



April 21, 2011

VIA EMAIL

U.S. Energy Corp.  
877 North 8<sup>th</sup> West  
Riverton, WY 82501  
Attention: Mark J. Larsen, President, [mark@usnrg.com](mailto:mark@usnrg.com)  
Steve Youngbauer, General Counsel, [youngbauer@usnrg.com](mailto:youngbauer@usnrg.com)

Dear Messrs. Larsen and Youngbauer:

Reference is made to that certain Exploration, Development and Mine Operating Agreement (the "Agreement") dated as of August 19, 2008, by and between U.S. Energy Corp. and Mt. Emmons Moly Company ("MEMCO"). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

In accordance with Section 6.3(b) of the Agreement, MEMCO hereby terminates the Agreement. MEMCO hereby acknowledges its obligation to fulfill its obligations set forth in Section 6.4 of the Agreement. MEMCO also acknowledges that, pursuant to Section 6.1(b) of the Agreement, USE is entitled to all Advance Payments and interest, if any, remaining in escrow.

USE hereby acknowledges and agrees that, other than the obligation to fulfill its obligations under Section 6.4 of the Agreement, MEMCO shall have no further obligations to USE under the Agreement.

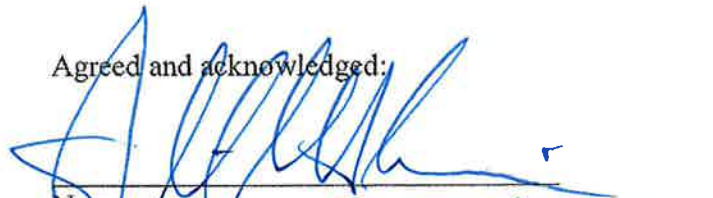
Best regards,

A handwritten signature in black ink that reads "Kevin Loughrey". The signature is written in a cursive, flowing style.

Kevin Loughrey  
President and CEO  
Mt. Emmons Moly Company

U.S. Energy Corp.  
April 21, 2011  
Page Two

Agreed and acknowledged:



Name: ROBERT SCOTT LOVEMAN  
Title: CFO / O. P. FINANCE  
Date: 4/21/11

With a copy to:  
Davis Graham & Stubbs LLP  
1550 Seventeenth St., Suite 500  
Denver, CO 80206  
Attention: Scot Anderson, Esq., [scot.anderson@dgsllaw.com](mailto:scot.anderson@dgsllaw.com)