

**CALENDAR ITEM  
C44**

A 32

12/10/10  
PRC 8884.1  
M. Le Clair

S 18

**CONSIDER APPROVAL OF A PARTIAL ASSIGNMENT  
OF A 40 PERCENT INTEREST OF CIRQUE RESOURCES, LP'S  
100 PERCENT INTEREST IN OIL AND GAS LEASE  
NO. PRC 8884.1 TO ENERGY ONE, LLC  
KERN COUNTY**

**ASSIGNOR:**

Cirque Resources, LP  
Attn.: Ms. Megan Trask, Senior Landman  
475 17<sup>th</sup> Street, Suite 1600  
Denver, CO 80202

**ASSIGNEE:**

Energy One, LLC  
Attn.: Mr. Mark Larsen, Manager  
877, N. 8<sup>th</sup> W  
Riverton, WY 82501

**AREA, LAND TYPE, AND LOCATION:**

State Oil and Gas Lease No. PRC 8884.1 is a negotiated subsurface (no surface use) oil and gas lease consisting of 954+ acres. The surface use is administered by the Department of Parks and Recreation. The minerals are under the jurisdiction of the California State Lands Commission (Commission). The State-owned lands are known as the Tule Elk State Reserve and are located about 20 miles west of the City of Bakersfield, north of and adjacent to the east side of Elk Hills Oil Field in Kern County (Exhibit A, attached hereto).

**BACKGROUND:**

State Oil and Gas Lease No. PRC 8884.1 was issued to Cirque Resources, LP on June 28, 2010. Cirque Resources, LP is now requesting that the California State Lands Commission (Commission) approve the partial assignment of a 40 percent interest in this lease to Energy One, LLC. Energy One, LLC is a wholly owned subsidiary of U.S. Energy Corporation and was formed in June 2010 to hold the majority of its oil and gas properties. U.S. Energy Corporation,

CALENDAR ITEM NO. **C44** (CONT'D)

headquartered in Riverton, Wyoming and organized in 1966, has interests in oil and gas, molybdenum, and geothermal resources; as well as other mineral investments. U.S. Energy Corporation has estimated proven reserves of 1,086,203 barrels of oil equivalent.

U.S. Energy Corporation has provided a copy of its U.S. Securities and Exchange Commission (SEC) Form 10-Q for September 30, 2010, that has been filed with the SEC and verifies that Energy One, LLC is a wholly owned subsidiary of U.S. Energy Corporation. U.S. Energy Corporation has also agreed to provide an unconditional guarantee of Energy One, LLC's faithful performance of all the terms, covenants and obligations under the State Oil and Gas Lease associated with Lease No. PRC 8884.1. Cirque Resources, LP will remain the operator of the lease and will continue to maintain the bonding and insurance requirements defined in the lease, and are the responsible party for payment of all rental and royalties associated with the lease. The primary term of the lease is for five (5) years. All rentals have been prepaid in advanced.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code section 6804
- B. Section 14 of the Lease.

**OTHER PERTINENT INFORMATION**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

2. Assignment forms and prerequisite filing fees have been paid by Cirque Resources, LP.
3. U.S. Energy Corporation has executed an irrevocable and unconditional guaranty of Energy One, LLC's performance of the terms covenants and obligations under Oil and Gas Lease No. PRC 8884.1.

CALENDAR ITEM NO. **C44** (CONT'D)

**EXHIBIT:**

- A. Location Map.

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

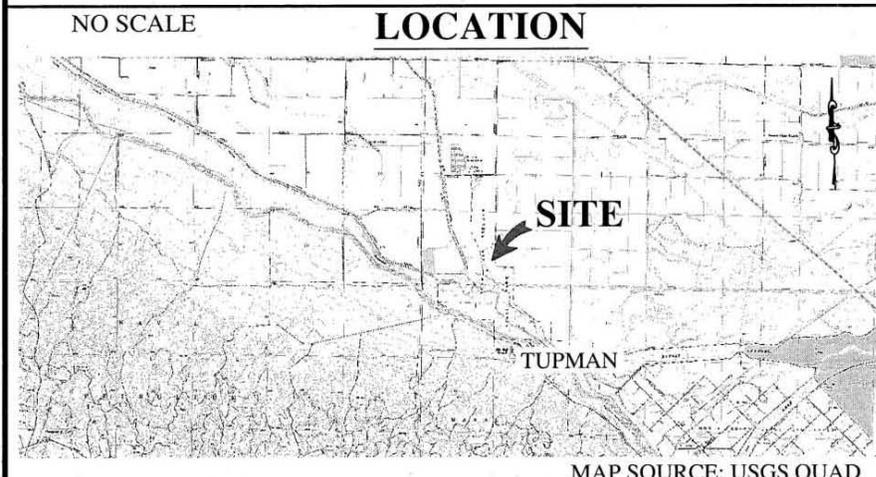
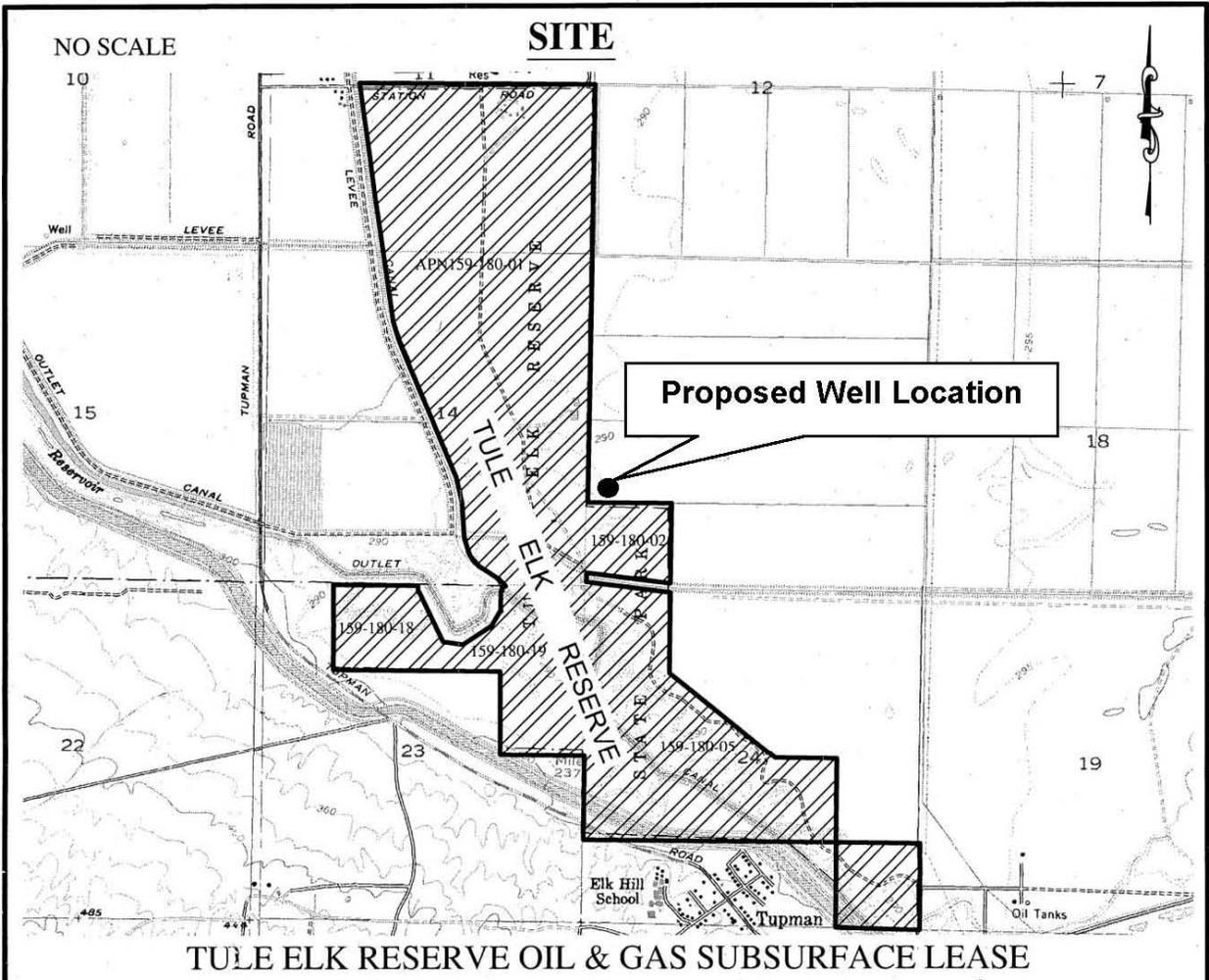
It is recommended that the Commission:

**CEQA FINDING:**

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

**AUTHORIZATION:**

1. Consent to the assignment of a 40 percent interest in State Oil and Gas Lease No. PRC 8884.1 from Cirque Resources, LP to Energy One, LLC, with the assignee to be bound by all the terms and conditions of the Lease.
2. Authorize the Executive Officer or his designee to execute any documents necessary to implement this assignment.



**EXHIBIT A**  
**PRC 8884.1**  
 CIRQUE RESOURCES LP  
 APN 159-180-01, 02,  
 05, 18, 19  
 OIL AND GAS LEASE  
 KERN COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.