

US ENERGY CORP
Form DEFA14A
May 11, 2007

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

SCHEDULE 14A/A

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant ☒ Filed by a party other than the Registrant

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Pursuant to §240.14a-12

U.S. Energy Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.
- 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:

U.S. ENERGY CORP.
Minerals Plaza, Glen L. Larsen Building
877 North 8th West
Riverton, Wyoming 82501

Notice of Annual Meeting of Shareholders

We are pleased to give you notice of our Annual Meeting of Shareholders:

Date: Friday, June 22, 2007

Time: 10:00 AM MDT

Place: 877 North 8th West, Riverton, Wyoming 82501

- Purpose:
- 1. Elect four directors to serve until the third succeeding annual meeting of shareholders, and until their successors have been duly elected or appointed and qualified;
 - 2. Extend the term of the 2001 Stock Compensation Plan and increase the shares issuable under the Plan;
 - 3. Amend the 2001 Incentive Stock Option Plan to increase the number of shares issuable on exercise of options, from the current 20% of outstanding shares, up to 25% of outstanding shares;
 - 4. Approve a proposed amendment to the 1990s "Forfeitable Stock Compensation Plan" to allow release of the forfeitable shares to employees and directors prior to termination of service, payment by the company of the income taxes which would be owed by the recipients, and reimbursement of taxes already paid by a retired officer and by the estate of a former officer and director.
 - 5. Approve a proposed amendment to the 1998 Incentive Stock Option Plan (which is to expire September 2008) to allow the company to pay the income taxes which would be owed by the officers and directors in service, and by a retired officer and by the estate of a former officer and director, if such persons exercise the non-qualified stock options now outstanding under the 1998 ISOP before expiration of that plan.
 - 6. Ratify appointment of the independent auditor; and
 - 7. Transact any other business that may properly come before the meeting.

Record Date: April 23, 2007. The stock transfer books will not be closed.

Your vote is important. Whether or not you plan to attend the meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed envelope. We appreciate your cooperation.

By Order of the Board of Directors

Dated: May 11, 2007

Steven R. Youngbauer, Secretary

Information About Attending the Annual Meeting

Only shareholders of record on April 23, 2007 may vote at the meeting. Only shareholders of record, and beneficial owners on the record date, may attend the meeting. If you plan to attend the meeting, please bring personal identification and proof of ownership if your shares are held in "street name" (i.e., your shares are held of record by brokers, banks or other institutions). Proof of ownership means a letter or statement from your broker showing your ownership of shares on the record date.

A list of shareholders entitled to vote at the meeting will be available for inspection by any record shareholder at the Company's principal executive offices in Riverton, Wyoming. The inspection period begins two days after the date this Notice is mailed and ends at the conclusion of the meeting.

U.S. ENERGY CORP.

**Minerals Plaza, Glen L. Larsen Building
877 North 8th West
Riverton, Wyoming 82501**

**PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
ON FRIDAY, JUNE 22, 2007**

The Annual Report to Shareholders for the fiscal year ended December 31, 2006 is mailed to shareholders together with these proxy materials on or about May 14, 2007. The proxy materials consist of this proxy statement and notice of annual meeting, the Annual Report, the Audit Committee Certification, the Audit Committee Charter, and the Nominating Committee Charter.

This proxy statement is provided in connection with a solicitation of proxies by the Board of Directors of U.S. Energy Corp. ("U.S. Energy" or "the Company") for the annual meeting of shareholders (the "meeting") to be held on Friday, June 22, 2007 and at any adjournments of the meeting.

Who Can Vote

If you held any shares of common stock on the record date (April 23, 2007), then you will be entitled to vote at the meeting. If you held stock in your own name, you may vote directly. If you own stock beneficially but in the record name (street name) of an institution, you may instruct the record holder how to vote when the record holder contacts you about voting and gives you the proxy materials.

Common Stock Outstanding on the Record Date: 20,213,547 Shares

Quorum and Voting Rights

A quorum for the meeting will exist if a majority of the voting power of the shareholders is present at the meeting, in person or represented by properly executed proxy delivered to us prior to the meeting. Shares of common stock present at the meeting that abstain from voting, or that are the subject of broker non-votes, will be counted as present for determining a quorum. A broker non-vote occurs when a nominee holding stock in street name or otherwise for a beneficial owner does not vote on a particular matter because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

You are entitled to one vote for each share of U.S. Energy Corp. common stock you hold, except that in the election of directors you may cumulate your votes. Cumulative voting generally allows each holder of shares of common stock to multiply the number of shares owned by the number of directors being elected, and to distribute the resulting number of votes among nominees in any proportion that the holder chooses. Nominees in number equal to the seats to be filled, who receive a plurality of votes cast, are elected. If you abstain from voting, your shares will not be counted for or against any director.

Each of the other proposals, and any other matter which properly comes before the meeting, will be approved if the number of votes cast in favor exceeds the number of votes opposed.

Abstentions and broker non-votes will have no effect on the election of directors. Abstentions as to all other matters which properly may come before the meeting will be counted as votes against those matters. Broker non-votes as to all other matters will not be counted as votes for or against, and will not be included in calculating the number of votes necessary for approval of these matters.

How Your Proxy Will Be Voted; Recommendation of the Board

The Board of Directors is soliciting a proxy in the enclosed form to provide you with the opportunity to vote on all matters scheduled to come before the meeting, whether or not you attend in person.

The Board of Directors recommends you vote in favor of the nominees for directors, in favor of the extension of the 2001 Stock Compensation Plan and in favor of ratifying management's re-appointment of the audit firm.

Granting Your Proxy

If you sign properly and return the enclosed form of proxy, your shares will be voted as you specify. If you make no specifications, your proxy will be voted in favor of all proposals.

We expect no matters to be presented for action at the meeting other than the items described in this proxy statement. However, as permitted by SEC rule 14a-4(c), the enclosed proxy will confer discretionary authority with respect to any other matter that may properly come before the meeting, including any matter of which we did not have notice at least 45 days before the date of mailing proxy materials for last year's meeting. The persons named as proxies intend to vote in accordance with their judgment on any matters that may properly come before the meeting.

Revoking Your Proxy

If you submit a proxy, you may revoke it later or submit a revised proxy at any time before it is voted. You also may attend the meeting in person and vote by ballot, which would cancel any proxy you previously submitted.

Proxy Solicitation

We will pay all expenses of soliciting proxies for the meeting. In addition to solicitations by mail, arrangements have been made for brokers and nominees to send proxy materials to their principals, and we will reimburse them for their reasonable expenses. We have not hired a solicitation firm for the meeting. Our employees and directors will solicit proxies by telephone or other means, if necessary; these people will not be paid for these services.

Requirement and Deadlines for Shareholders to Submit Proxy Proposals

Generally, we hold the annual meeting on a Friday in June. Under the rules of the SEC, if a shareholder wants us to include a proposal in our proxy statement and form of proxy for presentation at our Annual Meeting of Shareholders to be held in June 2007, the proposal must be received by us in writing at least 150 calendar days in advance of the meeting date, at U.S. Energy Corp., 877 North 8th West, Riverton, Wyoming 82501; Attention: Steven R. Youngbauer, Secretary.

Corporate Governance, Audit Committee, Compensation Committee and Nominating Committee

Meetings of the Board. The Board of Directors, which held 12 formal meetings in 2006, has primary responsibility for directing management of the business. The board currently consists of seven members. All members attended all meetings, except John L. Larsen who missed two regular meetings prior to his death on September 4, 2006, Harold F. Herron, Keith G. Larsen and Michael T. Anderson who each missed one meeting and Mark J. Larsen who attended both meetings convened following his appointment to the board. The board conferred informally on several other occasions during the year. From time to time the directors also approve various matters by consent minutes without conducting formal meetings; there were no such proceedings in 2006.

Attendance by Directors at Annual Meetings. Although most of the directors attend annual meetings of shareholders, we do not require such attendance. All of the directors attended the 2006 annual meeting of shareholders either in person or on the telephone, and the regular meeting of the Board of Directors following the 2006 annual meeting of shareholders.

Communications from Security Holders to the Board of Directors. Security holders may send communications to the Board of Directors, by addressing their communications to Keith G. Larsen, Chief Executive Officer and Chairman of the Board of Directors, or Mark J. Larsen, President, at 877 N. 8th W., Riverton, Wyoming 82501. The independent directors have established a process for collecting and organizing communications from security holders. Pursuant to this process, Keith and Mark Larsen will determine which of the communications address matters of substance and which should be considered by all directors, and will send those communications to all the directors for their consideration.

Audit Committee. To provide effective direction and review of fiscal matters, the board has established an Audit Committee. The Audit Committee has the responsibility of reviewing our financial statements, exercising general oversight of the integrity and reliability of our accounting and financial reporting practices, and monitoring the effectiveness of our internal control systems. The Audit Committee also recommends selection of auditing and internal audit firms and exercises general oversight of the activities of our independent auditors, principal financial and accounting officers and employees and related matters. The members of the Audit Committee are Allen S. Winters, H. Russell Fraser, Michael T. Anderson, and Michael H. Feinstein, all of whom are independent directors under criteria established by rule 4200(a)(15) adopted by the National Association of Securities Dealers, Inc. ("NASD"). Don C. Anderson served on the committee until his retirement as a director in early 2007. The Audit Committee met five times during 2006. Michael Feinstein and Don Anderson each missed one of these meetings. All other members attended all meetings.

The Board of Directors has determined that Michael T. Anderson and Michael Feinstein both are Audit Committee financial experts as defined in rule 401(h) of the SEC's regulation S-K and Mr. Feinstein serves as the Chairman of the Audit Committee.

The Audit Committee has reviewed our financial statements for the twelve months ended December 31, 2006 and discussed them with management. The committee also discussed with the independent audit firm the various matters required to be discussed in SAS 63 (Codification of Statements on Auditing Standards, AU 380). Based on the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the twelve months ended December 31, 2006.

The Audit Committee has adopted a written charter, a copy of which is included with these proxy materials. A copy will be next included with proxy materials for the 2009 Annual Meeting.

Compensation Committee. The Company has a Compensation Committee, whose members are Allen S. Winters, H. Russell Fraser, Michael T. Anderson, and Michael H. Feinstein. These men are independent under criteria established by the NASD. Mr. Fraser serves as the Chairman of the Compensation Committee. This committee met formally on three occasions in 2006, and discussed compensation matters informally several times throughout the fiscal year. All Compensation Committee members attended all meetings of their committee during 2006 either in person or by phone. Mr. Winters replaced Don C. Anderson, who retired as a director in early 2007.

The Compensation Committee reviews and recommends to the Board of Directors compensation packages for the officers of U.S. Energy Corp. and subsidiaries (but not Crested Corp. ("Crested")) which has its own Compensation Committee). Please see the Compensation Discussion and Analysis under "Executive Compensation" below.

Executive Committee. The Executive Committee members are Keith G. Larsen, Harold F. Herron and H. Russell Fraser. This committee helps implement the Board of Directors' overall directives as necessary. This committee usually does not conduct formal meetings.

Nominating Committee and Nominating Process. When needed as determined by the Board of Directors, the Nominating Committee considers and recommends to the Board of Directors individuals who may be suitable to be nominated to serve as directors. Allen S. Winters, H. Russell Fraser, Michael T. Anderson, and Michael H. Feinstein are the Nominating Committee members; they are independent under criteria established by the NASD. Don C. Anderson served on this committee until his retirement in January 2007. Mr. Fraser serves as Chairman of the Nominating Committee.

The Nominating Committee has adopted a written charter regarding the Company's director and officer nomination process. A copy of the charter is included with this proxy statement. A copy will be next included with proxy materials for the 2010 Annual Meeting. This charter is not available on the Company's website, but copies are available on request (without charge) addressed to Steven R. Youngbauer, Secretary, U.S. Energy Corp., 877 North 8th West, Riverton, Wyoming 82501. The Nominating Committee approves all nominations to serve on the Board of Directors as well as Officers.

Pursuant to its charter, the Nominating Committee has adopted a policy for consideration of any director candidates recommended by security holders, and may (or may not) recommend to the Board of Directors that candidate(s) be put on an Annual Meeting election slate and identified in the Company's proxy statement, if:

- At least 150 calendar days before the meeting date, the security holder requests in writing that the Nominating Committee consider an individual for inclusion as a director nominee in the next proxy statement for an Annual Meeting. The security holder must identify the individual and provide background information about the individual sufficient for the committee to evaluate the suggested nominee's credentials. Such requests should be addressed to Keith G. Larsen, Chief Executive Officer and Chairman of the Board of Directors who will forward the requests to the Nominating Committee.
- The candidate meets certain specific minimum qualifications: Substantial experience in top or mid-level management (or serving as a director) of public mineral exploration companies, with particular emphasis on understanding and evaluating mineral properties for either financing, exploration and development, or joint venturing with industry partners; contacts with mining or oil and gas industry companies to develop strategic partnerships or investments with the Company; and the ability to understand and analyze complex financial statements. A security holder-recommended candidate also will have to possess a good business and personal background, which the Nominating Committee will independently verify. These same categories of qualifications will be used by the Nominating Committee in considering any nominee candidate, whether recommended by a security holder, an officer, or another director.

- Although all security holder-recommended candidates, and all candidates recommended by another director or by an officer, will be evaluated by the Nominating Committee in good faith, the full Board of Directors, by majority vote, will make the final decision whether to include an individual on an Annual Meeting election slate and identified in the proxy statement for that Annual Meeting.
- For the 2007 Annual Meeting, or for the following Annual Meeting, the Nominating Committee has not received a request from any security holder for consideration of a nominee candidate.

Management Cost Apportionment Committee. This committee was established by U.S. Energy and Crested in 1982 to review the apportionment of costs between U.S. Energy and Crested. Michael H. Feinstein as Chairman of the Audit Committee, Keith G. Larsen and Robert Scott Lorimer, CFO, are members.

Principal Holders of Voting Securities and Ownership by Officers and Directors

The following are record holders as of April 10, 2007 who owned more than five percent of the outstanding common stock, as well as the stock beneficially held by each director and nominee, and each officer, and by all officers and directors as a group. This information is based on SEC reports or as otherwise known to us. Beneficial ownership includes the shares underlying presently exercisable options.

Except as noted, each holder exercises sole voting and dispositive powers over the shares listed opposite the holder's name, excluding shares subject to forfeiture and those held in ESOP accounts established for the holder's benefit. Dispositive powers over the forfeitable shares held by employees who are not officers, and by non-employee directors ("Forfeitable Shares") are shared by the Board of Directors. Voting and dispositive powers over Forfeitable Shares held by the executive officers ("Officers' Forfeitable Shares") are shared by the non-employee directors (Messrs. Anderson, Feinstein, Winters and Fraser).

The ESOP Trustees, Keith G. Larsen and Harold F. Herron, exercise voting powers over non-allocated ESOP shares and dispositive powers over all ESOP shares. It should be noted that voting and dispositive powers over certain shares are shared by one or more of the listed holders; those shares are reported for each holder having a shared interest.

Name and Address		Amount and Nature of Beneficial Ownership				Total Beneficial Ownership	Percent of Class ⁽¹⁾
		Voting Rights		Dispositive Rights			
of Beneficial Owner		Sole	Shared	Sole	Shared		
Keith G. Larsen	*(2)	865,032	463,867	804,991	830,777	1,681,949	8.1%
4045 Valley Green Circle							
Riverton, WY 82501							
Harold F. Herron	*(3)	502,643	460,867	467,919	830,777	1,350,190	6.6%
877 North 8th West							
Riverton, WY 82501							
Michael H. Feinstein	*(4)	27,214	420,720	27,214	443,400	470,614	2.3%
5309 East Paradise Lane							
Scottsdale, AZ 85254							
H. Russell Fraser	*(5)	148,969	422,020	148,969	444,700	593,669	2.9%
3453 Southfork Road							
Cody, WY 82414							
Mike Anderson	*(6)						