

U.S. Energy Corp. Provides Update on Uranium, Molybdenum, Gold and Natural Gas Holdings

Look at those price changes in the past three years in the hundreds of percents and you will see the imminence and urgency of new nuclear plants

US Energy Corporation
May 31, 2006

U.S. Energy Corp. is pleased to provide the following corporate update and announces that its management will host an investor conference call today, Wednesday, May 31, 2006 at 4:00 p.m. Eastern Time, to discuss recent corporate developments.

Liquidity and Marketable Securities

As of May 30, 2006, the Company has approximately \$6.5 million of cash and cash equivalents in the bank. On June 1, 2006, the Company will exchange its non-marketable 436,586 Class D shares of Enterra Energy Trust for 436,586 Enterra Units, which trade on the Toronto Stock Exchange and the New York Stock Exchange ("ENT") and were valued at approximately \$6.2 million (US) on May 30, 2006. At this time, USEG does not plan to sell the units. Rather, the Company looks forward to the receipt of approximately \$78,585 (US) per month in cash dividends, based on the current \$0.18 (US) per unit monthly dividend, for the foreseeable future. Additionally, USEG owns 34,345,000 shares of Sutter Gold Mining currently trading at \$.38 (Cdn)/share and 1,250,000 shares of Uranium Power Corp. currently trading at \$.56 (Cdn)/share. As of May 30, 2006, USEG also owns 12,024,733 shares of Crested Corp (OTC Bulletin Board: CBAG - News) currently trading at \$1.90/share. CBAG, which will also own 245,759 Enterra Energy Trust units as of June 1, 2006 and owns 1,250,000 shares of UPC.V, owed USEG \$11.4 million at March 31, 2006. U.S. Energy Corp. expects a portion of this indebtedness to be repaid to the Company over the next 12 months.

Uranium Project updates

Exploration and evaluation of the eight uranium properties in Utah, Colorado and Arizona that are jointly owned by USEG and Crested Corp. dba USECC, continues in an area known as the Colorado Plateau. The objective of the exploration programs is to develop proven reserves sufficient to supply the Company's Shootaring Canyon Mill for five years by the time it is expected to reopen in 2008. To achieve this objective, an exploration budget of \$4.8 million for 2006 has been approved. Of this amount, approximately \$1.4 million will be funded by joint venture partner Uranium Power Corp. on the four projects in which that company participates.

A number of very successful drilling programs have already been completed in 2006 on the Burro Canyon project in southwestern Colorado and on the Breccia Pipes project in northern Arizona. Additional drilling is planned for the Breccia Pipes project to follow-up the results of the first drilling phase. The recently announced Green River projects with UPC will also see extensive work, with the objective of transferring the "Deeper Gold" and "Sahara" deposits to USEG's mining department by the end of 2006.

Extensive drilling is also included in the budget for the large and highly prospective Lisbon Valley and Henry Mountains projects, which are owned 100% by USECC. Additionally, management is evaluating the acquisition of several additional properties in the Colorado Plateau region.

Shootaring Canyon Uranium Mill

In March 2005, USEG's 100%-owned Plateau Resources Limited, Inc. ("PRL") subsidiary submitted a request for a source material License amendment to the State of Utah Department of Environmental Quality, Division of Radiation Control (DRC). Submittal of detailed amendment information was completed in late December 2005. To expedite the review process, PRL entered into a Memorandum of Agreement on March 14, 2006 that allows for a DRC contractor to work on the review. To date, the contractor and DRC staff have completed a site tour and a review of the submittal. PRL is in the process of preparing a response to a May 4, 2006 Completeness Review. It is anticipated that the amendment review will be completed in the fourth quarter of 2006, and this will be followed by a public hearing and a final decision by DRC.

The Shootaring Canyon Mill was constructed by a subsidiary of Consumers Power Corp. in 1980-82 at a cost of approximately \$56 million. In July 2005, the independent engineering firm of Behre Dolbear estimated the current "replacement value" of the mill and related facilities at approximately \$88 million.

USEG is currently in discussions with a number of mining industry companies regarding the Shootaring Canyon Mill, for joint venture and/or other arrangements. Up to \$31 million will be required to upgrade the mill.

Uranium Mine Sites

Potential uranium mine sites will be evaluated late this summer. The evaluation process will consist of acquiring limited activity permits from state agencies, in order to enter old mines. By entering the historical mines, geological and mining evaluations can be completed regarding the feasibility of future mining activities, along with estimated grades and tonnages. Ore grade and predications of future ore trends will be the first items to be reviewed, followed by conceptual mine plans. These activities will utilize contract miners and will occur during the balance of 2006 and into 2007, in anticipation that mining activities will commence by early 2008.

Management Commentary

"With our current strong liquidity position and with most metal prices trading near two-decade highs, U.S. Energy Corp. is in the strongest position in its corporate history to pursue the values inherent in its portfolio of natural resource assets," stated Mark J. Larsen, President and COO of U.S. Energy Corp. "During the past twelve months, we have monetized a portion of our natural gas assets with the sale of Rocky Mountain Gas, Inc. on June 1, 2005, eliminated \$11.5 million in debt, and our gold subsidiary has raised a substantial amount of exploration drilling capital for a permitted US located gold property."

"We are now diligently advancing both our uranium and molybdenum mining projects and expect uranium oxide production from our Shootaring Canyon Mill to resume in 2008. While some commodity prices have abated in the last few weeks, both uranium and molybdenum have traded higher. We expect prices for uranium to remain strong as demand for the metal increases to fuel the existing and growing number of nuclear power plants either planned or under construction around the world."

"Currently, there are 440 nuclear plants operating worldwide, including 103 in the United States that generate approximately 20% of our nation's electricity requirements. China has announced plans to build 30 new nuclear power plants over the next 15

years, to supplement the 9 nuclear plants currently operating in the world's most populous country. Russia plans to produce 25% of its electric power from nuclear energy by 2030, compared with 16% today. This will require the equivalent of 2 new Russian reactors every year, on average, during the next 20 years. In the U.S., at least ten utilities have announced plans for up to 20 new reactors, and worldwide up to 178 new reactors are either under construction or on the drawing boards."

"Nuclear power is receiving unprecedented attention due to concerns about global warming and the fact that it represents an environmentally clean and politically stable source of base load energy for electric power plants. Our ownership of one of the four remaining licensed uranium mills in the United States positions U.S. Energy years ahead of the numerous prospectors in this sector. The greatest value, however, lies in our license, which represents an intangible asset that is not reflected on our balance sheet. Because new uranium mill construction has been virtually non-existent for the last 25 years, our Shootaring Canyon Mill and its new tailings facility will be the most modern in the world when recommissioned. The mill operated for only 90 days in 1982, and there is virtually no environmental contamination legacy at the site. We are forging ahead with our plans to be producing uranium oxide from our Shootaring Mill by 2008."

Keith Larsen, CEO of U.S. Energy Corp., added, "Our Lucky Jack Molybdenum property is also a very exciting project. This is a 'world-class' molybdenum deposit that has the potential to develop into a highly profitable mine with a long life cycle. We are in the early stages of the project and look forward to the permitting process, especially in light of the fact that molybdenum prices are currently trading almost 350% higher than three years ago. The property has been permitted before, but the permit was not signed by the former owner (AMAX Inc.) due to depressed market conditions at the time. Contrarily, today we are confident that, with few new molybdenum mines having been developed over the last 25 years, U.S. Energy has an opportunity to bring on-stream a major primary production mine that can supply global steel markets well into the future. Our goal is to create significant long-term value for our shareholders with the Lucky Jack project."

"We are currently in discussions with a number of prospective joint venture partners regarding both our uranium and molybdenum projects, and I am confident that we will be successful in attracting industry partners that have the expertise and financial commitment to ensure the success of these projects," concluded Mr. Larsen.

Metals Prices

The following table reviews recent market prices for metals that are relevant to U.S. Energy Corp.'s current and planned activities, compared with approximate prices three years ago:

	5/30/06 Price	5/30/03 Price	% Change
URANIUM OXIDE	\$43/lb.	\$10.95/lb.	+293%
MOLYBDENUM	\$26/lb.	\$5.82/lb.	+347%
GOLD	\$650/oz.	\$365/oz.	+ 78%