance for credit loss on its oil and natural gas sales receivable. The Company provided an allowance for credit losses on its joint interest accounts receivable of $0.1 million and $0.1 million as of December 31, 2024. and 2023, respectively. The balance of the oil and natural gas sales receivable reported on the Consolidated Balance Sheets is comprised entirely of receivables associated with sales under contracts with customers.

**Concentration of Credit Risk**

The Company has exposure to credit risk in the event of nonpayment of oil and natural gas receivables by purchasers of the Company's share of oil and natural gas production and its operated production. The following table presents the purchasers that accounted for 10% or more of the Company's total oil and natural gas revenue for at least one of the periods presented:

| | **Year Ended December 31,** | |
|---|---|---|
| **Purchaser** | **2024** | **2023** |
| Purchaser A | 27% | 24% |
| Purchaser B | 27% | 20% |
| Purchaser C | 11% | 9% |

**Marketable Equity Securities**

Marketable equity securities are reported at fair value based on end of period quoted prices adjusted for selling expenses. Changes in fair value are recorded in other income (expense), net on the Consolidated Statements of Operations at the end of each reporting period. Gains or losses from sales of marketable equity securities are recorded in other income (expense), net on the Consolidated Statements of Operations when the sale is completed.

**Oil and Natural Gas Properties**

The Company follows the full cost method of accounting for its oil and natural gas properties. Under the full cost method, all costs associated with the acquisition, exploration and development of oil and natural gas properties are capitalized and accumulated in a country-wide cost center. This includes any internal costs that are directly related to development and exploration activities but does not include any costs related to production, general corporate overhead or similar activities. The sum of net capitalized costs and estimated future development and dismantlement costs for each cost center are subject to depreciation, depletion and amortization ("DD&A") using the equivalent unit-of-production method, based on total proved oil and natural gas reserves. For consolidated financial statement presentation, DD&A includes accretion expense related to asset retirement obligations. Excluded from amounts subject to DD&A are costs associated with unevaluated properties.

Under the full cost method, net capitalized costs are limited to the lower of unamortized cost reduced by the related net deferred tax liability, or the cost center ceiling (the "Ceiling Test"). The cost center ceiling is defined as the sum of (i) estimated future net revenue, discounted at 10% per annum, from proved reserves, based on average prices per barrel of oil and per Mcf of natural gas at the first day of each month in the 12-month period prior to the end of the reporting period; and costs, adjusted for contract provisions and financial derivatives qualifying as accounting hedges and asset retirement obligations, (ii) the cost of unevaluated properties not being amortized, and (iii) the lower of cost or market value of unproved properties included in the cost being amortized, reduced by (iv) the income tax effects related to differences between the book and tax basis of the crude oil and natural gas properties. If the net book value reduced by the related net deferred income tax liability (if any) exceeds the cost center ceiling limitation, a non-cash impairment charge is required in the period in which the impairment occurs. Since all of the Company's oil and natural gas properties are located within the United States, the Company only has one cost center for which a quarterly Ceiling Test is performed.

**Industrial Gas Properties**

The Company capitalizes all costs associated with the acquisition, exploration and development of industrial gas properties. The acquisition of leases, cost of acquiring drilling permits, drilling, development and asset retirement costs are capitalized as exploration and unevaluated properties. When commercially viable quantities of industrial gas reserves are discovered, the associated costs are reclassified to evaluated assets. The Company will periodically assess exploration and unevaluated properties, and upon evaluation, will reclass the properties to evaluated. Any additional costs to develop the properties or to construct infrastructure to produce and process industrial gases, including processing plant construction costs, will also be capitalized as evaluated. Interest expense, if any, is capitalized on qualifying expenditures. Evaluated industrial gas properties are subject to DD&A once production commences utilizing the units of production method. Evaluated industrial gas properties are stated at cost, less accumulated depletion, depreciation and amortization.

The carrying value of the evaluated properties is reviewed for impairment when there are indications that it may not be recoverable due to significant and prolonged declines in prices, significant reductions in estimated resources, changes in the Company's plans or other significant events that indicate that an impairment may exist. If any such indication of impairment exists and the sum of the undiscounted cash flows is less than the carrying value of the evaluated property, the carrying value is reduced to estimated fair value and reported as an impairment charge in the period with a reduction in the associated carrying cost. Individual evaluated properties are grouped for impairment purposes at the lowest level for which there are identifiable cash flows. The fair value of impaired property is typically determined based on the present value of expected future cash flows using discount rates believed to be consistent with market participants. The impairment test incorporates several assumptions involving expectations of future cash flows which can change significantly over time. These assumptions include estimates of future production, future contracted industrial gas prices, estimates of future operating and development costs.

**Acquisitions**

The Company accounts for acquisitions as business combinations if the acquired assets meet the definition of a business. If substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or a group of similar assets, the acquisition is not considered a business and is accounted for as an asset acquisition. This determination of whether the gross assets acquired are concentrated in a group of similar assets is based on whether the risks associated with managing and creating outputs from the assets are similar.

**Divestitures**

For divestitures involving oil and gas assets included in the full cost pool, the Company evaluates if a given divestiture has a significant impact to either our reserves volumes or the full cost pool unit-of-production depletion rate. If a divestiture has a significant impact to reserves volumes or the full cost pool depletion rate, the Company will consider if recognizing a gain or loss on the transaction is appropriate. If a divestiture does not have a significant impact to reserves volumes or the full cost pool depletion rate, the Company records proceeds, net of transaction costs and purchase price adjustments, to the full cost pool, with no gain or loss recognized on the consolidated statements of operations. Relief of any associated asset retirement obligation is also recorded to the full cost pool. Revenue and expenditures are recorded following our standard accounting policies until the divestment closes.

**Property and Equipment**

Land classified as held for sale is carried at the estimated realizable value, less costs to sell. Such assets are classified within current assets if there is reasonable certainty that the sale will take place within one year. Long-lived assets are classified as held for sale when the Company meets certain criteria, such as committing to a plan to sell the assets and the sale of the asset is probable with recognition of a completed sale expected within one year. While land is not subject to depreciation, upon classification as held for sale, long-lived assets that were subject to DD&A are no longer depreciated or depleted, and a measurement for impairment is performed to determine if there is any excess of carrying value over fair value less costs to sell. Subsequent changes to estimated fair value less the cost to sell will impact the measurement of assets held for sale if the fair value is determined to be less than the carrying value of the assets.

Administrative assets are carried at cost. Depreciation of administrative assets are provided principally by the straight-line method over estimated useful lives as follows:

| | Years |
|---|---|
| Administrative assets: | |
| Computers and software | 3 |
| Office furniture and equipment | 5 |
| Autos and trucks | 5 |
| Other equipment | 10 |

**Impairment of Long-Lived Assets**

The Company evaluates long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. If estimated future cash flows, on an undiscounted basis, are less than the carrying amount of the related asset, an asset impairment charge is recognized, and measured as the amount by which the carrying value exceeds the estimated fair value. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the Company's financial position and results of operations.

**Leases**

The Company accounts for leases in accordance with Accounting Standards Codification ("ASC") Topic 842, Leases, ("Topic 842"), which requires lessees to recognize operating and finance leases with terms greater than 12 months on the Consolidated Balance Sheets. The Company evaluates a contractual arrangement at its inception to determine if it is a lease or contains an identifiable lease component. Certain leases may contain both lease and non-lease components. The Company's policy for all asset classes is to combine lease and non-lease components together and account for the arrangement as a single lease.

Certain assumptions and judgments are made by the Company when evaluating a contract that meets the definition of a lease under Topic 842, which include those to determine the discount rate and lease term. Unless the discount rate can be determined in the lease agreement, the Company determines the present value of the future lease payments using an estimated incremental borrowing rate at the lease inception. The Company evaluates each contract containing a lease arrangement at inception to determine the length of the lease term when recognizing a right-of-use ("ROU") asset and corresponding lease liability. The Company excludes from the Consolidated Balance Sheets leases with terms that are less than one year.

A ROU asset represents a lessee's right to use an underlying asset for the lease term, while the associated lease liability represents the lessee's obligations to make lease payments. At the commencement date a lease ROU asset and corresponding lease liability is recognized based on the present value of the future lease payments. The initial measurement excludes certain variable lease payments, such as payments that vary depending on actual usage.

**Derivative Financial Instruments**

The Company periodically enters into commodity derivative instruments to mitigate a portion of its exposure to oil price volatility for its expected future oil production. The Company does not designate commodity derivative contracts as fair value or cash flow hedges, and therefore the contracts do not qualify for hedge accounting. Changes in fair value of derivative contracts are recorded in the Consolidated Statement of Operations. The fair value of derivative contracts is recorded as either an asset or a liability on the Consolidated Balance Sheet.

**Revenue Recognition**

The Company derives revenue from the sale of produced oil, natural gas and NGLs. Revenue is recognized at the point in time when custody and title of the product transfers to the purchaser, which may differ depending on the applicable contractual terms. Revenue accruals are recorded based on the Company's share of estimated production and the expected price to be received. The Company uses its knowledge of its properties, contractual arrangements, historical performance, NYMEX differentials, and other factors as the basis of these estimates. Variances between estimates and the actual amounts received are recorded in the month payment is received.

The Company does not disclose the values of unsatisfied performance obligations under its contracts with customers as it applies the practical exemption in accordance with ASC 606. The exemption applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to the remaining performance obligations is not required.

The Company reports revenue as its proportionate share of the gross amount received before taking into account transportation costs. Production taxes and gathering, transportation, and treating costs are reported separately on the Consolidated Statements of Operations.

**Asset Retirement Obligations**

The Company records the estimated fair value of restoration and reclamation liabilities related to its oil and natural gas and industrial gas properties as of the date that the liability is incurred. The Company reviews the liability each quarter and determines if a change in estimate is required, and accretion of the discounted liability is recorded based on the passage of time. The Company deducts any actual funds expended for restoration and reclamation during the quarter in which it occurs.

**Stock-Based Compensation**

The Company measures the cost of employee and director services received in exchange for all equity awards granted, including stock options, based on the fair value of the award as of the grant date. The Company's policy is to compute the fair values of any options granted to employees using the Black-Scholes option pricing model unless the fair value is expected to be inconsequential. The Company recognizes the cost of the equity awards over the period during which an employee or director is required to provide services in exchange for the award, usually the vesting period. Forfeitures are recognized as they occur. Unvested shares of restricted stock grants are not included in common shares outstanding until vesting has occurred.

**Income Taxes**

The Company recognizes deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting and tax bases of assets, liabilities and carry forwards.

Additionally, the Company recognizes deferred tax assets for the expected future effects of all deductible temporary differences, loss carry forwards, and tax credit carry forwards. Deferred tax assets are reduced by a valuation allowance for any tax benefits that, based on current circumstances, are considered more likely than not they will not be realized. As of December 31, 2024 and 2023, management did not believe it was more likely than not that such a tax benefit would be realized and as such, a valuation allowance has been recorded. In assessing the need for a valuation allowance for the Company’s deferred tax assets, a significant item of negative evidence considered was the cumulative book loss over the three-year period ended December 31, 2024.

The Company assesses its tax positions annually to determine if there are any uncertain tax positions. If an uncertain tax position is identified, the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that is probable of being realized upon ultimate settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

**Income (Loss) Per Share**

Basic net income (loss) per share is computed based on the weighted average number of common shares outstanding. Diluted net income (loss) per share is calculated by dividing net income or loss by the diluted weighted average common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for this calculation consist of in-the-money outstanding stock options, and unvested restricted stock. When there is a loss from continuing operations, all potentially dilutive shares are anti-dilutive and are excluded from the calculation of net income (loss) per share. The treasury stock method is used to measure the dilutive impact of unvested restricted stock and in-the-money stock options.

**Recently Adopted Accounting Standards**

*Improvements to Income Tax Disclosure.* In December 2023, the Federal Accounting Standards Board (“FASB”) issued an accounting standard update which requires that companies disclose the nature and magnitude of factors contributing to the difference between their effective tax rate and the statutory tax rate. The update will require companies to disclose specific categories in the rate reconciliation and provide additional information about items that meet a certain quantitative threshold. The new guidance is effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this guidance on the Company's financial disclosures. Adoption of the update will not impact the Company’s financial position, results of operations or liquidity.

## 2. ACQUISITIONS AND DIVESTITURES

**Acquisition of Industrial Gas Acreage**

On June 26, 2024, the Company entered into and closed the transactions contemplated by, a purchase and sale agreement with Wavetech Helium ("Wavetech" and the "Purchase Agreement"). Pursuant to the Purchase Agreement, effective June 1, 2024, the Company acquired 82.5% of Wavetech's rights under a farmout agreement for approximately 144,000 net acres located across the Kevin Dome Structure in Toole County, Montana (the "Assigned Rights"). The Assigned Rights vest upon the drilling of two wells on the property. As of December 31, 2024, the Company has drilled one industrial gas well on the acreage and well-completion procedures are expected to begin in the first half of 2025. In consideration for the Assigned Rights, the Company paid Wavetech $2.0 million in cash and 2.6 million shares of restricted common stock, which were valued at $2.7 million on June 26, 2024. In addition, prior to the closing of the Purchase Agreement, the Company incurred $0.4 million of transaction costs related to the acquisition of the Assigned Rights. Additionally, the Company agreed to be responsible for 100% of capital costs, including costs related to project exploration, appraisal, development drilling and completion until $20.0 million has been incurred related to Wavetech's 17.5% interest. The Company accounted for the acquisition of the Assigned Rights as an asset acquisition.

| | | Amount (in thousands) |
|---|---|---|
| Amounts incurred as of the closing date: | | |
| Cash | $ | 2,000 |
| Value of 2,600,000 shares issued | | 2,678 |
| Transaction costs | | 381 |
| Total consideration paid | $ | 5,059 |
| | | |
| Allocation to acquired assets: | | |
| Unproved industrial gas properties | $ | 5,059 |

**Divestitures**

During the year ended December 31, 2024, the Company closed several divestment transactions of its oil and gas properties for total net proceeds of $14.0 million before transaction costs of $0.4 million. Relief of the associated asset retirement obligations for the properties divested was $5.4 million. The divestitures included several individual divestitures of wells in Garza, Karnes and Archer County, Texas, Sumner and Pratt County, Kansas, Kay County, Oklahoma and Lea County, New Mexico. The net proceeds from these transactions totaled $7.2 million. These divestitures did not have a significant impact to reserves volumes or the full cost pool depletion rate. As such, the Company recorded the proceeds, net of transaction costs and purchase price adjustments, to the full cost pool, with no gain or loss recognized in the Consolidated Statement of Operations. In addition, on December 31, 2024, the Company closed on the sale of properties in Anderson, Henderson and Liberty County, Texas. This divestiture represented 36% of the reserve volumes and 30% of the reserve value at the date of the divestment, and as such, the Company considered this a significant divestiture and recognized a $5.0 million loss on the sale of the properties in the Consolidated Statement of Operations for the year ended December 31, 2024.

During the year ended December 31, 2023, the Company closed on a series of individual divestitures for a total of $7.0 million in net proceeds before transaction costs of $ 0.4 million. The divestitures included the Company's non-operated interests in 152 wells across North Dakota, New Mexico, and Texas, and overriding royalty interests in seven wells in Karnes County, Texas. These divestitures did not have a significant impact to reserves volumes or the full cost pool depletion rate. As such, the Company recorded the proceeds, net of transaction costs and purchase price adjustments, to the full cost pool, with no gain or loss recognized. Relief of associated asset retirement obligations of $ 0.5 million were also recorded to the full cost pool.

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Company disaggregates its share of revenue from the sale of oil, natural gas and natural gas liquids by region. In 2023, the Company evaluated its disaggregation by region and determined that it was appropriate to group West Texas, South Texas, and the Gulf Coast into a single region. Additionally, there were no significant distinguishing economic characteristics in the sale of oil, natural gas and natural gas liquids in 2023 or 2024 that would warrant continued disaggregation of West Texas, South Texas, and the Gulf Coast as separate regions.

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| **Revenue:** | | |
| *Rockies* | | |
| Oil | $ 7,366 | $ 10,064 |
| Natural gas and liquids | 189 | 326 |
| Total | 7,555 | 10,390 |
| *West Texas, South Texas, and Gulf Coast* | | |
| Oil | 5,276 | 11,820 |
| Natural gas and liquids | 117 | 531 |
| Total | 5,393 | 12,351 |
| *Mid-Continent* | | |
| Oil | 5,523 | 6,468 |
| Natural gas and liquids | 2,148 | 3,107 |
| Total | 7,671 | 9,575 |
| Total revenue | $ 20,619 | $ 32,316 |

**4. LEASES**

The Company's right-of-use assets and lease liabilities are recognized at their discounted present value under the following captions in the Consolidated Balance Sheets at December 31, 2024 and 2023:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Right of use asset | | |
| Operating lease | $ 528 | $ 693 |
| Lease liability | | |
| Current lease obligation | 196 | 182 |
| Long-term lease obligation | 415 | 611 |
| | $ 611 | $ 793 |

The Company recognizes lease expense on a straight-line basis excluding short-term and variable lease payments, which are recognized as incurred. Following are the amounts recognized as components of rental expense for the years ended December 31, 2024 and 2023:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Operating lease cost | $ 213 | $ 211 |
| Short-term lease cost | 426 | 930 |
| Total lease costs | $ 639 | $ 1,141 |

The Houston office operating lease commenced in May 2022 and is for a term of 67 months. The lease contains a seven-month rent abatement period. The base rent under the lease escalates $0.50 per square foot each twelve-month period during the term of the lease. In addition, the Company is responsible for its share of operating expenses and tax expenses as defined in the lease.

Short-term lease cost is associated with short-term lease agreements primarily related to compressors and field equipment rentals contracted for 12 months or less.

The Company's office operating lease agreements did not contain implicit interest rates that could be readily determined; therefore, the Company used the incremental borrowing rates in effect at the time the Company entered into the leases.

| | As of December 31, 2024 | As of December 31, 2023 |
|---|---|---|
| Weighted average lease term (years) | 2.9 | 3.9 |
| Weighted average discount rate | 4.25% | 4.25% |

Maturity of operating lease liabilities with terms of one year or more as of December 31, 2024 are presented in the following table:

| | December 31, 2024 |
|---|---|
| | (in thousands) |
| 2025 | $ 218 |
| 2026 | 224 |
| 2027 | 210 |
| Total future lease payments | $ 652 |
| Less: imputed interest | (41) |
| Total lease liability | $ 611 |

### 5. OIL AND NATURAL GAS PRODUCING ACTIVITIES

**Unevaluated Properties**

During the year ended December 31, 2023, the Company re-evaluated its use of capital relative to its portfolio and strategic initiatives and determined that it no longer intends to fund development activities required to develop its unevaluated acreage. Therefore, it reclassified the entire book value of unevaluated properties by transferring them into evaluated properties.

**Ceiling Test and Impairment**

The reserves used in the ceiling test incorporate assumptions regarding pricing and discount rates over which management has no influence in the determination of present value. In the calculation of the ceiling test as of December 31, 2024, the Company used $75.48 per barrel for oil and $2.13 per one million British Thermal Units (MMbtu) for natural gas (as further adjusted for property, specific gravity, quality, local markets and distance from markets) to compute the future cash flows of the Company's producing properties. In the calculation of the ceiling test as of December 31, 2023, the Company used $78.22 per barrel for oil and $2.64 per one million British Thermal Units (MMbtu) for natural gas (as further adjusted for property, specific gravity, quality, local markets and distance from markets) to compute the future cash flows of the Company's producing properties. The discount factor used for both years was 10%.

For the year ended December 31, 2024, the Company recorded $11.9 million of ceiling test write-downs of its oil and natural gas properties as a result of the sale of oil and gas producing properties during 2024.

For the year ended December 31, 2023, the Company recorded $26.7 million of ceiling test write-downs of its oil and natural gas properties as a result of a decrease in crude oil and natural gas prices and other reserves revisions during the period.

### 6. DEBT

On January 5, 2022, the Company entered into a four-year credit agreement ("Credit Agreement") with FirstBank Southwest ("FirstBank") as administrative agent for one or more lenders (the "Lenders"), which provided for a revolving line of credit with an initial borrowing base of $15 million, and a maximum credit amount of $100 million. Borrowings under the Credit Agreement are collateralized by a first priority, perfected lien and security interests on substantially all assets of the Company (subject to permitted liens and other customary exceptions). On July 26, 2022, the Company entered into a letter agreement with FirstBank whereby it increased the borrowing base under the Credit Agreement from $15 million to $20 million. Under the Credit Agreement, revolving loans may be borrowed, repaid and re-borrowed until January 5, 2026, when all outstanding amounts must be repaid.

Under the Credit Agreement, revolving loans may be borrowed, repaid and re-borrowed until January 5, 2026, when all outstanding amounts must be repaid. Interest on the outstanding amounts under the Credit Agreement will accrue at an interest rate equal to the greater of (i) the prime rate in effect on such day, and (ii) the Federal Funds rate in effect on such day (as determined in the Credit Agreement) plus 0.50%, and an applicable margin that ranges between 0.25% to 1.25% depending on utilization of the amount of the borrowing base (the "Applicable Margin"). In addition, there is a fee on the unused borrowing commitment of 0.5%.

Interest charges recognized on the Credit Agreement, excluding debt issuance cost amortization and the fee for the any unused commitment, and the weighted average interest rates for the years ended December 31, 2024 and 2023 are presented in the following table:

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| | (in thousands) | |
| Interest charges | $ 309 | $ 1,054 |
| Weighted average interest rate | 9.2% | 8.9% |

The Credit Agreement contains various restrictive covenants and compliance requirements, which include: (i) maintenance of certain financial ratios, as defined in the Credit Agreement tested quarterly, that limit the Company's ratio of total debt to EBITDAX (as defined in the Credit Agreement) to 3:1 and require its ratio of consolidated current assets to consolidated current liabilities (as each is described in the Credit Agreement) to remain at 1:1 or higher; (ii) restrictions on making certain payments as defined in the Credit Agreement, including the payment of cash dividends and repurchases of equity interests (subject to certain limited rights to make restricted payments as long as no event of default has occurred, or would result from the restricted payment, certain financial ratios are met and the borrowing availability after giving pro forma effect to any borrowing to be made on the date of the restricted payment is greater than, or equal to, 20% of the then existing borrowing base); (iii) limits on the incurrence of additional indebtedness; (iv) a prohibition on the entry into commodity swap contracts exceeding a specified percentage of our expected production; and (v) restrictions on the disposition of assets. As of December 31, 2024, the borrowing base was $20.0 million.

The amount outstanding on the Credit Agreement as of December 31, 2024 and 2023, was $0.0 million and $5.0 million, respectively.

**7. COMMODITY DERIVATIVES**

The Company's results of operations and cash flows are affected by changes in market prices for crude oil and natural gas. To manage a portion of its exposure to price volatility from producing crude oil and natural gas, the Company may enter into commodity derivative contracts to protect against price declines in future periods. The Company does not enter into derivative contracts for speculative purposes. The Company does not apply hedge accounting. Accordingly, changes in the fair value of the derivative contracts are recorded in the Consolidated Statements of Operations and are included as a non-cash adjustment to net income in the operating activities section in the Consolidated Statement of Cash Flows.

On September 10, 2024, the Company settled all of its then outstanding commodity derivative contracts for 2024 and 2025 production, receiving $1.8 million in settlement proceeds.  As of December 31, 2024, the Company no longer has any commodity derivative contracts outstanding.

The following table details the fair value of commodity derivative contracts recorded in the accompanying balance sheets by category:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Derivative assets: | | |
| Current assets | $ - | $ 1,844 |
| Total derivative assets | $ - | $ 1,844 |

All commodity derivative contracts held by the Company were subject to master netting arrangements with its counterparty. The terms of the Company's derivative agreements provide for offsetting of amounts payable or receivable between it and the counterparty for contracts that settle on the same date. The Company's agreements also provide that in the event of an early termination, the counterparty has the right to offset amounts owed or owing under that and any other agreement. The Company's accounting policy is to offset positions when we have a right of offset or master netting arrangement.

The following table summarizes the components of the commodity derivative settlement gain (loss) as well as the components of the net derivative loss line-item presentation in the accompanying Consolidated Statements of Operations:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Commodity derivative settlement gains (losses): | | |
| Oil contracts | $ 2,381 | $ (628) |
| Gas contracts | - | (28) |
| Total derivative settlement gains (losses) | $ 2,381 | $ (656) |
| | | |
| Total net commodity derivative gains (losses): | | |
| Oil contracts | $ 537 | $ 2,822 |
| Gas contracts | - | 60 |
| Total net commodity derivative gains (losses) | $ 537 | $ 2,882 |

## 8. ASSET RETIREMENT OBLIGATIONS

The Company has asset retirement obligations ("ARO") associated with the future plugging and abandonment of industrial gas and oil and natural gas properties. Initially, the fair value of a liability for an ARO is recorded in the period in which the ARO is incurred with a corresponding increase in the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depleted over the life of the related asset. For oil and natural gas properties, if the liability is settled for an amount other than the recorded amount, an adjustment to the full-cost pool is recognized. The Company had no assets that are restricted for the purpose of settling ARO. For industrial gas properties, if the liability is settled for an amount other than the recorded amount, an adjustment to operating expenses in the Consolidated Statement of Operations is recognized.

In the fair value calculation for the ARO there are numerous assumptions and judgments including the ultimate retirement cost, inflation factors, credit-adjusted risk-free discount rates, timing of retirement and changes in legal, regulatory, environmental, and political environments. To the extent future revisions to assumptions and judgments impact the present value of the existing ARO, a corresponding adjustment is made to the oil and natural gas or industrial gas property balance.

The following is a reconciliation of the changes in the Company's liabilities for asset retirement obligations for the years ended December 31, 2024 and 2023:

| | Year Ended December 31, | |
|---|---|---|
| | 2024 | 2023 |
| | (in thousands) | |
| Balance, beginning of year | $ 18,490 | $ 15,442 |
| Acquired | 2 | 11 |
| Cost and life revisions | (150) | 2,494 |
| Settlements | (374) | (215) |
| Sold | (5,435) | (458) |
| Accretion | 1,550 | 1,216 |
| Balance, end of year | $ 14,083 | $ 18,490 |
| | | |
| Asset retirement obligations - current | $ 1,000 | $ 1,273 |
| Asset retirement obligations - noncurrent | 13,083 | 17,217 |
| Balance, end of year | $ 14,083 | $ 18,490 |

## 9. COMMITMENTS, CONTINGENCIES, AND RELATED PARTY TRANSACTIONS

### Contingencies

The Company is subject to litigation and claims arising in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, the anticipated results of any pending litigation and claims are not expected to have a material effect on the consolidated results of operations, the financial position, or the cash flows of the Company.

## 10. SHAREHOLDERS' EQUITY

At December 31, 2024 and 2023, the Company had 27,903,197 and 25,333,870 shares of common stock outstanding respectively, and 245,000,000 authorized. In addition, at December 31, 2024 and 2023, the Company had 5,000,000 authorized but unissued shares of preferred stock. On June 26, 2024, the Company issued 2,600,000 shares of common stock in connection with the acquisition of the Assigned Rights. Outstanding shares exclude unvested restricted shares of 1,450,695 shares and 855,236 shares as of December 31, 2024 and 2023 which are not considered outstanding for accounting purposes, based on the future services to be received as consideration.

### Stock Option Plans

From time to time, the Company may grant stock options under its incentive plan covering shares of common stock to employees of the Company. Stock options, when exercised, are settled through the payment of the exercise price in exchange for new shares of stock underlying the option. These awards typically expire ten years from the grant date.

For the years ended December 31, 2024 and 2023, there was no compensation expense related to stock options. As of December 31, 2024, all stock options had vested. No stock options were granted or exercised, during the years ended December 31, 2024 or 2023. During the years ended December 31, 2024 and 2023, options to purchase 1,000 and 4,946 shares of common stock, expired respectively. The options had de minimis intrinsic values for the periods reported. Presented below is information about stock options outstanding and exercisable as of December 31, 2024 and 2023:

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Shares | Price (1) | Shares | Price (1) |
| Stock options outstanding and exercisable | 22,176 | $ 30.48 | 23,176 | $ 38.92 |

(1) Represents the weighted average price.

The following table summarizes information for stock options outstanding and for stock options exercisable at December 31, 2024 by the remaining contractual term.

| Options Outstanding | | | | | Options Exercisable | |
|---|---|---|---|---|---|---|
| | Exercise Price | | | | | Weighted Average |
| Number of | Range | | Weighted | Remaining Contractual | Number of | Exercise |
| Shares | Low | High | Average | Term (years) | Shares | Price |
| 16,500 | $ 7.20 | $ 11.60 | $ 10.00 | 2.8 | 16,500 | $ 10.00 |
| 5,676 | 90.00 | 90.00 | 90.00 | 0.0 | 5,676 | 90.00 |
| 22,176 | $ 7.20 | $ 90.00 | $ 30.48 | 2.1 | 22,176 | $ 30.48 |

**Restricted Stock**

The Company grants restricted stock under its incentive plan covering shares of common stock to employees and directors of the Company. The restricted stock awards are time-based awards and are amortized ratably over the requisite service period. Restricted stock vests ratably on each anniversary following the grant date provided the grantee is employed on the vesting date. Forfeitures of restricted stock awards are recognized as they occur. Restricted stock granted to employees, when vested, may be net settled through the net issuance of shares, reduced by the number of shares required to pay withholding taxes. Non-vested shares of restricted stock are not included in common shares outstanding until vesting has occurred.

The following table presents the changes in non-vested, time-based restricted stock awards to all employees and directors for the year ended December 31, 2024:

| | Shares | Weighted-Avg. Grant Date Fair Value per Share |
|---|---|---|
| Non-vested restricted stock at December 31, 2023 | 855,236 | $ 2.63 |
| Granted | 1,428,000 | $ 0.99 |
| Vested | (673,041) | $ 2.12 |
| Modifications (accelerated vesting) | (22,000) | $ 1.70 |
| Forfeited | (137,500) | $ 1.15 |
| Non-vested restricted stock at December 31, 2024 | 1,450,695 | $ 1.41 |

The following table presents the stock compensation expense related to restricted stock grants for the years ended December 31, 2024 and 2023:

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Stock compensation expense | $ 1,268 | $ 2,293 |

Total compensation cost related to non-vested time-based awards not yet recognized in the Company's Consolidated Statements of Operations as of December 31, 2024 is $0.5 million. This cost is expected to be recognized over a weighted average period of 2.0 years. At December 31, 2024, the Company had 3,552,238 shares available for issuance under its 2022 Stock Incentive Plan.

**Dividends**

On August 9, 2023, the Board of Directors suspended the Company's dividend payment program with the associated future capital resources expected to be allocated towards the Company's share repurchase program and repayments of the Company's credit facility's outstanding balance. As a result, no dividends were paid for the year ended December 31, 2024. On February 23, 2023, and May 30, 2023, the Company paid a quarterly cash dividend of $0.0225 per share of common stock outstanding to stockholders of record at the close of business on February 10, 2023 and May 19, 2023, respectively. During the year ended December 31, 2023, the Company paid cash dividends totaling $1.2 million

**Share Repurchase Program**

On April 26, 2023, the Board of Directors of the Company authorized and approved a share repurchase program for up to $5.0 million of the outstanding shares of the Company's common stock. On March 19, 2024, the Board of Directors of the Company authorized and approved an extension of the ongoing share repurchase program for up to $5.0 million of the currently outstanding shares of the Company's common stock, which was set to expire on June 30, 2025, and was extended until June 30, 2026.

Under the stock repurchase program, shares are repurchased from time to time in the open market or through negotiated transactions at prevailing market prices, or by other means in accordance with federal securities laws. Repurchases are made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. The repurchase program is funded using the Company's working capital. The repurchased shares are cancelled and therefore will not be held in treasury or reissued.

The following table presents the activity for the share repurchase program for the years ended December 31, 2024 and 2023:

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|---|---|---|
| | (in thousands except per share amounts) | |
| Shares repurchased | 617 | 336 |
| Weighted average price per share | $ 1.183 | $ 1.268 |
| Value of shares repurchased | $ 730 | $ 426 |

Under the stock repurchase program, shares are repurchased from time to time in the open market or through negotiated transactions at prevailing market prices, or by other means in accordance with federal securities laws. Repurchases are made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. The repurchase program is funded using the Company's working capital. The repurchased shares are cancelled and therefore will not be held in treasury or reissued.

**11. INCOME TAXES**

The components of the income tax provision for the years ended December 31, 2024 and 2023 include the following:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Current: | | |
| Federal | $ - | $ - |
| State | 36 | (9) |
| Total current income tax | $ 36 | $ (9) |
| | | |
| Deferred: | | |
| Federal | $ 456 | $ (351) |
| State | (472) | (531) |
| Total deferred income taxes | $ (16) | $ (882) |
| | | |
| Total income tax expense (benefit) | $ 20 | $ (891) |

Income tax benefit using the Company's effective income tax rate differs from the U.S. federal statutory income tax rate due to the following:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Income tax benefit at federal statutory rate (21%) | $ (5,410) | $ (6,982) |
| State income tax benefit, net of federal benefit | (444) | (541) |
| Compensation | 155 | 224 |
| Other | 13 | (284) |
| Change in valuation allowance | 5,705 | 6,692 |
| Income tax expense (benefit) | $ 20 | $ (891) |

The components of deferred tax assets and liabilities as of December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Deferred tax assets: | | |
| Net operating loss carryover | $ 9,787 | $ 9,012 |
| Property and equipment | 6,781 | 1,244 |
| Percentage depletion and contribution carryovers | 1,988 | 1,987 |
| Deferred compensation liability | 188 | 150 |
| Asset retirement obligations | 3,215 | 4,220 |
| Stock-based compensation | 379 | 428 |
| Lease obligations | 138 | 179 |
| Other | 220 | 212 |
| Total deferred tax assets | 22,695 | 17,432 |
| Deferred tax liabilities: | | |
| Derivatives | - | (421) |
| Lease assets | (119) | (156) |
| Total deferred tax liabilities | (119) | (577) |
| Net deferred tax assets | 22,576 | 16,855 |
| Less valuation allowance | (22,576) | (16,871) |
| Net deferred tax liability | - | $ (16) |

As of December 31, 2024, the Company has approximately $28.1 million in net operating loss carryovers for federal income tax purposes. The net operating losses incurred prior to January 5, 2022 are subject to an Internal Revenue Code (IRC) Section 382 limitation as a result of a change of control incurred in conjunction with the transaction that closed on that day.

IRC. Section 382 limits the Company's ability to utilize certain tax attributes to offset taxable income in future years. Due to the existence of a net unrealizable built in loss ("NUBIL"), assets at the time of the 2017 change in control, the Company also has realized built in losses ("RBIL") that exceed the annual limitation. As of December 31, 2024, the Company has approximately $10.6 million of RBIL carryovers, which carry forward indefinitely subject to the annual limitation.

The Company recognizes, measures, and discloses uncertain tax positions whereby tax positions must meet a "more-likely-than-not" threshold to be recognized. During the years ended December 31, 2024 and 2023, no adjustments were recognized for uncertain tax positions.

The Company files income tax returns in U.S. federal and multiple state jurisdictions. The Company is subject to tax audits in these jurisdictions until the applicable statute of limitations expires. With certain exceptions, the Company is no longer subject to U.S. federal tax examinations for tax years prior to 2021. The Company is open for various state tax examinations for tax years 2020 and later. The Company's policy is to recognize potential interest and penalties accrued related to uncertain tax positions within income tax expense. For the years ended December 31, 2024 and 2023, the Company did not recognize any interest or penalties in its Consolidated Statements of Operations, nor did it have any interest or penalties accrued in its Consolidated Balance Sheets at December 31, 2024 and 2023 related to uncertain tax positions.

## 12. INCOME (LOSS) PER SHARE

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the respective period. Diluted net income (loss) per common share is calculated by dividing adjusted net income (loss) by the diluted weighted average number of common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for this calculation consist of stock options and unvested shares of restricted common stock, which are measured using the treasury stock method. When the Company recognizes a net loss, as was the case for the years ended December 31, 2024 and 2023, all potentially dilutive shares are anti-dilutive and are consequently excluded from the calculation of dilutive net loss per common share. Unvested shares of restricted stock participate in dividend distributions; however, they do not participate in losses. The Company had net losses for both years ended December 31, 2024 and 2023, and therefore the dividends attributable to participating securities are not included as a reduction in the calculation of loss attributable to common shareholders.

The following table sets forth the calculation of basic and diluted net income (loss) per share for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands except per share data) | |
| Net income (loss) attributable to common shareholders | $ (25,784) | $ (32,356) |
| | | |
| Basic weighted-average common shares outstanding | 26,720 | 25,322 |
| Dilutive effect of potentially dilutive securities | - | - |
| Diluted weighted-average common shares outstanding | 26,720 | 25,322 |
| | | |
| Basic net loss per share | $ (0.96) | $ (1.28) |
| Diluted net loss per share | $ (0.96) | $ (1.28) |

For the years ended December 31, 2024 and 2023, potentially dilutive securities were excluded from the calculation of weighted average shares because they were anti-dilutive are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Stock options | 22 | 23 |
| Unvested shares of restricted stock | 1,451 | 855 |
| Total | 1,473 | 878 |

**13. FAIR VALUE MEASUREMENTS**

The Company's fair value measurements are estimated pursuant to a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability, and may affect the valuation of the assets and liabilities and their placement within the hierarchy level. The three levels of inputs that may be used to measure fair value are defined as:

Level 1 - Quoted prices for identical assets and liabilities traded in active markets.

Level 2 - Observable inputs other than Level 1 that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The following is a description of the valuation methodologies used for complex financial instruments measured at fair value:

**Recurring Fair Value Measurements**

**Commodity Derivative Instruments**

The Company measures the fair value of commodity derivative contracts using an income valuation technique based on the contract price of the underlying positions, crude oil and natural gas forward curves, discount rates, and Company or counterparty non-performance risk. The fixed-price swaps and collar derivative contracts are included in Level 2. On September 10, 2024, the Company settled all of its then outstanding commodity derivative contracts for 2024 and 2025 production, receiving $1.8 million in settlement proceeds. As of December 31, 2024, the Company no longer has any commodity derivative contracts outstanding. The fair value of commodity derivative contracts and their presentation in our Consolidated Balance Sheets as of December 31, 2023 are presented below:

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value | Effect of Netting | Net Fair Value Presented in the Consolidated Balance Sheet |
| | (in thousands) | | | | | |
| Assets | | | | | | |
| **Current:** | | | | | | |
| Commodity derivatives | $ - | $ 1,844 | $ - | $ 1,844 | $ - | $ 1,844 |
| Net derivative instruments | $ - | $ 1,844 | $ - | $ 1,844 | $ - | $ 1,844 |

**Marketable Equity Securities Valuation Methodologies**

We measure the fair value of marketable equity securities based on quoted market prices obtained from independent pricing services. The Company has an investment in the marketable equity securities of Anfield Energy ("Anfield"), which it acquired as consideration for sales of certain mining operations. Anfield is traded in an active market under the trading symbol AEC:TSXV and has been classified as Level 1.

| | December 31, | |
|---|---|---|
| | 2024 | 2023 |
| Number of shares owned | 2,421,180 | 2,421,180 |
| Quoted market price | $ 0.06256 | $ 0.06789 |
| Share value | $ 151,475 | $ 164,375 |
| Estimated cost to sell shares | (20,000) | - |
| Fair Value | $ 131,475 | $ 164,375 |

**Credit Facility**

The Company's credit facility approximates fair value because the interest rate is variable and reflective of market rates.

**Other Financial Instruments**

The carrying value of financial instruments included in current assets and current liabilities approximate fair value due to the short-term nature of those instruments.

**Nonrecurring Fair Value Measurements**

**Asset Retirement Obligations**

The Company measures the fair value of asset retirement obligations as of the date a well is acquired, the date a well begins drilling, or the date the Company revises its ARO assumptions. The Company's estimated asset retirement obligation is based on historical experience in plugging and abandoning wells, estimated economic lives, estimated plugging and abandonment costs and federal and state regulatory requirements, all unobservable inputs, and therefore, are designated as Level 3 within the valuation hierarchy. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred or revised upward. The credit adjusted risk-free rate used to discount the Company's plugging and abandonment liabilities range from 7.30% to 19.00%.

**Other Assets and Liabilities**

The Company evaluated the fair value on a non-recurring basis of its Riverton, Wyoming real estate assets when circumstances indicated that the value had been impaired. At December 31, 2023, the Company estimated the fair value of its real estate assets based on a market approach with comparison to recent comparable sales, all Level 3 inputs within the fair value hierarchy.

## 14. OTHER CURRENT ASSETS AND ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

### Other Current Assets

The following table presents the components of other current assets as of the dates indicated:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Prepaid expense | $ 119 | $ 89 |
| Joint interest billings receivable, net of allowance of $100 and $100 as of December 31, 2024 and 2023, respectively | 378 | 265 |
| Income tax receivable | 28 | 135 |
| Other | 47 | 38 |
| Total other current assets | $ 572 | $ 527 |

**Accounts Payable and Accrued Liabilities**.

The following table presents the components of accounts payable and accrued liabilities as of the dates indicated:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Accounts payable | $ 2,197 | $ 1,944 |
| Operating expense accruals | 2,417 | 1,335 |
| Interest payable | 172 | 247 |
| Production taxes payable | 653 | 454 |
| Insurance premium financing | - | 62 |
| Other | 27 | 22 |
| Total accounts payable and accrued expenses | $ 5,466 | $ 4,064 |

**15. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

| | Year Ended December 31, 2024 | Year Ended December 31, 2023 |
|---|---|---|
| | (in thousands) | |
| Cash paid for interest | $ 605 | $ 806 |
| **Investing activities:** | | |
| Change in capital expenditure accruals | (165) | (277) |
| Common stock issued for acquisition of properties | 2,678 | - |
| Assumption of suspense accounts in acquisition of properties | - | 169 |
| Asset retirement obligations (acquired, revisions, sold, and plugged wells) | 5,957 | 1,831 |
| Other | | 6 |
| **Financing activities:** | | |
| Accrual for repurchase of common stock | - | 58 |
| Financing of insurance premiums with note payable | - | 654 |

**16. SUBSEQUENT EVENTS**

**Acquisition of Industrial Gas Acreage**

On January 7, 2025, the Company entered into, and simultaneously closed the transactions contemplated by, a Purchase and Sale Agreement (the “Synergy Purchase Agreement”), with Synergy Offshore LLC (“Synergy”). Synergy is controlled by Mr. Duane H. King, a member of the Board of Directors of the Company, who serves as the Chief Executive Officer and Manager of Synergy, and John A. Weinzierl, the Company’s Chairman, who is an approximate sixty percent beneficial owner of Synergy.

Pursuant to the Synergy Purchase Agreement, the Company agreed to purchase from Synergy, 24,000 net operated acres located across the Kevin Dome structure in Toole County, Montana, which are highly contiguous to the Assigned Rights the Company acquired in June 2024, including all leases, wells, rights and interests in, under or derived from all communalization, unitization, or pooling agreements or pooling orders, easements, mineral interests, contracts, production, equipment, claims, receivables, indemnities, permits, seismic studies and records, associated therewith (collectively, the “Property”), subject to Synergy retaining an undivided twenty percent (20.00%) of Synergy’s right title and interest in the Property, and certain excluded assets (the “Synergy Reserved Interest”).

The Property was acquired in consideration for (a) $2.0 million in cash, subject to customary adjustments; (b) 1,400,000 shares of the Company’s common stock (representing 4.76% of the Company’s outstanding common stock at the time of the entry into the Purchase Agreement)(the “Closing Shares”); (c) a carried working interest whereby the Company agreed to cover and pay for 100% of Synergy’s costs attributable to the Synergy Reserved Interest, until the earlier of (i) 78 months from the closing date; or (ii) the date the total costs associated therewith total $20 million; (d) the Company's agreement to pay Synergy 18% of the cash amounts it actually realizes following the closing in, so much as they result from, are generated by, or are credited to the Company, pursuant to any law or regulation allowing for benefits resulting from our sequestration of carbon oxides or similar substances derived directly from the area of mutual interest (“AMI”) surrounding the Property; and (e) the Company's agreement to pay Synergy 18% of the gain we may receive in connection with the sale of the future, first, gas processing plant located on the Property (which includes any expansions connected to the initial installation that processes production from within the AMI in which the Company has a financial interest), in the same form as the consideration we receive upon such sale.

**Underwritten Offering**

On January 22, 2025, the Company entered into an underwriting agreement (the “Underwriting Agreement”) with Roth Capital Partners, LLC (the “Representative”), as representative of the several underwriters named in the Underwriting Agreement (the “Underwriters”), relating to an underwritten offering of 4,236,000 shares of common stock, par value $0.01 per share, of the Company (the “Common Stock”), at a price to the public of $2.65 per share (such offering, the “Offering”).

Under the terms of the Underwriting Agreement, the Company granted the Underwriters a 30-day option to purchase up to 635,400 additional shares of Common Stock (the “Option”), which was exercised in full on January 25, 2025.

The sale of 4,871,400 shares of Common Stock (including the full 635,400 Option) in connection with the Offering, closed on January 23, 2025. The Company intends to use the approximately $12.1 million of net proceeds from the Offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, for the development of its recent acquisition in Montana, general corporate purposes, and working capital, or for other purposes that our board of directors, in their good faith, deems to be in the best interest of the Company. Additionally, management had the ability, pursuant to the terms of the Underwriting Agreement, to use up to the entire amount of proceeds from the Option exercise to purchase shares of Common Stock from Sage Road Capital, LLC (a current shareholder of the Company whose co-manager is Joshua L. Batchelor, a member of the Board of Directors of the Company) or its affiliates at a price up to the public offering price of the Offering, less underwriting discounts, which sale took place in January 2025, as discussed below.

Under the terms of the Underwriting Agreement, the Company and the Company’s directors and executive officers and their affiliates, also agreed not to sell or transfer any Common Stock without first obtaining the written consent of the Representative, subject to certain exceptions (including the Sage Road Purchase, discussed below), for 60 days after January 22, 2025, the date of the final prospectus supplement relating to the Offering.

**Expected Write-Down of Oil and Gas Properties**

Under the full-cost method of accounting, the net book value of proved oil and gas properties, less related deferred income taxes, may not exceed a calculated “ceiling.” The ceiling limitation is the estimated after-tax future net cash flows from proved oil and gas reserves. Estimated future net cash flows are calculated using the unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months, adjusted for location and quality differentials, held flat for the life of the production (except where prices are defined by contractual arrangements), less estimated operating costs, production taxes and future development costs, all discounted at 10 percent per annum. Future cash outflows associated with settling accrued asset retirement obligations are excluded from the calculation.

We expect to record a write-down of our oil and gas properties in the first quarter of 2025 due to lower commodity prices used in the calculation of the ceiling test as higher first quarter 2024 commodity prices will be removed from the ceiling test calculation and replaced with what we expect to be lower first quarter 2025 commodity prices. Depending on actual commodity prices, estimated price differentials, lease operating costs, revisions to reserve estimates, and the amount and timing of capital expenditures, the write-down could be approximately $0.5 million to $1.0 million in the first quarter of 2025.

**Share Grants and Repurchases**

On February 14, 2025, the Board of Directors approved the grant of an aggregate of 280,000 shares of restricted common stock to the non-executive members of the Board of Directors. In addition, the Board of Directors approved a grant of 860,000 shares of common stock to certain officers and employees of the Company, including 400,000 shares to the Company's Chief Executive Officer and 100,000 shares to the Company's Chief Financial Officer. The shares have vesting dates between one and four years. The shares were issued under, and subject to the terms of, the Company's 2022 Equity Incentive Plan.

On January 29, 2025, the Board of Directors of the Company authorized and approved an extension of the ongoing share repurchase program for up to $5.0 million of the currently outstanding shares of the Company's common stock originally approved by the Board of Directors on April 26, 2023 and extended on March 19, 2024, and set to expire on June 30, 2025. Subject to any future extension in the discretion of the Board of Directors of the Company, the repurchase program is now scheduled to expire on June 30, 2026, when a maximum of $5.0 million of the Company's common stock has been repurchased, or when such program is discontinued by the Board of Directors. Subsequent to December 31, 2024, up until March 10, 2025, the Company repurchased a total of 81,500 shares at a cost of $171 thousand. A total of up to approximately $3.7 million remains available under the repurchase program for future repurchases.

**Related Party Share Repurchase**

On January 27, 2025, the Company entered into a Share Repurchase Agreement with Banner Oil & Gas, LLC ("Banner"), Woodford Petroleum, LLC ("Woodford"), and Sage Road Energy II, LP, ("Sage Road", and together with Banner and Woodford, the "Selling Stockholders"). In his capacity as co-Managing Partner of Sage Road Capital, LLC, which indirectly controls and manages certain funds which own a majority interest in Banner, Woodford and Sage Road, Joshua L. Batchelor, a member of the Board of Directors of the Company, may be deemed to beneficially own the shares of Common Stock held by the Selling Stockholders.

Pursuant to the Share Repurchase Agreement, the Company, in a private transaction, outside of, and separate from the Company's previously disclosed share repurchase program, on January 27, 2025, repurchased (a) 534,020 shares of Common Stock held by Banner, (b) 41,229 shares of Common Stock held by Woodford, and (c) 60,151 shares of Common Stock held by Sage Road, for an aggregate of $1,574,362 or $2.47775 per share, which is the price per share of the 4,871,400 shares of Common Stock which we sold in our underwritten public offering which closed on January 23, 2025, less underwriting discounts and commissions, and which represented an 8.2% premium to the closing sales price of the Company's Common Stock on January 27, 2025.

The Share Repurchase Agreement contains customary representations, warranties and covenants of the parties. The share repurchase was approved by the disinterested members of the Board of Directors of the Company, as well as the Company's Audit Committee, comprised solely of independent directors not affiliated with Mr. Batchelor or the Selling Stockholders.

## 17. SUPPLEMENTAL OIL AND NATURAL GAS INFORMATION (UNAUDITED)

**Capitalized Costs Incurred**

The capitalized costs incurred in crude oil and natural gas acquisitions, exploration and development activities for the years ended December 31, 2024 and 2023 are provided in the table below:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Proved property acquisition | $ - | $ - |
| Development (1) | 1,213 | 5,149 |
| Exploration | - | - |
| Total | $ 1,213 | $ 5,149 |

(1) Includes amounts related to estimated asset retirement obligations of $0.5 million and $3.1 million for the years ended December 31, 2024 and 2023, respectively.

**Net Capitalized Costs**

The following table presents the Company's capitalized costs associated with oil and natural gas producing activities as of December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Oil and Natural Gas Properties: | | |
| Evaluated properties in full cost pool (1) | 142,029 | 176,679 |
| Less accumulated depletion (2) | (112,958) | (106,504) |
| Net capitalized costs | $ 29,071 | $ 70,175 |

(1) The Company incurred ceiling test write-downs of $11.9 million and $26.7 million for the years ended December 31, 2024 and 2023, respectively. Under the full-cost method of accounting, the net book value of proved oil and gas properties, less related deferred income taxes, may not exceed a calculated "ceiling." The ceiling limitation is the estimated after-tax future net cash flows from proved oil and gas reserves. Estimated future net cash flows are calculated using the unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months, adjusted for location and quality differentials, held flat for the life of the production (except where prices are defined by contractual arrangements), less estimated operating costs, production taxes and future development costs, all discounted at 10 percent per annum. Future cash outflows associated with settling accrued asset retirement obligations are excluded from the calculation.

(2) Depletion expense was $6.4 million ($19.64 per barrels of oil equivalent (BOE)) and $9.8 million ($17.99 per BOE) for the years ended December 31, 2024 and 2023, respectively.

**Results of Operations from oil and natural gas producing activities**

The following table includes revenues and expenses associated with the Company's oil and gas producing activities. It does not include any allocation of the Company's interest costs or general corporate overhead and therefore, it is not necessarily indicative of the contribution to net earnings of the Company's oil and gas operations. Income tax expense has been calculated by applying statutory income tax rates to oil and gas sales after deducting costs, including DD&A, and giving effect to permanent differences. Presented below are the results of operations from oil and natural gas producing activities for the years ended December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Oil and natural gas sales | $ 20,619 | $ 32,316 |
| Lease operating expense | (11,160) | (15,254) |
| Gathering, treating, and transportation costs | (205) | (557) |
| Production taxes | (1,276) | (2,107) |
| Depletion | (6,369) | (9,779) |
| Income tax (expense) benefit | (20) | 891 |
| Results of operations from oil and natural gas producing activities | $ 1,589 | $ 5,510 |

**Oil and Natural Gas Reserves**

Proved reserves are estimated quantities of oil, NGLs and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Oil and natural gas prices used are the average price during the 12-month period prior to the effective date of the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements. Proved developed reserves are reserves that can reasonably be expected to be recovered through existing wells with existing equipment and operating methods. The Company emphasizes that reserve estimates are inherently imprecise. Accordingly, these estimates are expected to change as future information becomes available.

Proved oil and natural gas reserve quantities at December 31, 2024 and 2023 and the related discounted future net cash flows before income taxes are based on the estimates prepared by On Point Resources. The estimates have been prepared in accordance with guidelines established by the Securities and Exchange Commission. All of the Company's estimated proved reserves are located in the United States.

As of December 31, 2024, and 2023, the Company had no proved undeveloped reserves. All proved reserves were proved developed producing and proved developed non-producing.

The Company's estimated quantities of proved oil and natural gas reserves and changes in net proved reserves are summarized below for the years ended December 31, 2024 and 2023:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Oil (bbls) | Gas (mcfe) (1) | Oil (bbls) | Gas (mcfe) (1) |
| **Total proved reserves:** | | | | |
| Reserve quantities, beginning of year | 3,182,861 | 10,082,386 | 5,140,090 | 16,348,264 |
| Revisions of previous estimates | (515,318) | (2,546,079) | (822,786) | (3,421,047) |
| Discoveries and extensions | - | - | - | - |
| Purchases of minerals in place | - | - | - | - |
| Sale of minerals in place | (819,071) | (4,271,067) | (742,798) | (1,448,181) |
| Production | (256,166) | (958,325) | (391,645) | (1,396,650) |
| Reserve quantities, end of year | 1,592,305 | 2,306,915 | 3,182,861 | 10,082,386 |

(1) Mcf equivalents (Mcfe) consist of natural gas reserves in mcf plus NGLs converted to mcf using a factor of 6 mcf for each barrel of NGL.

Notable changes in proved reserves for the years ended December 31, 2024 and 2023 included the following:

- Downward oil and gas revisions in 2024 and 2023 primarily represent revisions due to a decrease in estimated pricing, which resulted in shortening the economic lives of certain properties.

- Sales of minerals in place in 2024 and 2023 represent reserves associated with properties sold during 2024 and 2023. Please see *Note 2- Acquisitions and divestitures*.

**Standardized Measure (Unaudited)**

The Company computes a standardized measure of future net cash flows and changes therein relating to estimated proved reserves in accordance with authoritative accounting guidance. The assumptions used to compute the standardized measure are those prescribed by the FASB and the SEC. These assumptions do not necessarily reflect the Company's expectations of actual revenues to be derived from those reserves, nor their present value amount. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these reserve quantity estimates are the basis for the valuation process.

Future cash inflows and production and development costs are determined by applying prices and costs, including transportation, quality, and basis differentials, to the year-end estimated future reserve quantities. The following prices as adjusted for transportation, quality, and basis differentials were used in the calculation of the standardized measure:

| | 2024 | 2023 |
|---|---|---|
| Oil per Bbl | $ 75.48 | $ 78.22 |
| Gas per Mmbtu | $ 2.13 | $ 2.64 |

Future operating costs are determined based on estimates of expenditures to be incurred in developing and producing the proved reserves in place at the end of the period using year-end costs and assuming continuation of existing economic conditions. Estimated future income taxes are computed using the current statutory income tax rates, including consideration for estimated future statutory depletion. The resulting future net cash flows are reduced to present value amounts by applying a 10% annual discount factor.

The standardized measure of discounted future net cash flows relating to the Company's proved oil and natural gas reserves is as follows as of December 31, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Future cash inflows | $ 117,237 | $ 265,529 |
| Future cash outflows: | | |
| Production costs | (63,555) | (142,737) |
| Development costs | (28,142) | (37,730) |
| Income taxes | - | (3,940) |
| Future net cash flows | 25,540 | 81,122 |
| 10% annual discount factor | (1,714) | (20,840) |
| Standardized measure of discounted future net cash flows | $ 23,826 | $ 60,282 |

**Changes in Standardized Measure (Unaudited)**

The changes in the standardized measure of future net cash flows relating to proved oil and natural gas reserves for the years ended December 31, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| | (in thousands) | |
| Standardized measure, beginning of year | $ 60,282 | $ 143,788 |
| Sales of oil and natural gas, net of production costs | (7,978) | (14,398) |
| Net changes in prices and production costs | (1,303) | (66,494) |
| Changes in estimated future development costs | 1,788 | (4,834) |
| Extensions and discoveries | - | - |
| Purchases of minerals in place | - | - |
| Sale of minerals in place | (23,116) | (16,055) |
| Revisions in previous quantity estimates | (14,188) | (22,724) |
| Previously estimated development costs incurred | 374 | 215 |
| Net changes in income taxes | 2,611 | 25,874 |
| Accretion of discount | 6,073 | 14,759 |
| Changes in timing and other | (717) | 151 |
| Standardized measure, end of year | $ 23,826 | $ 60,282 |

## PART IV

### Item 15 – Exhibits and Financial Statement Schedules

*(a)(1) and (a)(2) Financial Statements and Financial Statement Schedules:*

The following financial statements are included in Item 8 of this report under "Financial Statements and Supplementary Data":

All schedules are omitted because the required information is not applicable or is not present in amounts sufficient to require submission of the schedule or because the information required is included in the Consolidated Financial Statement and Notes thereto.

*(b) Exhibits*. The following exhibits are filed or furnished with or incorporated by reference into this report on Form 10-K:

| Exhibit No. | Description | Incorporated by Reference | | | | Filed Herewith |
|---|---|---|---|---|---|---|
| | | Form | File No. | Exhibit | Filing Date | |
| 1.1 | Underwriting Agreement, dated January 22, 2025, by and between U.S. Energy Corp. and Roth Capital Partners, LLC | 8-K | 000-06814 | 1.1 | 1/23/2025 | |
| 3.1 | Certificate of Transfer, filed with the Secretary of State of Wyoming on August 3, 2022, and effective on August 3, 2022 | 8-K | 000-06814 | 3.4 | 8/3/2022 | |
| 3.2 | Certificate of Conversion, filed with the Secretary of State of Delaware and effective August 3, 2022 | 8-K | 000-06814 | 3.1 | 8/4/2022 | |
| 3.3 | Certificate of Incorporation of U.S. Energy Corp, Delaware, filed with the Secretary of State of Delaware and effective, August 3, 2022 | 8-K | 000-06814 | 3.2 | 8/4/2022 | |
| 3.4 | Amended and Restated Bylaws of U.S. Energy Corp, Delaware, effective August 3, 2022 | 8-K | 000-06814 | 3.3 | 8/4/2022 | |
| 3.5 | Wyoming Certificate of Transfer, effective August 3, 2022 | 8-K | 000-06814 | 3.4 | 8/4/2022 | |
| 4.1 | Description of Securities of the Registrant | 10-K | 000-06814 | 4.1 | 4/13/2023 | |
| 10.1† | U.S. Energy Corp. Amended and Restated 2012 Equity Performance and Incentive Plan | 8-K | 000-06814 | 10.1 | 6/10/2020 | |
| 10.2† | Form of Grant to the 2012 Equity and Performance Incentive Plan | 10-K | 000-06814 | 10.5.1 | 3/18/2013 | |
| 10.3† | Form of 2012 Equity and Performance Plan Option Agreement between U.S. Energy Corp. and its directors | 10-K | 000-06814 | 10.8(i) | 3/28/2018 | |
| 10.4† | Form of 2012 Equity and Performance Plan Incentive Option Agreement between U.S. Energy Corp. and its executive officers | 10-K | 000-06814 | 10.8(j) | 3/28/2018 | |
| 10.5† | U.S. Energy Corp. 2021 Equity Incentive Plan | 8-K | 000-06814 | 10.1 | 6/29/2021 | |

| | | | | | |
|---|---|---|---|---|---|
| 10.6† | Form of Stock Option Agreement (2021 Equity Incentive Plan) | S-8 | 333-261600 | 10.2 | 12/10/2021 |
| 10.7† | Form of Restricted Stock Grant Agreement (2021 Equity Incentive Plan) | S-8 | 333-261600 | 10.3 | 12/10/2021 |
| 10.8 | Registration Rights Agreement dated January 5, 2022, by and between U.S. Energy Corp., Banner Oil & Gas, LLC, Woodford Petroleum, LLC, Llano Energy LLC, Lubbock Energy Partners LLC and Synergy Offshore LLC | 8-K | 000-06814 | 10.1 | 1/10/2022 |
| 10.9 | Nominating and Voting Agreement dated January 5, 2022, by and between U.S. Energy Corp., Banner Oil & Gas, LLC, Woodford Petroleum, LLC, Llano Energy LLC, Lubbock Energy Partners LLC and Synergy Offshore LLC | 8-K | 000-06814 | 10.2 | 1/10/2022 |
| 10.10 | Credit Agreement dated as of January 5, 2022, among U.S. Energy Corp., as borrower, Firstbank Southwest, as Administrative Agent and the Lenders party thereto | 8-K | 000-06814 | 10.6 | 1/10/2022 |
| 10.11 | Note dated January 5, 2022 in connection with January 5, 2022, Credit Agreement | 8-K | 000-06814 | 10.7 | 1/10/2022 |
| 10.12 | Unconditional Guaranty dated January 5, 2022, by and between Firstbank Southwest and Energy One LLC, New Horizon Resources LLC and BOG – OSAGE, LLC | 8-K | 000-06814 | 10.8 | 1/10/2022 |
| 10.13 | Security Agreement dated January 5, 2022, by and between U.S. Energy Corp., Energy One LLC, New Horizon Resources LLC and BOG – OSAGE, LLC and Firstbank Southwest | 8-K | 000-06814 | 10.9 | 1/10/2022 |
| 10.14 | Intercreditor Agreement dated January 5, 2022, by and between Nextera Energy Marketing, LLC, each Swap Counterparty thereto, U.S. Energy Corp. and Firstbank Southwest | 8-K | 000-06814 | 10.1 | 1/10/2022 |
| 10.15 | ISDA 2002 Master Agreement between Nextera Energy Marketing, LLC and U.S. Energy Corp., and related Schedule and form of Guaranty. | 8-K | 000-06814 | 10.11 | 1/10/2022 |
| 10.16† | Form of U.S. Energy Corp. Notice of Restricted Stock Grant and Restricted Stock Grant Agreement (2021 Equity Incentive Plan)(officer and employee awards – January 2022) | 8-K/A | 000-06814 | 10.12 | 1/21/2022 |
| 10.17† | Form of U.S. Energy Corp. Notice of Restricted Stock Grant and Restricted Stock Grant Agreement (2021 Equity Incentive Plan)(non-executive director awards – January 2022) | 8-K/A | 000-06814 | 10.13 | 1/21/2022 |
| 10.18 | Borrowing Base Increase Letter Agreement dated July 26, 2022, between U.S. Energy Corp. and Firstbank Southwest, as Administrative Agent | 8-K | 000-06814 | 10.3 | 7/28/2022 |
| 10.19† | Amended and Restated Nominating and Voting Agreement dated September 1, 2022, by and between U.S. Energy Corp., Banner Oil & Gas, LLC, Woodford Petroleum, LLC, Llano Energy LLC, Lubbock Energy Partners LLC, Synergy Offshore LLC, King Oil & Gas Company, Inc., WDM Family Partnership, LP, and Katla Energy Holdings LLC | 8-K | 000-06814 | 10.1 | 9/16/2022 |
| 10.20† | Form of Officer and Director Indemnification Agreement | 8-K | 000-06814 | 10.1 | 9/2/2022 |
| 10.21† | U.S. Energy Corp. 2022 Equity Incentive Plan | 8-K | 000-06814 | 10.1 | 6/21/2022 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 10.22† | Form of Stock Option Agreement (2022 Equity Incentive Plan) | S-8 | 333-267267 | 4.2 | 9/2/2022 | |
| 10.23† | Form of Restricted Stock Grant Agreement (2022 Equity Incentive Plan) | S-8 | 333-267267 | 4.3 | 9/2/2022 | |
| 10.24† | May 5, 2022 Employment Agreement between U.S. Energy Corp. and Ryan L. Smith | 8-K | 000-06814 | 10.1 | 5/5/2022 | |
| 10.25 | Borrowing Base Increase Letter Agreement dated July 26, 2022, between U.S. Energy Corp. and Firstbank Southwest, as Administrative Agent | 8-K | 000-06814 | 10.3 | 7/28/2022 | |
| 10.26† | Offer Letter dated June 1, 2023, by and between U.S. Energy Corp. and Mark Zajac | 8-K | 000-06814 | 10.2 | 6/5/2023 | |
| 10.27† | Separation and Release Agreement, dated July 31, 2023, by and between U.S. Energy Corp. and Donald A. Kessel | 8-K | 000-06814 | 10.1 | 8/1/2023 | |
| 10.28† | U.S. Energy Corp. Form of Restricted Stock Grant Agreement – Ryan L. Smith (170,000 shares grant – March 19, 2024) (2022 Equity Incentive Plan) | 8-K | 000-06814 | 10.1 | 3/21/2024 | |
| 10.29 | Purchase and Sale Agreement by and between New Horizon Resources LLC, as seller, and Warwick-Artemis, LLC, as buyer, dated July 9, 2024 | 8-K | 000-06814 | 10.1 | 7/14/2024 | |
| 10.30† | August 14, 2024, First Amended and Restated Employment Agreement between U.S. Energy Corp and Ryan L. Smith | 8-K | 000-06814 | 10.1 | 8/15/2024 | |
| 10.31 | Purchase and Sale Agreement dated December 12, 2024, by and between U.S. Energy Corp. and New Horizon Resources LLC, as seller, and 84 Resources Holdings, LLC, as buyer, December 12, 2024 | 8-K | 000-06814 | 10.1 | 12/13/2024 | |
| 10.32 | Purchase and Sale Agreement dated January 7, 2025, by and between U.S. Energy Corp., as purchase and Synergy Offshore LLC, as seller | 8-K | 000-06814 | 10.1 | 1/10/2025 | |
| 10.33 | Share Repurchase Agreement dated January 27, 2025, by and between U.S. Energy Corp., and Banner Oil & Gas, LLC, Woodford Petroleum, LLC, and Sage Road Energy II, LP | 8-K | 000-06814 | 10.1 | 1/29/2025 | |
| 14.1† | Code of Ethics and Conduct | 8-K | 000-06814 | 14.1 | 8/5/2019 | |
| 16.1 | Letter from Plante & Moran, PLLC, dated June 15, 2023 | 8-K | 000-06814 | 16.1 | 6/16/2023 | |
| 19.1 | U.S. Energy Policy on Insider Trading | | | | | X |
| 21.1* | Subsidiaries of the Registrant | | | | | X |
| 23.1* | Consent of Independent Registered Public Accounting Firm (Weaver and Tidwell, L.L.P.) | | | | | X |
| 23.2* | Consent of Reserve Engineer (On Point Resources, Inc.) | | | | | X |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002 | | | | | X |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002 | | | | | X |
| 32.1** | Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 32.2** | Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | | | X |
| 97.1 | U.S. Energy Corp. Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation | 10-Q | 000-06814 | 10.2 | 11/13/2022 | |
| 99.1 | Reserve Report Summary (On Point Resources, Inc.) | | | | | X |
| 99.2 | Plan of Conversion of U.S. Energy Corp. (a Wyoming corporation) to U.S. Energy Corp. (a Delaware corporation), dated July 27, 2022 and effective August 3, 2022 | 8-K | 000-06814 | 99.1 | 8/4/2022 | |
| 101.INS* | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document | | | | | X |
| 101.SCH* | Inline XBRL Schema Document | | | | | X |
| 101.CAL* | Inline XBRL Calculation Linkbase Document | | | | | X |
| 101.DEF* | Inline XBRL Definition Linkbase Document | | | | | X |
| 101.LAB* | Inline XBRL Label Linkbase Document | | | | | X |
| 101.PRE* | Inline XBRL Presentation Linkbase Document | | | | | X |
| 104* | Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set | | | | | X |

* Filed herewith.

** Furnished herewith.

† Exhibit constitutes a management contract or compensatory plan or agreement.

# Certain schedules, annexes, and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however, that U.S. Energy Corp. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

**Item 16. Form 10-K Summary**

None

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. ENERGY CORP.

| | |
|---|---|
| Date: March 13, 2025 | By: */s/ Ryan L. Smith*<br>Ryan L. Smith, President, Chief Executive Officer, and Director<br>(*Principal Executive Officer*) |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| Date: March 13, 2025 | By: */s/ Ryan L. Smith*<br>Ryan L. Smith, President, Chief Executive Officer, and Director<br>(*Principal Executive Officer*) |
| Date: March 13, 2025 | By: */s/ Mark L. Zajac*<br>Mark L. Zajac, Chief Financial Officer<br>(*Principal Financial and Accounting Officer*) |
| Date: March 13, 2025 | By: */s/ John A. Weinzierl*<br>John Weinzierl, Director |
| Date: March 13, 2025 | By: */s/ Joshua L. Batchelor*<br>Joshua L. Batchelor |
| Date: March 13, 2025 | By: */s/ James W. Denny III*<br>James W. Denny III, Director |
| Date: March 13, 2025 | By: */s/ Randall D. Keys*<br>Randall D. Keys, Director |
| Date: March 13, 2025 | By: */s/ Duane H. King*<br>Duane H. King, Director |
| Date: March 13, 2025 | By: */s/ D. Stephen Slack*<br>D. Stephen Slack, Director |

U.S. ENERGY CORP.

**POLICY ON INSIDER TRADING**

**As Adopted by the Board of Directors on August 6, 2024**

**This Policy on Insider Trading has been adopted by U.S. Energy Corp., and supersedes prior policy statements on this subject. It applies to all employees, consultants, directors, and officers of the Company and subsidiaries.**

U.S. Energy Corp. (the "**Company**") has adopted this Policy on Insider Trading (this "**Policy**") to apply to the persons described below. The Company reserves the right to amend or rescind this Policy or any portion of it at any time and to adopt different policies and procedures at any time. **This Policy must be strictly followed. This Policy shall apply to the Company and each of its subsidiaries.**

**A. General Rule.**

It is a violation of the federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information. Information is material if it could affect a person's decision whether to buy, sell or hold the securities. It is inside information if it has not been publicly disclosed. Furthermore, it is illegal for any person in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called "**tipping.**") In that case, they may both be held liable. **Please note that the Securities and Exchange Commission (the "SEC") has imposed large penalties even when the disclosing person did not profit from the trading.**

The SEC, the stock exchanges, and plaintiffs' lawyers focus on uncovering apparent insider trading. In this regard, please be aware that the SEC and the stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading. In addition, the SEC and the stock exchanges maintain a very extensive database of officers, directors, and certain employees of public companies. It is quite possible that this database includes personal information about you, your relatives, and other acquaintances. **As a result, if you or your acquaintances engage in insider trading, it is extremely likely that it will eventually be discovered and prosecuted.**

A breach of the insider trading laws could expose the insider to criminal fines up to three times the profits earned and imprisonment up to ten years, in addition to civil penalties (up to three times the profits earned) and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject controlling persons to civil penalties for illegal insider trading by employees. Controlling persons include the Company, and are interpreted by the SEC to include directors, officers and supervisors. These persons may be subject to significant fines.

Inside information does not belong to the individual directors, officers, or other employees who may handle it or otherwise become knowledgeable about it. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company's interests. More particularly, in connection with trading in Company securities, it is a fraud against members of the investing public and against the Company.

**B. What Does the Policy Apply To?**

This Policy applies to all transactions in the Company's securities, including common stock, preferred stock, restricted stock, restricted stock units, options and warrants to purchase common stock and any other debt or equity securities the Company may issue from time to time, such as bonds, and convertible debentures, as well as to derivative securities relating to the Company's securities, whether or not issued by the Company, such as exchange-traded options. This Policy applies to such securities regardless of whether they are held in a brokerage account, a 401(k) or similar account, through an employee stock purchase plan or otherwise.

**C. Who Does the Policy Apply To?**

This policy applies to all employees, officers, consultants, and directors of the Company and its subsidiaries (collectively referred to as "**Covered Persons**") and members of their immediate families who reside with them or anyone else who lives in their household and family members who live elsewhere but whose transactions in Company securities are directed by such Covered Persons or subject to their influence and control (collectively referred to as "**Family Members**") and any other individuals the Compliance Officer (defined below) may designate as Covered Persons because they have access to material nonpublic information concerning the Company.

**D. Definitions of Section 16 Individuals and Key Employees.**

"**Section 16 Individual**" – Each member of the Company's Board of Directors ("**Board**"), those officers of the Company designated by the Board as "**Section 16 officers**" of the Company, and their respective Family Members.

"**Key Employees**" – The following individuals are Key Employees because of their position with the Company and their possible access to material nonpublic information:

- Active employees of the Company who are described in **Schedule A** hereto (as may be updated from time to time);
- All executive assistants of Section 16 Individuals and Key Employees; and
- Any other individual designated from time to time by the Compliance Officer, the Board or the Committee as a Key Employee.

**E. Other Companies' Stocks**

The same rules as set forth in this Policy apply to other companies' stocks. Covered Persons, who learn material information about suppliers, customers, potential acquisition candidates, or competitors through their work at the Company, should keep it confidential and not (a) trade in, or buy or sell securities in, such companies until the information becomes public, (b) "**tip**" or disclose such material nonpublic information concerning that company to anyone, or (c) give trading advice of any kind to anyone concerning the other company. Covered Persons should not give tips about such stocks. Similar rules apply to Family Members of Covered Persons.

**F. Margin Accounts and Pledges; Derivatives and Hedging; Trading in Options or Making "Short" Sales**

*Margin Accounts and Pledges*. Section 16 Officers and Key Employees may not purchase securities of the Company on margin. Securities held in a margin account as collateral for a margin loan or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. Because a margin call or foreclosure sale may occur at a time when you are aware of Material Nonpublic information or otherwise are not permitted to trade in Company securities, the Company prohibits holding Company securities in a margin account or pledging Company securities as collateral for a loan unless you have the clear financial capability to repay the loan without resort to the pledged securities.

Section 16 Officers and Key Employees can only pledge or hold stock in margin accounts that exceed any applicable stock ownership guidelines that apply to such person. Section 16 Officers and Key Employees who wish to pledge Company securities as collateral for a loan must obtain the prior approval of the Company's outside securities counsel to that arrangement. Requests for approval should be submitted to the Compliance Officer in writing at least one week prior to the contemplated transaction.

*Derivatives Trading and Hedging*. No executive officer or director may affect any transaction, directly or indirectly, in any derivative security, including put options and call options (discussed below), the underlying basis of which is any security of the Company, that would result in profit if the price of any Company security declines. This prohibition relates to derivative securities issued by the Company or any third party, such as publicly traded options. While executive officers and directors are not prohibited from engaging in other hedging transactions relating to the Company's securities (except as described below), the Company strongly discourages such transactions. Hedging against losses in the Company's securities may disturb the alignment between the interests of our officers and directors and those of our other shareholders. Moreover, hedging the downside risk in ownership of the Company's securities may have the unintended consequence of encouraging excessive risk-taking.

*Options and* "*Short Sales*". The insider trading prohibition also applies to trading in options, such as put and call options, and selling stock "**<u>short</u>**". Both forms of trading are highly speculative and very risky. People who buy options are betting that the stock price will move rapidly. For that reason, when a person trades in options in his or her employer's stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a Company announcement or major event. It is difficult for an employee to prove that he or she did not know about the announcement or event.

If the SEC or the stock exchanges were to notice active options trading or "**<u>short</u>**" sales by one or more directors or employees of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive) and could result in severe penalties and expense for the persons involved.

For all of these reasons, the Company prohibits its directors, officers and employees from trading in options in the Company's stock or selling the Company's stock "**<u>short.</u>**" **This prohibition does not apply to employee or director stock options granted by the Company or to shares acquired upon exercise of employee or director stock options. Furthermore, this prohibition does not apply to the use of the Company's securities as consideration for the exercise of any such options or for the payment of any related withholding taxes.**

### G. What information is material?

It is not possible to define all categories of material information. However, information should be regarded as material if there is a substantial likelihood that it would be considered important to a reasonable investor in making a voting decision or an investment decision to buy, hold or sell securities. Any information that could be expected to affect the market price of the Company's securities, whether such information is positive or negative, should be considered material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of hindsight, questions as to the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. Designated Insiders are subject to the Blackout Period provisions described in **Section H**.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

- Financial results;
- Projections of future earnings or losses;
- News of a pending or proposed merger, acquisition or tender offer;
- News of a pending or proposed acquisition or disposition of significant assets;
- Actions of regulatory agencies;
- News of a pending or proposed acquisition or disposition of a subsidiary;
- Impending bankruptcy or financial liquidity problems;
- Gain or loss of a significant customer or supplier;
- Significant energy generation or supply problems;
- Significant pricing changes;
- Stock splits and stock repurchase programs;
- New equity or debt offerings;
- Significant litigation exposure due to actual or threatened litigation;

- Significant changes or developments in supplies or inventory, including significant product defects, recalls or product returns; and
- Changes in senior management.

"**Material Nonpublic Information**" is material information that has not been previously Publicly Disclosed (as defined below) and is otherwise not available to the general public.

**H. The Blackout Period Policy and other Guidelines**

The following guidelines should be followed in order to ensure compliance with applicable anti-fraud laws and with the Company's policies:

1. *Trading Restrictions.*

A. No Covered Person may buy, sell or trade in the Company's securities during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company and ending after the second full Trading Day following the date of Public Disclosure of that information, or at such time as such nonpublic information is no longer material. As used in this Policy, the term "**Trading Day**" shall mean a day on which national stock exchanges are open for trading. If, for example, the Company were to make an announcement on a Monday after market close, Covered Persons shall not trade in the Company's securities until Thursday. Also, as used in this Policy, "**Public Disclosure**" means the public disclosure of such information (a) via the filing of a Current Report on Form 8-K, Quarterly Report on Form 10-Q or Annual Report on Form 10-K, with the Securities and Exchange Commission; (b) via widely distributed press release; (c) via a posting on the Company's website and/or via social media, provided that the Company has previously announced publicly that the Company will be making public disclosures on its website (and/or via social media, as applicable) and that investors should monitor such website/social media, and that the Board of Directors has affirmatively determined that information posted to the Company's website and/or via social media is sufficiently "public," considering whether: (1) the Company's website/social media is a recognized channel of distribution, (2) posting of information on the Company's website/social media disseminates the information in a manner making it available to the securities marketplace in general, and (3) that there has been a reasonable waiting period for investors and the market to react to the posted information; or (d) with the prior approval of the Board of Directors, another method of disclosure meeting the public disclosure requirements of Regulation FD.

2. *Additional prohibitions on Section 16 Individuals and Key Employees*. Section 16 Individuals and Key Employees of the Company and their Family Members shall not buy, sell or trade in the Company's securities except during:

Each Trading Day which falls between the period beginning (a) after the second full business day after the Public Disclosure of a quarterly earnings release and ending (b) 30 calendar days after the end of the start of the next reporting period/quarter, except for 45 calendar days after the end of the year (the "**window**"), subject in each case, to the restrictions below.

The opening date of each window will vary depending on the date the applicable quarterly earnings release is made by the Company, but such windows will always end on April 30$^{th}$ (the 30$^{th}$ calendar day after the start of the reporting period ending June 30th); July 30$^{th}$ (the 30$^{th}$ calendar day after the start of the reporting period ending September 30$^{th}$); October 30$^{th}$ (the 30$^{th}$ calendar day after the start of the reporting period ending December 31$^{st}$); and February 15$^{th}$ (the 45$^{th}$ calendar day after the start of the reporting period ending March 31$^{st}$).

This waiting period permits the information to be fully disseminated and absorbed by the trading markets.

Notwithstanding the above, the Compliance Officer may provide for special trading blackout periods applicable to Covered Persons from time to time, as discussed below.

Additionally, no Section 16 Individual may trade in Company securities unless the trade(s) has been approved by the Compliance Officer in accordance with the procedures set forth in **Section H(12)** below.

3. *Special Blackout Periods.*

In addition to the blackout periods described in **Section H(1)** above, the Company may announce "**special**" blackout periods from time to time. Typically, this will occur when there are nonpublic developments that would be considered material for insider trading law purposes, such as, among other things, developments relating to regulatory proceedings or a major corporate transaction. Depending on the circumstances, a "**special**" blackout period may apply to all Section 16 Individuals and Key Employees, and certain other Covered Persons, or only a specific group of Section 16 Individuals and Key Employees or Covered Persons. The Compliance Officer will provide written notice to designated persons subject to a "**special**" blackout period. Any person made aware of the existence of a "**special**" blackout period should not disclose the existence of the blackout period to any other person. The failure of the Company to designate a person as being subject to a "**special**" blackout period will not relieve that person of the obligation not to trade while aware of Material Nonpublic Information. As used in this Policy, the term "**Blackout Period**" shall mean all periodic report blackout periods (as applicable to Section 16 Individuals and Key Employees) as discussed above and all "**special**" blackout periods announced by the Company.

The purpose behind the Blackout Period is to help establish a diligent effort to avoid any improper transactions. Trading in the Company's securities outside a Blackout Period should not be considered a "**safe harbor**", and all employees, officers and directors and other persons subject to this Policy should use good judgment at all times. Even outside a Blackout Period, any person possessing Material Nonpublic Information concerning the Company should not engage in any transactions in the Company's securities until after such information has been Publicly Disclosed for at least two Trading Days after the date of announcement. Although the Company may from time to time impose special Blackout Periods, because of developments known to the Company and not yet disclosed to the public, each person is individually responsible at all times for compliance with the prohibitions against insider trading.

4. *Exceptions to Blackout Periods.*

A. The above restrictions on trading described in **Sections H(1), (3) and (3)**(collectively, the "**Trading Restrictions**") do not apply to exercises of stock options or other equity awards or the surrender of shares to the Company in payment of the exercise price (net cashless exercises) or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's securities (the "**cashless exercise**" of a Company stock option through a broker does involve a market sale of the Company's securities, and therefore would not qualify under this exception); however, such restrictions would restrict the sale of such shares issuable upon exercise until the applicable windows are open.

B. The Trading Restrictions also do not apply to bona fide gifts of the Company's securities.

C. The vesting of restricted stock, or the exercise of a tax withhold right pursuant to which a Covered Person elects to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock, provided that any securities acquired pursuant to such vesting may not be sold while the Covered Person is in possession of Material Nonpublic Information or subject to a special trading blackout or, with respect to Section 16 Individuals and Key Employees, while the Company's trading window is closed.

D. Other purchases of securities from the Company or sales of securities to the Company that do not involve a market transaction.

E. Purchases or sales made pursuant to a Rule 10b5-1 plan that is adopted and operated in compliance with the terms of this Policy (see **Section J**).

F. The Chief Executive Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows (but not during special trading blackout periods) due to financial hardship or other hardships only after:

a. the person trading has notified the Chief Executive Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s);

b. the person trading has certified to the Chief Executive Officer in writing no earlier than two business days prior to the proposed trade(s) that he or she is not in possession of material nonpublic information concerning the Company; and

c. the Chief Executive Officer has approved the trade(s).

The existence of the foregoing approval procedures does not in any way obligate the Chief Executive Officer to approve any trades requested by hardship applicants. The Chief Executive Officer may reject any trading requests at his sole reasonable discretion.

5. *Nondisclosure.* Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it, until it has been publicly released by the Company.

6. *Avoid Speculation.* The Company encourages all Covered Persons to avoid speculating in the Company's stock. Our stock option program gives Key Employees and Section 16 Individuals an opportunity to share in the future growth of the Company. But investing means buying to share in the growth of the Company, it does not mean short-range speculation based on fluctuations in the market. Subject to the prohibition on trading on inside information and the other policies described herein, Key Employees and Section 16 Individuals may sell shares acquired through exercise of options. The Company, however, encourages you to avoid frequent trading in Company stock.

7. *Trading in Other Securities.* No Covered Person should place a purchase or sale order, or recommend that another person place a purchase or sale order, in the securities of another corporation, if such person learns in the course of his or her employment or involvement with the Company confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee learned through Company sources that the Company intended to purchase assets from a corporation, and then bought or sold stock in that other corporation because of the likely increase or decrease in the value of its securities.

8. *Priority of Statutory or Regulatory Trading Restrictions.* The trading prohibitions and restrictions set forth in this Policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., short-swing trading by individuals pursuant to Section 16 of the Securities Exchange Act of 1934, as amended (discussed below) or restrictions on the sale of securities subject to Rule 144 under the Securities Act of 1933, as amended. Any individual who is uncertain whether other prohibitions or restrictions apply should ask the Company's Compliance Officer.

9. *Prohibition Against Buying and Selling Company Common Stock Within a Six-Month Period.* Purchases and sales (or sales and purchases) of Company common stock by any Section 16 Individual, occurring within any six-month period in which a mathematical profit is realized result in illegal "**short-swing profits**." The prohibition against short-swing profits is found in Section 16 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Section 16 was drafted as a rather arbitrary prohibition against profitable "**insider trading**" in a company's securities within any six-month period regardless of the presence or absence of material nonpublic information that may affect the market price of those securities. Each Section 16 Individual and 10% or greater stockholder of the Company is subject to the prohibition against short-swing profits under Section 16. Such persons are required to file Forms 3, 4 and 5 reports reporting his or her initial ownership of the Company's common stock and any subsequent changes in such ownership. The Sarbanes-Oxley Act of 2002 requires Section 16 Individuals who must report transactions on Form 4 to do so by the end of the second business day following the transaction date. Profit realized, for the purposes of Section 16, is calculated generally to provide maximum recovery by the Company. The measure of damages is the profit computed from any purchase and sale or any sale and purchase within the short-swing (i.e., six-month) period, without regard to any setoffs for losses, any first-in or first-out rules, or the identity of the shares of common stock. This approach sometimes has been called the "**lowest price in, highest price out**" rule and can result in a realization of "**profits**" for Section 16 purposes even when the insider has suffered a net loss on his or her trade.

***The rules on recovery of short-swing profits are absolute and do not depend on whether a person has Material Nonpublic Information.***

10. *Publicly Traded Options.* A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that the holder is trading based on inside information. Transactions in options also may focus the trader's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited.

11. *Restrictions on Margin Accounts and Pledges; Derivatives and Hedging; Trading in Options or Making* "*Short*" *Sales.* See Section F, above for additional restrictions which apply to Covered Persons under this Policy.

12. *Post-Termination Transactions.* This Policy continues to apply to transactions in Company securities even after a Covered Person has resigned or terminated employment, *except that* the blackout windows set forth in **Section H(2)** will cease to apply to transactions in the Company's securities, upon the opening of the Company's trading window and/or expiration of any special trading blackout period after the date of termination of the Covered Person. If the person who resigns or separates from the Company is in possession of Material Nonpublic Information at that time, he or she may not trade in Company securities until that information has become public or is no longer material.

13. *Section 16 Individual Cashless Exercises.* The Company will not arrange with brokers to administer cashless exercises on behalf of Section 16 Individuals of the Company. This approach is to avoid any inference that the Company has "extended credit" in the form of a personal loan to the director or executive officer. Questions about cashless exercises should be directed to the Compliance Officer.

14. *Internet Posting.* This Policy also prohibits Covered Persons and their Family Members from making any comments or postings about the Company on any Internet bulletin boards, via social media, chat rooms or websites, or responding to comments or postings about the Company's business made by others. This restriction applies whether or not such persons identify themselves as associated with the Company.

15. *Additional Prohibitions.* The Company may elect, from time to time, to institute special securities procedures with respect to certain staff members, including, but not limited to, the Company's board of directors, executive officers and senior management.

## I. Potential Civil, Criminal and Disciplinary Sanctions.

1. *Civil and Criminal Penalties.* The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the insider tippee, pay civil penalties and serve a jail term. The Company and/or the supervisors of the person violating the rules may also be required to pay major civil or criminal penalties. "Controlling persons" are also subject to significant civil penalties. Furthermore, a private action may be brought against a person who trades on inside information by any person who bought or sold before the inside information became public, not just the person from whom the securities were bought or sold.

2. *Company Discipline.* Violation of this Policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal proceedings and the officer or employee to disciplinary action by the Company or its appropriate subsidiary up to and including termination for cause.

3. *Reporting of Violations.* Any person who violates this Policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other Covered Persons, must report the violation immediately to the Chief Executive Officer or Secretary of the Company. Upon learning of any such violation, the Chief Executive Officer or Secretary, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

**J. Rule 10b5-1 Trading Plans**

1. *General Information*.

Under Rule 10b5-1 of the Exchange Act, an individual has an affirmative defense against an allegation of insider trading if he or she demonstrates that the purchase, sale or trade in question took place pursuant to a binding contract, specific instruction or written plan that was put into place before he or she became aware of material nonpublic information. Such contracts, irrevocable instructions and plans are commonly referred to as Rule 10b5-1 plans.

Rule 10b5-1 plans have the obvious advantage of protecting against insider trading liability. However, they also require advance commitments regarding the amounts, prices and timing of purchases or sales of Company securities and thus limit flexibility and discretion. In addition, once a Rule 10b5-1 plan has been adopted, it is generally not permissible to amend or modify such plan. Accordingly, while some individuals may find Rule 10b5- 1 plans attractive, they may not be suitable for all Insiders.

2. *Specific Requirements*.

A. Pre-Approval. For a Rule 10b5-1 plan to serve as an adequate defense against an allegation of insider trading, a number of legal requirements must be satisfied. Accordingly, anyone wishing to establish a Rule 10b5-1 plan must first receive approval from the Compliance Officer or his or her designee.

B. Material Nonpublic Information and Special Blackouts. An individual desiring to enter into a Rule 10b5-1 plan must enter into the plan at a time when he or she is not aware of any Material Nonpublic Information about the Company or otherwise subject to a special trading blackout.

C. Trading Window. Section 16 Individuals and Key Employees may only establish a Rule 10b5-1 plan when the Company's trading window is open.

D. Certification. Rule 10b5-1 plans must include a representation certifying, at the time of the adoption of a new or modified plan, that: (a) the Section 16 Individual and/or Key Employee is not aware of Material Nonpublic Information about the Company or its securities; and (b) that they are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5.

E. Cooling-Off Period. Applicable rules provide that trading under a 10b5-1 plan adopted by an officer or director of the Company cannot begin until the later of: (a) 90 days after the adoption of the Rule 10b5--1 plan; or (b) two business days following the disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the fiscal quarter in which the plan was adopted; provided that for officers and directors, there is a 120 day maximum required cooling-off period. For persons other than directors and officers there is a minimum 30-day cooling-off period following a Rule 10b5-1 plan's adoption. A change in certain essential terms of a previously adopted 10b5-1 plan (e.g., a change in the amount, price, or timing of the purchase or sale of securities (including a change to a written formula or algorithm) constitutes a termination of such prior plan and the adoption of a new plan, triggering the same cooling-off period described above and the same notice and approval requirements set forth above.

F. No Overlapping Plans. No Section 16 Individual or Key Employee shall have multiple or overlapping trading plans (i.e., plans allowing trades in the same period), or more than one single-trade plan in any 12 month period (with exceptions in both cases for sell-to-cover plans solely to satisfy tax withholding obligations on vesting of equity awards).

**K. Section 16 and Rule 144 Reporting**

Section 16 of the Exchange Act requires Section 16 Individuals to file reports reflecting transactions in the Company's equity securities (including derivatives and security-based swap agreements related to such securities). Section 16 also compels these persons to disgorge short-swing profits derived from trading activity within any six-month period.

1. *Section 16 Reporting Obligations*

Each person who is or becomes a Section 16 Individual must file reports concerning his or her beneficial ownership of the Company securities with the Securities and Exchange Commission and the Company. There are three types of forms that must be submitted on a timely basis to comply with Section 16 reporting requirements:

- ***Form 3 for First-Time Filers***: This form must be filed within 10 calendar days after the event triggering the filing. Triggering events include becoming a director or reporting officer (whether or not such person owns any corporate securities), or any transaction that places an investor's holdings in the corporation above 10 percent for the first time. Form 3 requires information as to the Section 16 Individual's beneficial ownership of all classes of the Company's equity securities, including options.

- ***Form 4 for Changes in Beneficial Ownership***: This form is used to report changes in the Section 16 Individual's ownership position. It must be filed within two (2) business days after the transaction occurred. Directors and officers who cease to hold their positions must still report certain changes on Form 4 for up to six months after leaving their positions.

- ***Form 5 for Annual Reconciliation***: The Form 5 is an annual report used to disclose certain exempt transactions not previously reported on Form 4. It must be filed within 45 calendar days after the end of a corporation's fiscal year. Many Section 16 Individuals customarily file a Form 4 for all transactions, whether or not exempt, which negates the requirement of filing a Form 5.

It is the Company's policy that the ultimate responsibility to prepare and timely file Forms 3, 4 and 5 rests with the Section 16 Individual, and **NOT** with the Company. As an accommodation to the Company's Section 16 Individuals, it is the Company's practice, upon request from a Section 16 Individual, to help prepare and file Forms 3, 4 and 5 for the Section 16 Individuals, and the Company may send each Section 16 Individual reminders or alerts from time to time. Each Section 16 Individual is obligated to promptly provide information to the office of the General Counsel concerning any change in his or her beneficial ownership of Company securities to ensure timely filing.

2. *Changes in Beneficial Ownership Covered by Section 16*

As noted above, transactions causing changes in a Section 16 Individual's beneficial ownership are generally required to be reported on a Form 4. A wide range of transactions can trigger this reporting requirement, and Section 16 Individuals should therefore consider the following points:

- Gifts of securities are required to be disclosed on Form 4s within two business days of the date of the gift.

- Reports under Section 16 cover beneficial ownership, as opposed to mere record ownership, of Section 16 Individuals, and therefore include securities held by others for the Section 16 Individual's benefit (regardless of how the securities are registered).

- Securities held by immediate family members living in a Section 16 Individual's home are rebuttably presumed to be beneficially owned by the Section 16 Individual.

- A Section 16 Individual may in certain circumstances be presumed to beneficially own Company securities held in trust. This ownership may include trusts (including living or family trusts) in which the Section 16 Individual is a settlor or has or shares investment control. In addition, trusts in which the Section 16 Individual, or his or her immediate family member (whether or not living in the reporting officer's or director's home), is a beneficiary are subject to particularly complex reporting requirements.

- The concept of "**securities**" for Section 16 purposes includes derivative securities (such as certain deferred stock units, options, stock appreciation rights and other rights with an exercise or conversion privilege at a price related to an equity security) as well as security-based swap agreements.

3. *Limitations and Requirements on Resales of the Company's Securities*

Under the Securities Act of 1933 (the "**Securities Act**"), Section 16 Individuals and others who are affiliates[1] of the Company who wish to sell Company securities generally must comply with the requirements of Rule 144 or be forced to register them under the Securities Act. "**Securities**" under Rule 144 (unlike under Section 16) are broadly defined to include all securities, not just equity securities. Therefore, the Rule 144 requirements apply not only to common and preferred stock, but also to bonds, debentures and any other form of security. Also, the safe harbor afforded by this rule is available whether or not the securities to be resold were previously registered under the Securities Act (except that the minimum holding period required to satisfy the safe harbor shall apply only to securities which were not registered under the Securities Act). The limitation/restriction on sales under Rule 144 generally applies to all non-registered securities (but also generally includes securities registered on a Form S-8 registration statement, absent a reoffer prospectus) held by directors and certain officers who are affiliates and also applies to all securities acquired by such persons in the open market, even if such securities were free-trading when acquired.

The relevant provisions of Rule 144 as they apply to resales by Section 16 Individuals seeking to take advantage of the safe harbor are as follows:

**1.** **Current public information**. There must be adequate current public information available regarding the Company. This requirement is generally satisfied only if the Company has (a) filed all reports required by the Exchange Act and (b) submitted all required Interactive Data Files to the SEC during the twelve months preceding the sale.

**2.** **Manner of sale**. The sale of Company shares by a Section 16 Individual must be made in an open market transaction through a broker at the prevailing market price for no more than the usual and customary brokerage commission (or to a market maker at the price held out by the market maker). Furthermore, the broker may not solicit or arrange for the solicitation of customers to purchase the shares. In addition, your broker likely has its own Rule 144 procedures (and must be involved in transmitting Form 144 (see item 4 below)), so it is important to speak with your broker prior to any sale.

Even if your stock certificates do not contain any restrictive legends, you should inform your broker that you may be considered an affiliate and control person of the Company.

**3.** **Number of shares which may be sold**. The amount of securities that a Section 16 Individual may sell in a three-month period is limited to the greater of:

a. one percent of the outstanding shares of the same class of the Company, or

---

[1] Rule 144 under the Securities Act defines "**affiliate**" of an issuer as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such issuer." Further, Rule 144 covers not only current affiliates but those who have been an affiliate within the last three months.

b. the average weekly reported trading volume on all national securities exchanges and/or reported through the automated quotation system of a registered securities association in the four calendar weeks preceding the filing of a notice on Form 144.

**4. Notice of proposed sale**. If the amount of securities proposed to be sold by a Section 16 Individual during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of $50,000, the Section 16 Individual must file a notice of sale with the SEC on Form 144 prior to, or concurrently with, the placing of the order to sell securities.

**5. Holding Periods**. Any securities of the Company acquired directly or indirectly from the Company in a transaction that was not registered with the SEC under the Securities Act (restricted securities) must be held for six months prior to reselling such securities (assuming the Company remains current in its reporting requirements). There is no statutory minimum holding period for securities which were registered under the Securities Act or acquired in an open-market transaction.

In certain situations (e.g., securities acquired through stock dividends, splits or conversions), "tacking" is permitted, that is, the new securities will be deemed to have been acquired at the same time as the original securities.

## L. Summary of Policy Terms

| | **May not trade when in possession of Material Nonpublic Information** | **Blackout Periods - May not trade during blackout period** | **Public Reporting - Must publicly report all transactions (on Form 4)** |
|---|---|---|---|
| Section 16 Individuals | ☑ | ☑ | ☑ |
| Key Employees | ☑ | ☑ | |
| Covered Persons | ☑ | | |

## M. Compliance Officer

The Company has designated its Chief Executive Officer as the individual responsible for administration of this Policy, but may designate another person or person in the future (as applicable, the "**Compliance Officer**"). The duties of the Compliance Officer include the following:

- Administering this Policy and monitoring and enforcing compliance with all Policy provisions and procedures.
- Responding to all inquiries relating to this Policy.
- Reviewing and either approving or denying all proposed trades by Section 16 Individuals in accordance with the procedures set forth in **Section H(12)** above, to the extent deemed necessary by the Compliance Officer, in consultation with the Company's legal counsel.
- After discussing with the Board of Directors and/or the Company's legal counsel, designating and announcing special trading blackout periods during which certain Covered Persons may not trade in Company securities.
- Providing copies of this Policy and other appropriate materials to all new Covered Persons.

- Compiling acknowledgments as required hereby from Section 16 Individuals and Key Employees.
- The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

**N. Individual Responsibility.**

Every Covered Person has the individual responsibility to comply with this Policy against insider trading, regardless of whether a transaction is executed outside a Blackout Period or is pre-cleared by the Company. The restrictions and procedures are intended to help avoid inadvertent instances of improper insider trading, but appropriate judgment should always be exercised by each Covered Person in connection with any trade in the Company's securities.

A Covered Person may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Covered Person believes he or she may suffer an economic loss or forego anticipated profit by waiting.

**O. Liability of The Company**

The adoption, maintenance and enforcement of this Policy is not intended to result in the imposition of liability upon the Company for any insider trading violations where such liability would not exist in the absence of this Policy.

**P. Miscellaneous**

**This Policy will be delivered to Covered Persons upon its adoption by the Company and to all new Covered Persons at the start of their employment or relationship with the Company.**

**Upon first receiving a copy of this Policy or any revised versions, each Section 16 Individual and Key Employee must sign an acknowledgment that he or she has received a copy of this Policy and agrees to comply with its terms in the form of <u>Exhibit A</u> hereto.**

**EXHIBIT A**

## RECEIPT AND ACKNOWLEDGMENT

Upon first receiving a copy of U.S. Energy Corp. Insider Trading Policy or any revised version thereof, each member of the Board of Directors, each officer designated under the Policy as a "**Section 16 Individual**" and each individual meeting the definition of "**Key Employee**" thereunder must sign and return to the Chief Executive Officer, the following receipt and acknowledgement.

The undersigned ("**I**") hereby acknowledges that he or she has received and read a copy of U.S. Energy Corp. Insider Trading Policy and agrees to comply with its terms.

I understand that violation of insider trading or tipping laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the above-titled policy may subject me to discipline by the Company up to and including termination for cause.

Date:______________

Signed: ________________________________________

Name: ________________________________________
(Please Print)

**Please return to:**

Ryan L. Smith
**Chief Executive Officer**
**U.S. Energy Corp.**

**SCHEDULE A**

| Employee Position | Employee Name |
|---|---|
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Exhibit 21.1

**SUBSIDIARIES**

Energy One LLC, Wyoming, wholly-owned limited liability company.

New Horizon Resources, LLC, North Dakota wholly-owned limited liability company.

Coyote Resources, LLC, a wholly-owned Montana limited liability company.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in U.S. Energy Corp.'s Registration Statements on Form S-3 (Nos. 333-267286 and 333-265532) and Form S-8 (Nos. 333-267267, 333-183911, and 333-261600) of our report dated March 13, 2025 relating to the December 31, 2024 and 2023 consolidated financial statements of U.S. Energy Corp., which appears in this Annual Report on Form 10-K.

*/s/ Weaver and Tidwell, L.L.P.*

Houston, Texas
March 13, 2025

**Exhibit 23.2**

**CONSENT OF ON POINT RESOURCES, INC.**

We hereby consent to the inclusion in the Annual Report on Form 10-K prepared by U.S. Energy Corp. (the "Company") for the year ended December 31, 2024, of our report relating to certain estimated quantities of the Company's proved reserves of oil and natural gas, future net income and discounted future net income, effective December 31, 2024. We further consent to reference to our firm in the Annual Report, including, but not limited to, under Item 2 – Properties under the heading "Oil and Natural Gas Interests" and Item 8, Note 16 of the Notes to Consolidated Financial Statements under the caption "Supplemental Oil and Natural Gas Information (Unaudited)." We further consent to the inclusion of our report dated January 8, 2025, containing our opinion on the proved reserves attributable to certain properties that the Company has represented that it has an interest in as of December 31, 2024, as an exhibit in the Annual Report and to the incorporation by reference of information from our Report into the Company's Registration Statements on Form S-3 (Nos. 333-267286 and 333-265532), and Form S-8 (Nos. 333-267267, 333-183911, and 333-261600).

Very truly yours,

On Point Resources, Inc.

*/s/ Don Jacks*

Don Jacks, President
March 13, 2025

**Exhibit 31.1**

**CERTIFICATION**

I, Ryan L. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K of U.S. Energy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 13, 2025

By: */s/ Ryan L. Smith*
**Ryan L. Smith**
**Chief Executive Officer**
***(Principal Executive Officer)***

**Exhibit 31.2**

**CERTIFICATION**

I, Mark L. Zajac, certify that:

1. I have reviewed this Annual Report on Form 10-K of U.S. Energy Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 13, 2025

By: */s/ Mark L. Zajac*

**Mark L. Zajc**
**Chief Financial Officer**
***(Principal Financial and Accounting Officer)***

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of U.S. Energy Corp. (the "Company") for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan L. Smith, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: March 13, 2025

By: */s/ Ryan L. Smith*
**Ryan L. Smith**
**Chief Executive Officer**
***(Principal Executive Officer)***

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of U.S. Energy Corp. (the "Company") for the year ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark L. Zajac, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company, at the dates and for the periods indicated.

Date: March 13, 2025

By: */s/ Mark L. Zajac*
**Mark L. Zajac**
**Chief Financial Officer**
**(Principal Financial and Accounting Officer)**

**Exhibit 99.1**

ON POINT RESOURCES, LLC

**3602 S. Garland Rd.**
**Enid, OK 73703**
**580-822-1145**

1/8/25

US Energy Corporation
1616 S. Voss, Ste. 725
Houston, TX 77057

Attn: Ryan Smith, CEO

Re: USEG 4Q 2024 Reserve Report "as of" 1/1/25

Dear Ryan:

As per your request, I have evaluated remaining reserves for 152 properties in Kansas, Louisiana, Mississippi, Montana, North Dakota, New Mexico, Oklahoma, Texas, and Wyoming. Production was updated for all the leases and reserve projections were reviewed and revised. Operating expenses and price differentials were determined from your accounting system for all leases. This report is organized by USEG Districts. This report uses the SEC 4Q24 first day of the month price forecast averaged over the prior 12 months as confirmed by industry websites and documented in attachment 06. A summary table with each well's value along with other reports are included in support of this 4Q24 evaluation.

**PROVED RESERVE VALUE "As of" January 1, 2025**

| | | | | |
|---|---|---|---|---|
| **Total Proved Res** | | **(PV10%)** | **$29,073,289** | **(1,592,303 BO & 2,306,911 MCF Net)** |

**P-DP RESERVE VALUE "As Of" January 1, 2025**

| | | | | |
|---|---|---|---|---|
| Dist. 1 | PDP | (PV10%) | $2,073,125 | (48,520 BO & 1,593,807 MCF Net) |
| Dist. 2 | PDP | (PV10%) | $393,442 | (17,457 BO & 179,043 MCF Net) |
| Dist. 3 | PDP | (PV10%) | $2,232,133 | (156,453 BO & 24,448 MCF Net) |
| Dist. 4A | PDP | (PV10%) | $0 | (0 BO & 0 MCF Net) |
| Dist. 4B | PDP | (PV10%) | $1,313,121 | (71,740 BO & 276,904 MCF Net) |
| Dist. 5 | PDP | (PV10%) | $23,061,469 | (1,298,132 BO & 232,711 MCF Net) |
| **Total P-DP Reserves** | | **(PV10%)** | **$29,073,290** | **(1,592,303 BO & 2,306,911 MCF Net)** |

Monthly production was updated through 10/30/24 for operated leases. A rigorous analysis of OPEX was done for the operated leases. OPEX was forecast with fixed costs determined from USEG accounting data from 1/22 through 8/24 for this 4Q24 report. Consistent with prior reports, abandonment and salvage costs were not applied so they can be handled separately and accounted for as a line item. Asset retirement obligations (ARO) are handled by USEG management.

**USEG 4Q24 SEC Reserves**
**4Q24 SEC Prices - $75.48/BO $2.13/MCF $32.75/Bbl**

| | RES CLS & CAT | NET OIL MBO | NET GAS MMCF | NET OIL REV $M | NET GAS REV $M | NET NGL REV $M | NET OPEX/TAX $M | NET CAPEX $M | PV(0%) $M | PV(10%) $M | % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **PROVED** | **1,592,303** | **2,306,911** | **107,281,831** | **8,063,796** | **1,891,451** | **63,555,359** | **0** | **53,681,720** | **29,073,289** | **100%** |
| **1** | **PDP** | **48,520.0** | **1,593,807** | **3,565,378** | **6,785,618** | **0** | **7,270,840** | **0** | **3,080,157** | **2,073,125** | **7%** |
| **2** | **PDP** | **17,457.0** | **179,043** | **1,265,261** | **337,850** | **0** | **916,058** | **0** | **687,053** | **393,442** | **1%** |
| **3** | **PDP** | **156,453.0** | **24,448** | **11,339,731** | **38,014** | **0** | **8,234,286** | **0** | **3,143,458** | **2,232,133** | **8%** |
| **4A** | **PDP** | **0.0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0%** |
| **4B** | **PDP** | **71,740.0** | **276,904** | **5,121,805** | **432,145** | **-0** | **3,363,986** | **0** | **2,189,963** | **1,313,121** | **5%** |
| **5** | **PDP** | **1,298,132.0** | **232,711** | **85,989,656** | **470,170** | **1,891,451** | **43,770,189** | **0** | **44,581,088** | **23,061,469** | **79%** |
| **TOTAL** | **PDP** | **1,592,302.0** | **2,306,913** | **107,281,831** | **8,063,797** | **1,891,451** | **63,555,359** | **0** | **53,681,719** | **29,073,290** | **100%** |

Wellhead oil price averaged $67.38/BO throughout the economic life of the properties and included deductions for transportation & quality. Wellhead gas price averaged $3.50/MCF throughout the economic life of the properties and included deductions for marketing, transportation & quality. Supporting documentation from this 4Q24 report is attached for price differentials and operating costs for this evaluation.

**USEG - 2024 Q4 SEC Price Forecast**

| | SEC WTI $/BO | SEC HH $/MCF | SEC Prop $/Bbl |
|---|---|---|---|
| 1/1/2024 | $ 71.65 | $ 2.56 | $ 29.36 |
| 2/1/2024 | $ 73.82 | $ 2.23 | $ 39.27 |
| 3/1/2024 | $ 79.97 | $ 1.66 | $ 35.28 |
| 4/1/2024 | $ 83.71 | $ 1.56 | $ 34.15 |
| 5/1/2024 | $ 79.00 | $ 1.68 | $ 30.37 |
| 6/1/2024 | $ 76.99 | $ 1.77 | $ 29.61 |
| 7/1/2024 | $ 83.38 | $ 2.39 | $ 35.49 |
| 8/1/2024 | $ 76.31 | $ 1.93 | $ 31.46 |
| 9/1/2024 | $ 73.55 | $ 1.91 | $ 31.46 |
| 10/1/2024 | $ 69.83 | $ 2.66 | $ 30.66 |
| 11/1/2024 | $ 69.49 | $ 1.87 | $ 31.29 |
| 12/1/2024 | $ 68.00 | $ 3.35 | $ 34.57 |
| **2024 Q4 Avg** | **$ 75.48** | **$ 2.13** | **$ 32.75** |

Per R-S 1st of Month WTI & HH

Proved Developed Oil and Gas reserves, as shown in the E-mailed reports, are reserves that geological and engineering data indicate to be recoverable from known oil and gas reservoirs through existing wells with existing operating methods. The reserves in this report have been estimated using deterministic methods. These estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information ("SPE Reserves Standards"), revised June 2019 and distributed by SPE.

The reserves and values included in this report are estimates only and should not be construed as being exact quantities. The reserve estimates were performed using accepted engineering practices and were primarily based on historical rate decline analysis for existing producers. The reserve volumes were estimated based on the definitions and disclosure guidelines published by the Society of Petroleum engineers (SPE), Society of Petroleum Evaluations Engineers (SPEE), and Petroleum Reserves Management System (PRMS). Because of governmental policies and uncertainties of supply and demand, the prices actually received for the reserves included in this report and the costs incurred in recovering such reserves may vary from the price and cost assumptions referenced. Therefore, in all cases, estimates of reserves may increase or decrease as a result of future operations.

In evaluating the information available for this analysis, items excluded from consideration were all matters as to which legal or accounting, rather than engineering interpretation, may be controlling. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering data and such conclusions necessarily represent only informed professional judgments.

The title to the property has not been examined nor has the actual degree or type of interest owned been independently confirmed. A field inspection of the properties is not usually considered necessary for the purpose of this report.

Information included in this report includes the graphical decline curves, historical and projected production and cash flow economic results, and miscellaneous individual well information. Additional information reviewed will be retained and is available for review at any time. I can take no responsibility for the accuracy of the data used in the analysis, whether gathered from public sources or otherwise

Sincerely,

Don Jacks