

US ENERGY CORP  
Form 424B3  
October 25, 2007

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**PROXY STATEMENT/PROSPECTUS  
DATED OCTOBER 25, 2007, MERGER PROPOSED—YOUR VOTE IS IMPORTANT**

Dear Shareholders:

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

**If the merger is completed, Crested shareholders (other than USE) will receive 1 share of USE’s common stock (par value \$0.01 per share) for each 2 shares of Crested’s common stock (par value \$0.001 per share), for a total of 2,876,188 shares of USE common stock. USE will receive no shares in the merger. The implied value of one share of Crested common stock on October 22, 2007, the last practicable trading day before the distribution of this proxy statement/prospectus, was \$2.43, based on the \$4.86 per share closing price of USE common stock on that date. This value will fluctuate prior to the completion of the merger. Crested’s common stock is traded on the Over-the-Counter Bulletin Board under the symbol “CBAG”.**

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

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

Crested Corp.  
877 N. 8<sup>th</sup> W.  
Riverton, Wyoming 82501  
November 26, 2007  
10:00 a.m., Local Time

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

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

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

This proxy statement/prospectus describes the special meeting, the merger, documents related to the merger and other related matters. **Please read this entire proxy statement/prospectus carefully, including the section discussing Risk Factors beginning on page 19.** You may also obtain information about USE and Crested from documents that the companies have each previously filed with the Securities and Exchange Commission, as described under "WHERE YOU CAN FIND MORE INFORMATION" on page 108 of this proxy statement/prospectus.

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

The date of this proxy statement/prospectus is October 25, 2007, and it is first being mailed or otherwise delivered to Crested shareholders on or about October 26, 2007.

**ADDITIONAL INFORMATION**

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

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

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

**You will not be charged for any of the documents you request. Crested shareholders requesting documents should do so not later than November 13, 2007, in order to receive them before the special meeting.**

**Important Proxy Submission Information**

Crested shareholders of record may submit their proxies by returning them to Crested Corp., 877 N. 8<sup>th</sup> W., Riverton, Wyoming 82501, Attn. Robert Scott Lorimer, CFO/Treasurer, in the return envelope provided to them. Crested shareholders may also vote their proxies at the meeting to be held at Crested's office, 877 N. 8<sup>th</sup> W., Riverton, Wyoming 82501, at 10:00 a.m., local time, on November 26, 2007.

**CRESTED CORP.**  
**877 N. 8<sup>th</sup> W.**  
**Riverton, Wyoming 82501**  
**NOTICE OF SPECIAL MEETING OF CRESTED SHAREHOLDERS**  
**TO BE HELD ON NOVEMBER 26, 2007**

Dear Shareholders:

NOTICE IS HEREBY GIVEN that a special meeting of Crested shareholders will be held at the offices of Crested, 877 N. 8<sup>th</sup> W., Riverton, Wyoming, at 10:00 a.m., local time, on November 26, 2007. The purpose of the meeting is to consider and vote upon the following matters:

- a proposal to adopt the Agreement and Plan of Merger, dated as of January 23, 2007, and as amended on July 31, 2007, by and between Crested Corp., a Colorado corporation, and U.S. Energy Corp. ("USE"), a Wyoming corporation; and
- such other business as may properly come before the special meeting or any adjournment or postponement thereof.

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

Crested has fixed the close of business on October 10, 2007 as the record date for the Crested special meeting. Only Crested shareholders of record at such date will be entitled to receive notice of, and to vote at, the special meeting or any adjournment or postponement thereof. In order to adopt the merger agreement, holders of a majority of the outstanding shares of Crested common stock which are not held by USE, by its officers and directors, or by two subsidiaries of USE (Plateau Resources Limited, Inc. and Sutter Gold Mining Inc.), must vote to adopt the merger agreement. **Your vote is important.**

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

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

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

**YOUR VOTE IS IMPORTANT.**

BY ORDER OF THE BOARD OF DIRECTORS,  
Harold F. Herron, President and Director  
October 25, 2007

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