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U.S. Energy Corp. Wall Street Analyst Forum's 20th Annual Institutional Investor Conference Transcript

Question-and-Answer Session

Unidentified Participant

Your opportunistic buyers, you have these projects up the curve, you know about some, when you went into Gillette I thought that you guys did not get the new statements out there with (inaudible) eating the production and then you sold it out for \$1.5 million that was pretty impressive. But now you are in the oil business with stuff that you have never done before because you guys come from mining, there are large sharks out there, can you give me some comfort that you know what you are doing in the oil business?

Keith Larsen

And for the Webcast I will repeat the question, we are new in the business of oil and gas and can you give me some comfort that you know what you are doing? Well, I did not go over this but in 2001 we took a \$10 million and invested in coalbed methane in the Powder River Basin which was the booming trend back then and we ran out of money and so we went down to Houston and met a company called Carrizo Oil and Gas, Chip Johnson and Steve Webster and some other guys and they came out and they invested \$12.5 million with us for half the interest and I must say they have been one of the best partners we have ever had. They taught us the business, what is an AFE, what is an LOE, what is lease operating expense, how do you pay for these things, what is a JIF, joint interest filling, and we were fortunate that in addition to that after we partnered up with Carrizo then we went to Credit Suisse First Boston and they took a subsidiary company Carrizo and we put land into it and they took it public it is called Pinnacle Gas Resources, raised about \$200 million for that company.

That company is not doing that well today but neither are a lot of other coal bed methane companies and we sold the rest of our assets and we got out for about \$45 million. We also had production in Montana, we had some 20-year wells so partners with the Indians in Assiniboine and Sioux tribes, so we are not experts and again what we are looking for is we are looking for the experts, the guys that have been successful. We searched before we went to (inaudible) and I think their numbers speak for themselves. They are stocks like everybody else and so is Carrizo's. They are good, honest and hardworking people and until we get our feet under us, the only way we will become an operating company is if we buy a company that has got the personnel so that is where we are coming from.

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