

# U.S. Energy Qualified Opportunity Zone III LP

## Direct Investments in Energy

**UNDERWRITING BROKER DEALER: WESTMORELAND CAPITAL CORPORATION**

The oil & gas assets shown in this presentation are not owned by the USEDC Opportunity Zone Fund III LP, nor are they owned by U.S. Energy or any affiliated partnerships, unless otherwise noted. All assets pictured are representative of the types of assets the USEDC Opportunity Zone Fund III LP will target for ownership, unless otherwise noted.

# Risk Considerations

You should always review the Private Placement Memorandum before investing in any oil & gas partnership sponsored by U.S. Energy Development Corporation. For Accredited Investors Only

This document is for preliminary review purposes only and does not contain much of the information included in the private placement memorandum pursuant to which the offering will be conducted. This presentation does not constitute an offer to any person. Offers will be made only by the private placement memorandum, which should be carefully reviewed by a prospective purchaser prior to making an investment decision.

Oil and natural gas partnerships are an inherently speculative activity. An investment in the partnerships involves a high degree of risk and is suitable only if you have substantial financial means and no need of liquidity in your investment.

**You should carefully consider the following factors and other information in the private placement memorandum before deciding to invest in the partnership:**

- Attainment of the partnership's investment objectives will depend on many factors, including the ability of the managing general partner to select suitable assets which will be productive and produce enough revenue to return the investment made. The success of the partnership depends largely on future economic conditions, especially the future price of natural gas and oil which is volatile and may decrease. There can be no guarantee that the foregoing objectives will be attained.
- There is a risk that you will not recover all of your investment or, if you do recover your investment, that you will not receive a rate of return on your investment which is competitive with other types of investment. You will be able to recover your investment only through the partnership's distributions of the sales proceeds from the production of its oil and natural gas reserves from productive wells. Oil and natural gas reserves generally deplete over time until the wells are no longer economical to operate. All of these distributions to you may be considered a return of capital until you have received 100% of your investment.
- There is a risk that even if a well is drilled by the partnership and produces oil and natural gas in commercial quantities (that is, revenues from the sale of the oil and/or gas produced from a well exceed the cost of operating such well) it will not produce enough oil and natural gas to pay for the costs of acquiring the well, even if tax benefits are considered. Thus, even if all of the partnership's wells are capable of commercial production there is a risk that your investment will not be returned on a cash-on-cash basis.
- If you invest in the partnership, then you must assume the risks of an illiquid investment. The transferability of the units is limited by state and federal securities laws, tax laws and the partnership agreement. The units cannot be readily liquidated, and there is no market for the sale of the units. Also, a sale of your units could create adverse tax and economic consequences for you.
- An investor may experience a complete loss of their investment.
- Distributions may be reduced or delayed.
- Under certain circumstances as explained in the private placement memorandum, an investor may owe taxes in excess of the cash distributions received from the partnership.
- Borrowing by the managing general partner could reduce funds available for its presentment obligation.
- Substantial conflicts of interest exist between the managing general partner and investors.

# Veteran E&P Operator



## Leader in Investment Underwriting



### Ownership & Leadership:

- 44-Year History (*Established 1980*)
- Established Second-Generation Leadership



### Corporate Governance:

- Majority Independent Board of Directors
- Environmental, Social and Governance (ESG) Committee



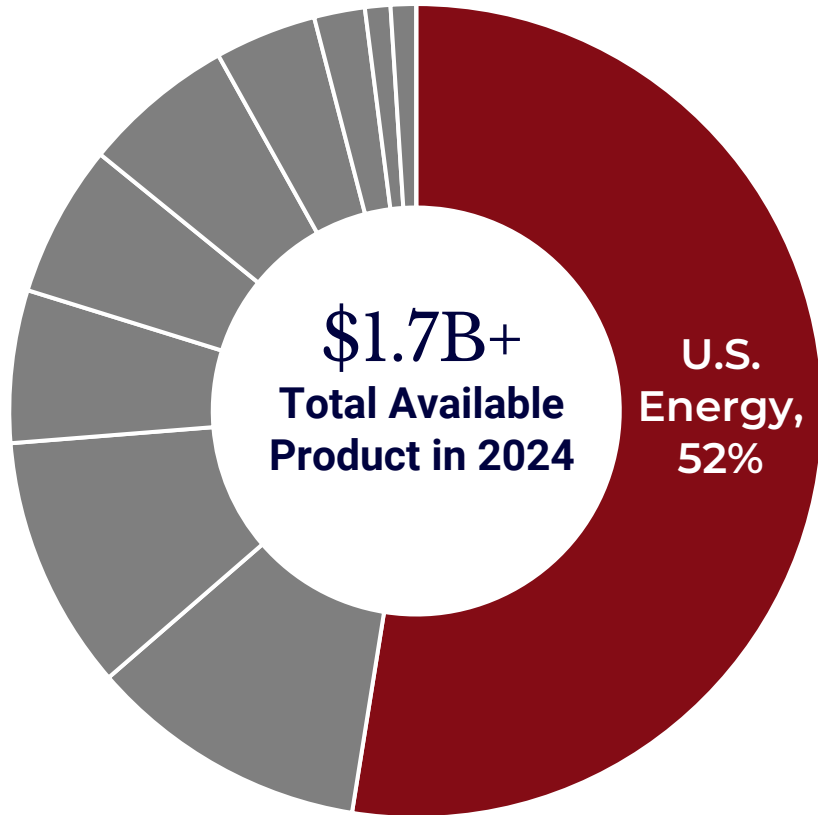
### Operational Excellence:

- Over 35 Premier JV Partners Providing Access to High-Quality (Tier 1) Assets
- Proven Operations Team
- Diversified Areas of Operation: Own & Operate in 13 States & Canada



ABOUT U.S. ENERGY

# Over \$1.7B of Total Available Product in 2024



## POLITICAL IMPACT

# GOP Potential Policy Shifts

## Positioning America for Robust Growth

With the U.S. positioned as the world's economic growth engine, the energy sector is poised for robust growth and strengthened market positioning, driven by abundant and reliable energy resources.

Operational  
Efficiencies

Cost-Effective  
Drilling

Economic  
Growth

✓ Donald Trump wins

The AP has called this race



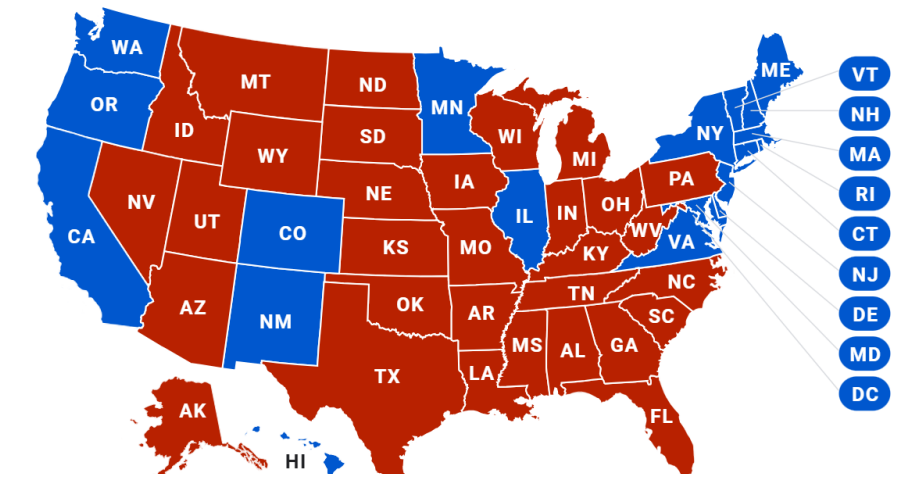
226  
Harris

71,875,166 votes (48.1%)

312  
Trump

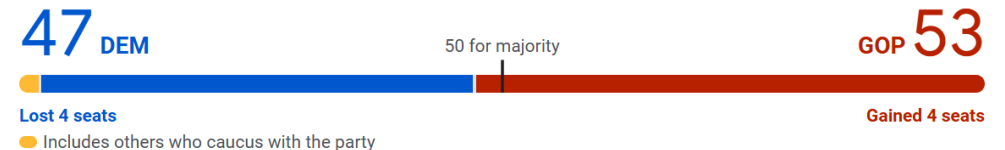


75,133,750 votes (50.3%)



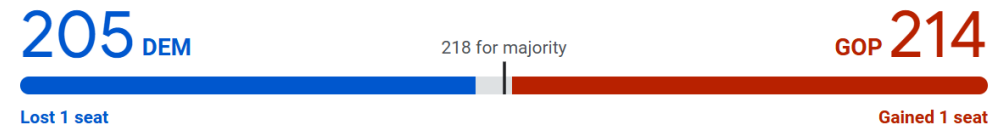
### US Senate results

From [The Associated Press \(AP\)](#) · [Learn more](#)



### US House results

From [The Associated Press \(AP\)](#) · [Learn more](#)



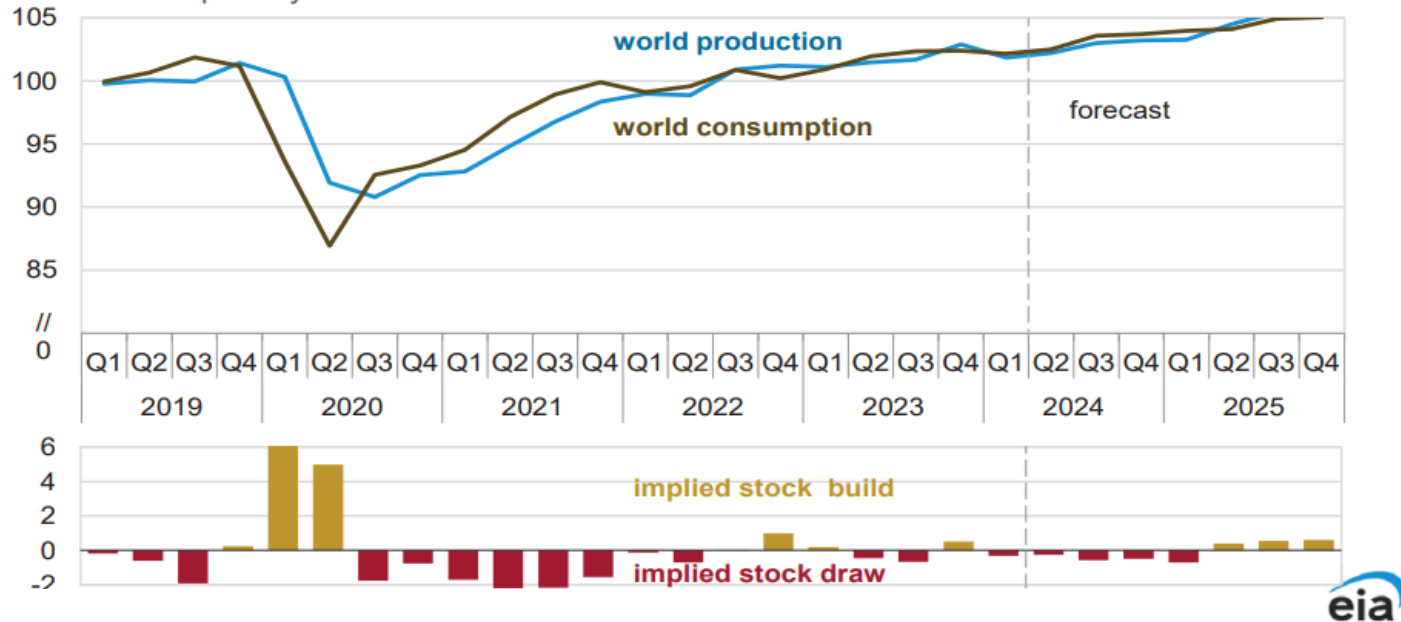
## UNDER SUPPLY & HIGH DEMAND

# More People = Higher Demand For Energy

IEA expects oil demand to peak in 2030 (IMO it is "Wishful Thinking")

### EIA: Global Oil Market is under-supplied through Q1 2025

World liquid fuels production and consumption balance  
million barrels per day



**+ 6.3 Million**

PEOPLE PER MONTH

Population Growth Of The Earth

In 2024 the Earth's Human Population is growing by ~6.3 million per month or more than the populations of Chicago & Houston combined per month

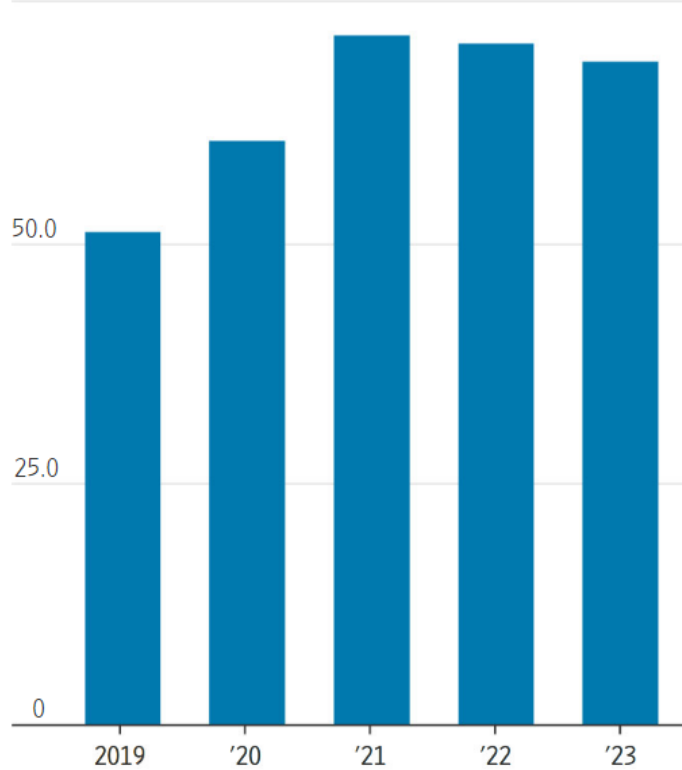
## AI'S DEMAND SURGE

# Surging Emissions From Big Tech

Carbon emissions for select tech companies

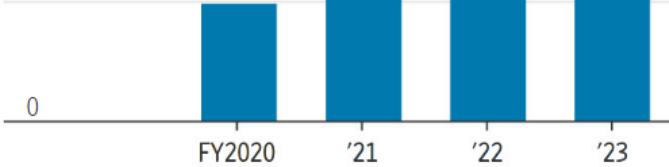
### Amazon

75.0 million metric tons



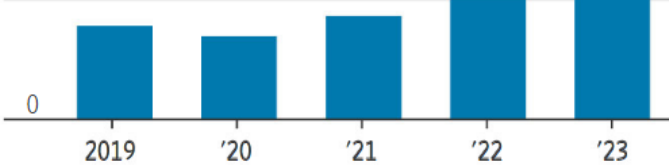
### Microsoft

12.5 million metric tons



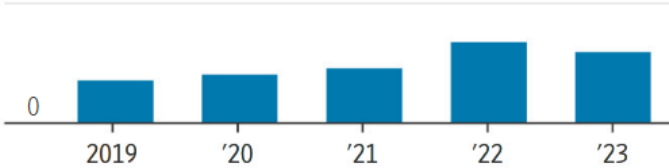
### Alphabet

12.5 million metric tons



### Meta

12.5 million metric tons



## Emissions Growth



**70%** Increase Since 2019



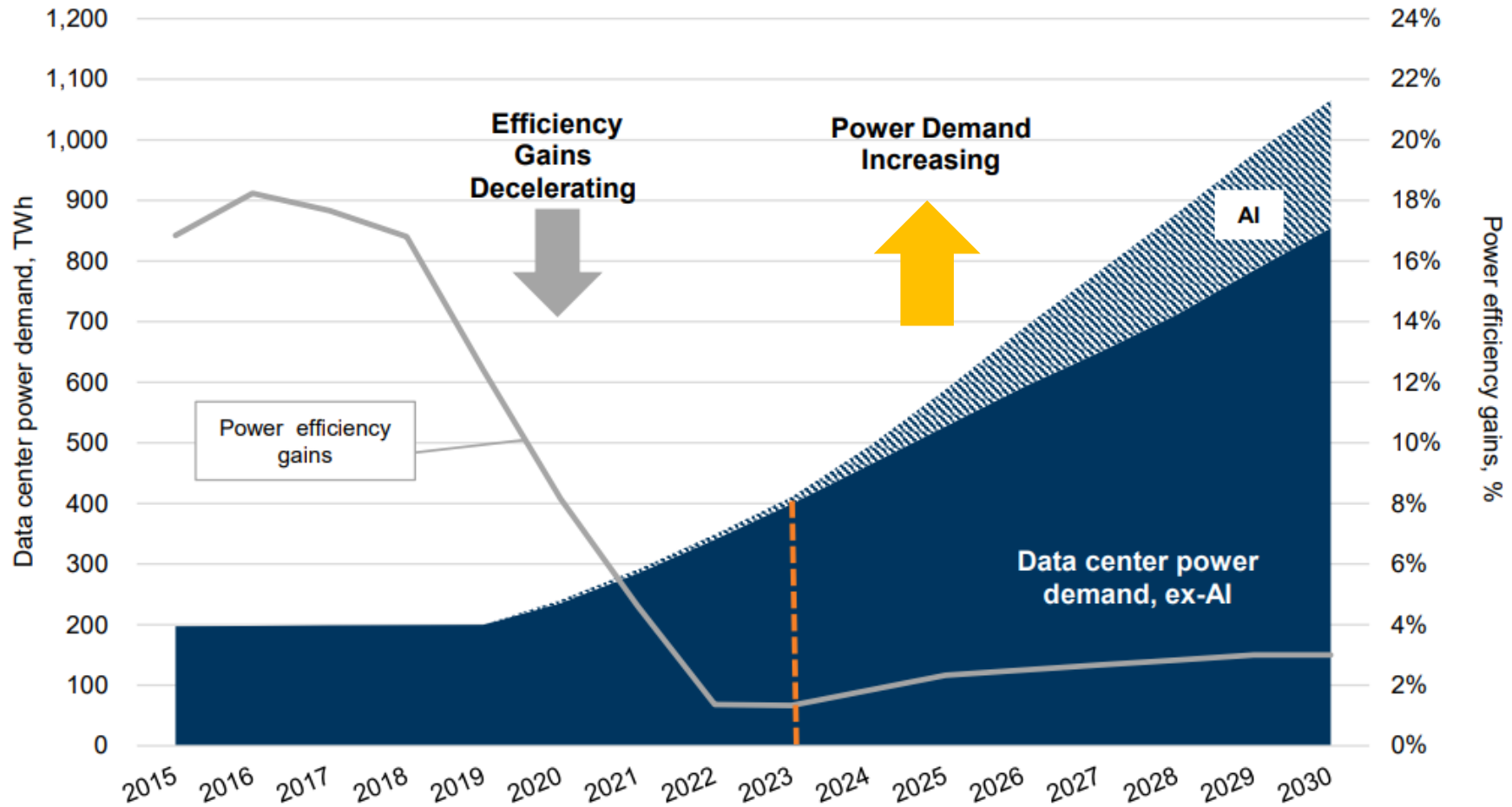
**40%** increase over three years



**50%** increase over four years

## HIGH DEMAND

# Power Demand from Data Centers Increasing Rapidly





# U.S. Energy Financially Strong GP

**\$104.3 Million**  
**1H 2024 REVENUES**

↑ vs \$71.2MM in 1H 2023

**\$68.9 Million**  
**1H 2024 EBITDA**

↑ vs \$49.7MM in 1H 2023

**\$79.4 Million**  
**YTD CO-INVESTMENT**

Aligned Interests with Investors

**\$85 Million**  
**Q2 DISTRIBUTED  
EARNINGS  
TO PARTNERS**

**10%**  
**Q2 DISTRIBUTION**  
for 2023 Drilling Fund

# USED C Opportunity Zone Fund III LP

<b>Offering Size</b>	\$150 Million
<b>Unit Size</b>	\$100,000
<b>Investor Units</b>	Limited Partner
<b>Opportunity Zone Tax Benefits</b>	<ol style="list-style-type: none"> <li>1. Defer capital gains realized within the last 180 days</li> <li>2. Tax Free Gains After Year-10</li> </ol>
<b>Oil &amp; Gas Tax Benefits</b>	<ol style="list-style-type: none"> <li>1. Intangible Drilling Costs</li> <li>2. Depletion Allowance</li> <li>3. Depreciation Deduction</li> </ol>
<b>Distributions</b>	<ul style="list-style-type: none"> <li>• Up to 6% per year; starting in the 3<sup>rd</sup> quarter following investment.</li> <li>• Partnership will reinvest cash flow in excess of the Distribution Schedule.</li> </ul>
<b>Fund Close Date</b>	December 31st, 2024
<b>Annual Tax Forms</b>	Schedule K-1
<b>Investor Reports</b>	Updates released quarterly via Online Investor Portal
<b>Suitability</b>	Accredited Investors Only

You should review all aspects of the private placement memorandum prior to investing. There is no certainty or guarantee that any or all of the investment objectives will be achieved. The tax benefits of an investment are not guaranteed, tax rates may change in the future which would impact the partnership and investors may be subject to income tax liability in excess of the cash received from the partnership. Distributions are not assured or guaranteed. Information herein is provided as of February 2024 and we undertake no responsibility to provide updated information after this date. See "Risk Factors," in the Private Placement Memorandum. See Private Placement Memorandum for definition of Special Distributions.

# Qualified Opportunity Zone Funds

## Problem?

- Lack of Cash Flow
- Paying Taxes in 2026
- Requires Gentrification
- 10 Year Hold of Investment

## Solution

- Up to 6% annual cash distributions
- Discounted FMV plus potential special distribution
- Majority of best oil and gas assets located in QOZ's
- Not the case

**Identify / Acquire**

**Operate / Value Creation / Reinvestment**

**Liquidate**



**Distributions & Reinvestment**

<sup>1</sup> 2026 = Tax Due



OFFERING OVERVIEW

# Energy Opportunity Zones

## Oil & Gas Investors Receive...

Oil & Gas  
Tax Benefits



- 1. Depletion Allowance:**  
Offsets 15% of partnership income, per year, for the life of Investment (all investor units).
- 2. Depreciation Deduction:**  
Deduct up to 92% of investment amount for Limited Partners.

Partnership  
Tax Benefits



- 3. QBI (Qualified Business Income) Deduction:**  
Offsets 20% of partnership income, per year.

## TAX EFFICIENCY

### Yield Matters...After Taxes!

		Federal Income Tax Brackets 2023 Tax Rates			
Distribution Rate		37%	35%	32%	24%
	3%	4.76%	4.62%	4.41%	3.95%
	6%	9.52%	9.23%	8.82%	7.89%
	9%	14.29%	13.85%	13.24%	11.84%

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OFFERING OVERVIEW

# Prior QOZ Fund Performance – as of 9/30/24

Partnership Year	Initial Fund Capitalization	Investor Capital Expenditure	Reinvested Capital Expenditure	Initial Well Count	Current Well Count	Wells Contributing to Distributions	Average Number of Months Producing	Fund Return to Date	Distributions to Investor
<b>2019</b>	\$ 18.3 M	\$ 25.1 M	\$ 7.5 M	6	83	50	23	91%	41%
<b>2020</b>	\$ 93.1 M	\$ 112.5 M	\$ 29.6	69	136	92	19	57%	20%
<b>2023</b>	\$ 94.3 M	\$ 87.7 M	\$ 20.7 M	58	89	50	10	35%	10%
<b>Total</b>	<b>\$ 205.6 M</b>	<b>\$ 225.2 M</b>	<b>\$ 57.8 M</b>	<b>133</b>	<b>308</b>	<b>192</b>			

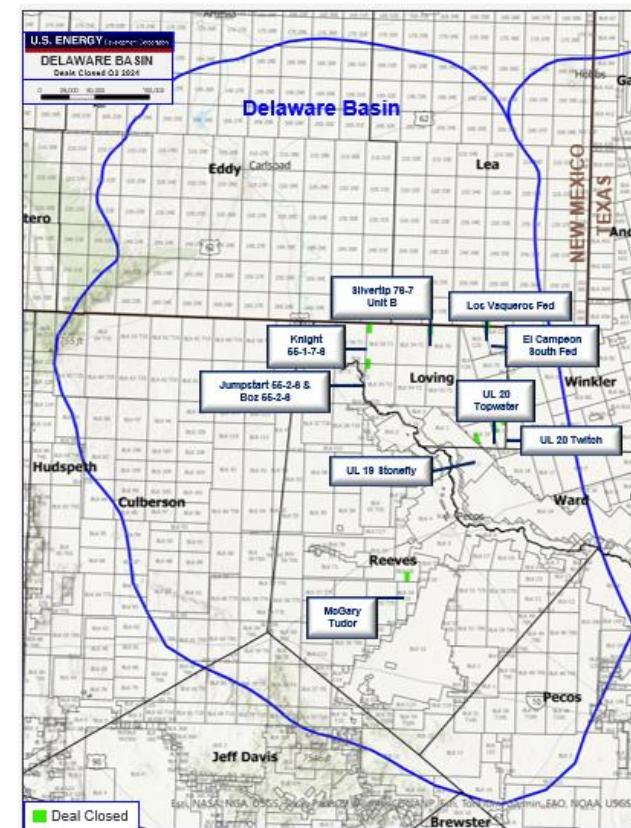
- (1) Distributions to investor is calculated as follows: Total dollars paid to first investor divided by their investment amount as of the date of this report
- (2) The tax rate includes the maximum federal rate plus the average state income tax rate of 6.57% based on the tax rate of those states that have state income tax.
- (3) Fund Return is calculated as follows: Total dollars earned divided by the partnership capital spent as of the date of this report
- (4) Capital expenditure for all wells, even if not producing. Cash-on-Cash return calculated only using wells that are producing (capital from wells not producing excluded)

## OFFERING OVERVIEW

# 2024 Acquisitions to Date

Project Name	Basin	Deal Size
Boomslang (Oxy)	Permian Basin	\$ 14,700,000
Bullhead State (Oxy)	Permian Basin	\$ 7,020,000
Gar Unit (Apache)	Permian Basin	\$ 16,290,000
Will Rogers (Upcurve)	Permian Basin	\$ 17,040,000
UL 19 Stonefly (Oxy)	Permian Basin	\$ 27,800,000
Jumpstart and Boz (Conoco)	Permian Basin	\$ 14,400,000
Silvertip 76-6 Unit B (Oxy)	Permian Basin	\$ 6,580,000
UL 20 Twitch	Permian Basin	\$ 10,800,000
El Campeon South Fed Com	Permian Basin	\$ 8,000,000
Los Vaqueros Fed	Permian Basin	\$ 16,600,000
McGary-Tudor (Upcurve)	Permian Basin	\$ 23,800,000
UL 20 Topwater	Permian Basin	\$ 5,000,000
Knight	Permian Basin	\$ 8,000,000
UL Army North (Point Energy)	Permian Basin	\$ 13,660,000
Silvertip76-16 Unit R 31H (Oxy)	Permian Basin	\$ 6,580,000
Elkhorn (Oxy)	Permian Basin	\$ 19,840,000
Big Easy (Oxy)	Permian Basin	\$ 9,800,000
Project Rushmore (Permian Resources)	Permian Basin	\$ 127,000,000
Jumpstart 55-2-6 and Boz 55-2-6 (Oxy)	Permian Basin	\$ 25,700,000

### Map of Most Recent Acquisitions



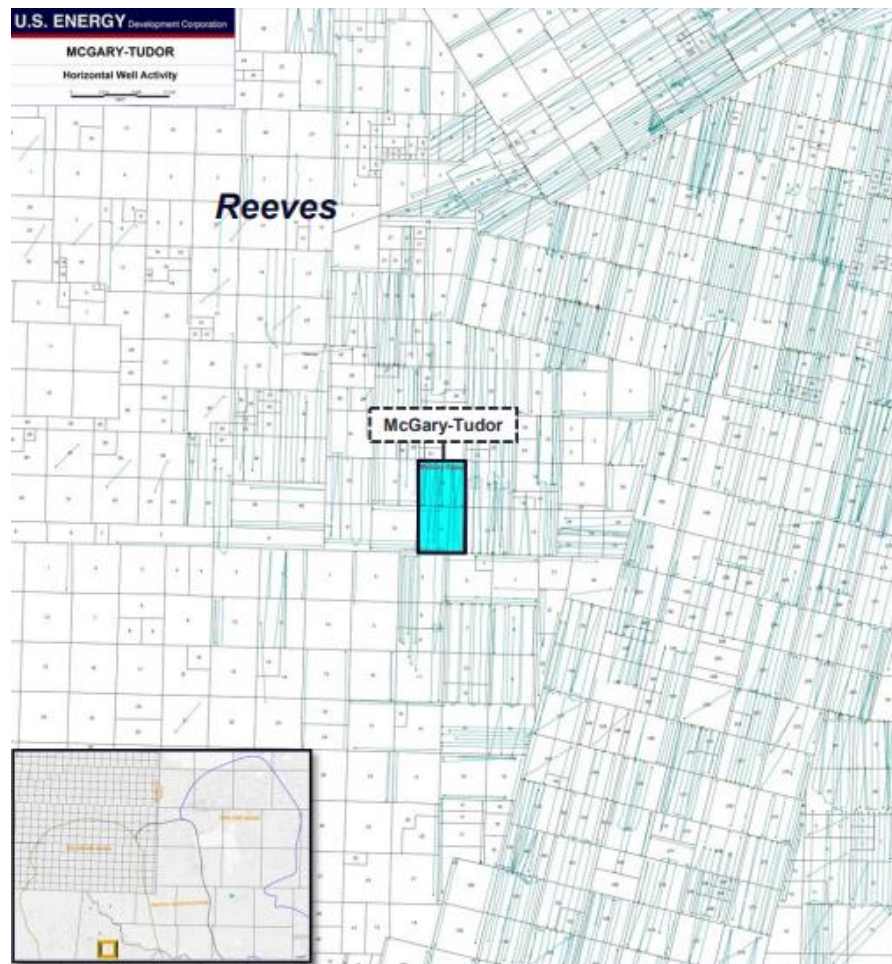
Opportunity Zone

**Total Acquisitions YTD: \$ 378,610,000**

**\$ 364,950,000 in opportunity zones**

# OFFERING OVERVIEW

## QOZ III Projects



### McGary-Tudor

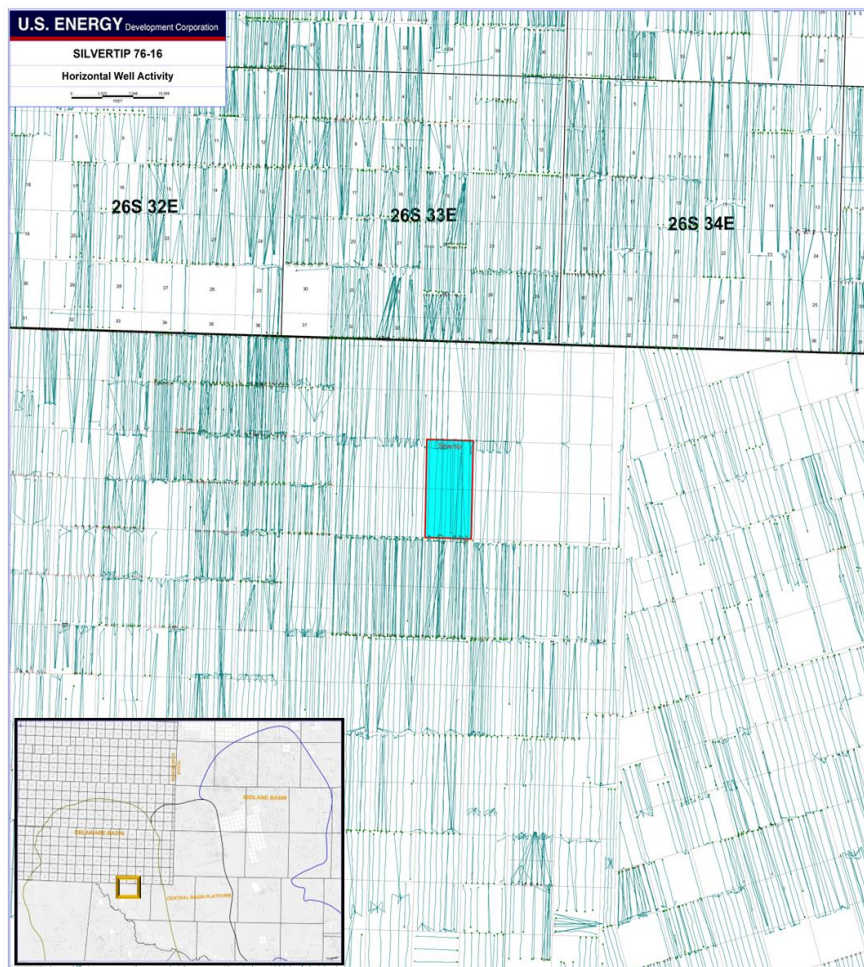
- Permian Basin
- Operated by a well-known Permian E&P company
- Anticipate wells will be completed and placed online this month (November 2024)
- Significant surrounding activity, acreage is surrounded by development on all sides
- Multiple directly offsetting targets with favorable production

Project Name	# of Wells	Capital
McGary-Tudor	7	\$8,442,276
Silvertip	4	\$12,762,441
<b>Totals</b>	<b>11</b>	<b>\$21,204,717</b>



# OFFERING OVERVIEW

## QOZ III Projects



### Silvertip

- Permian Basin
- Operated by a blue-chip, publicly traded E&P company
- Wells were completed and placed online in August,, we anticipate receiving first revenue from them this quarter (Q4 2024)
- Significant surrounding activity, acreage is surrounded by development on all sides

Project Name	# of Wells	Capital
McGary-Tudor	7	\$8,442,276
Silvertip	4	\$12,762,441
<b>Totals</b>	<b>11</b>	<b>\$21,204,717</b>

# 3rd Party Tax Analysis Available for Year-End Tax Planning

Summary Report			
	No Invest	\$100,000 Invest \$80,000 IDC	\$173,000 Invest \$138,400 IDC
<b>Income:</b>			
Wages	346,074	346,074	346,074
Interest & Dividends	13,629	13,629	13,629
Self-employment Income	-120	-80,000	-138,400
Capital Gains & Losses	89,045	89,045	89,045
Other Income	-78,519	-78,519	-78,519
<b>Total Income</b>	<b>370,109</b>	<b>290,229</b>	<b>231,829</b>
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjusted Gross Income</b>	<b>370,109</b>	<b>290,229</b>	<b>231,829</b>
<b>Personal Exemptions</b>	<b>3,276</b>	<b>7,800</b>	<b>7,800</b>
<b>Itemized Deductions:</b>			
Taxes	24,325	24,325	24,325
Interest Expense	13,629	13,629	13,629
3% AGI Floor	-2,103	0	0
<b>Total Itemized</b>	<b>35,851</b>	<b>37,954</b>	<b>37,954</b>
<b>Standard Deduction</b>	<b>12,200</b>	<b>12,200</b>	<b>12,200</b>
<b>Total Deductions from AGI</b>	<b>39,127</b>	<b>45,754</b>	<b>45,754</b>
<b>Taxable Income</b>	<b>330,982</b>	<b>244,475</b>	<b>186,075</b>
<b>Regular Tax:</b>			
Schedule or Table Tax	85,537	56,990	39,567
Alternative Capital Gains Tax	69,509	44,343	29,471
<b>Appropriate Regular Tax</b>	<b>69,509</b>	<b>44,343</b>	<b>29,471</b>
<b>Net Alternative Minimum Tax High Income HI, Medicare &amp; Other Tax</b>	<b>6,696 865</b>	<b>4,746 865</b>	<b>638 865</b>
<b>Total Federal Taxes</b>	<b>77,070</b>	<b>49,954</b>	<b>30,974</b>
<b>Net Federal Tax Due</b>	<b>77,070</b>	<b>49,954</b>	<b>30,974</b>





# Thank you

CONTACT US

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**Underwriting Broker Dealer: Westmoreland Capital Corporation**

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