U.S. ENERGY® Development Corporation

2022 Drilling Auxiliary Fund

Fall - Q3 2023

2022 Tax Documents (Schedule K-1s) Have Been Posted To Investor Portal Accounts.
If you have not already downloaded your 2022 Tax Document(s), visit www.usedc.com and click Investor Login on the Investor Relations tab.

Program Summary	
Initial Distribution Date:	March 2022
Total Investor Capital:	$30,341,500
Partnership Wells (Targeted):	62
This Distribution's Cash-on-Cash Return:	10.32%
Cumulative Distributions:	14.32%
Correspondence Frequency:	Quarterly

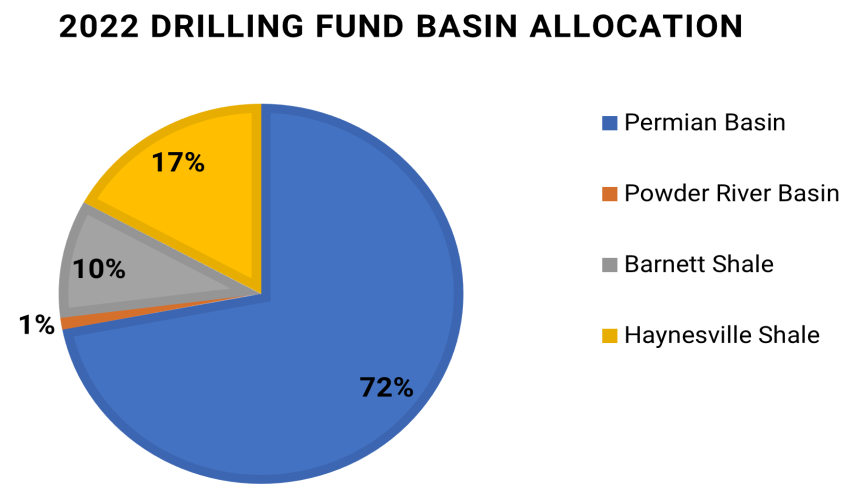
This quarter's distribution is 10.32%.

We are pleased to report that this quarter, the partnership received its first revenue from 19 new wells. The current distribution includes revenue from 30 wells, which represents approximately 52% of the partnership's assets. We anticipate revenue from the remaining wells to begin phasing into your distributions in Q4 2023 and Q1 2024.

The partnership received an average selling price of $77.44/bbl for its oil this quarter. Oil prices have risen steadily since August, which we anticipate being reflected in next quarter's distribution due to a 60 - 90 day lag in when oil is produced and when we receive the revenue. See our Energy Market Update on the second page for more detail.

We are committed to keeping you informed about the progress of these wells, and we will provide the next update in your fourth quarter correspondence. We see the next 12 months as some of the most exciting in our firm's history. We are thankful to have you as an investor and look forward to continued success.

The majority (72%) of the partnership's capital was deployed in the Permian Basin, which stretches from eastern New Mexico and covers most of West Texas. The Permian Basin accounts for nearly 40% of all oil production in the United States and 15% of its natural gas production, it is one of the most prolific oilfields in the world.



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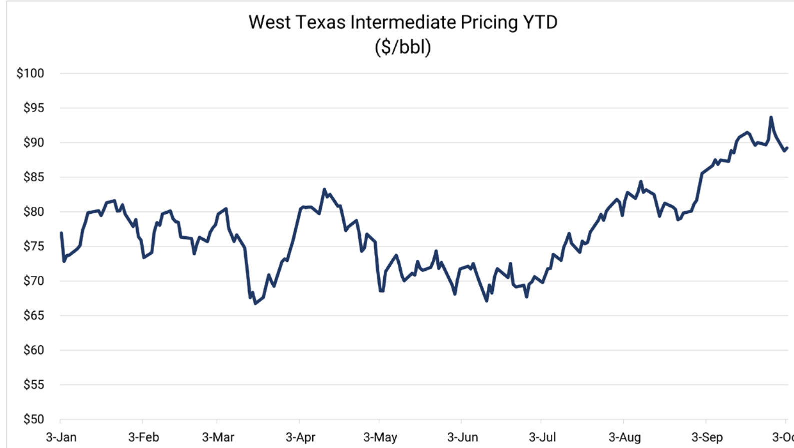
Energy Market Update. During the third quarter of 2023, oil prices experienced a steady climb, commencing in the low $70/bbl range and currently trading in the high $80s as of October 17, 2023. This consistent upward trajectory can be attributed to a combination of factors. Tightened global supply, primarily due to extended supply curbs by the top OPEC+ producers, Saudi Arabia, and Russia, has exerted pressure on the overall supply. Simultaneously, an optimistic demand outlook has emerged, notably from China, the world's largest oil importer. China's commitment to additional stimulus measures aimed at fostering domestic economic growth has bolstered the case for increased demand in the oil market.

A significant geopolitical development has unfolded since the beginning of October. The state of Israel and the terrorist group Hamas have become embroiled in an existential conflict, posing threats not only to each other's survival but also to the lives of innocent citizens, both Palestinian and Israeli, caught in the crossfire. The severity of this conflict is such that it holds the potential to escalate into a regional or even global crisis. For energy markets and the global economy, the risks are considerable and could swerve or accelerate in response to multiple variables.



Online Portal and Tax Documents. Please continue to utilize your Investor Portal Account for access to quarterly program updates, tax documents and earning statements: https://www.usedclogin.com

Access to U.S. Energy News & Industry Insight

U.S. Energy continues to provided numerous media interviews and host events on topics ranging from the current state of the energy market to recent company milestones. Links to several articles from the past quarter are included below.
For the latest coverage, please visit: https://usedc.com/newsroom/

Back in 2021, we had the pleasure of authoring a contributed article for OILMAN Magazine about the value of investing in qualified opportunity zones, (Missed) Opportunity Zones – Why Investors Should Take Note. The submission provided readers with a comprehensive explanation of qualified opportunity zone investing, including both the advantages they bring to underdeveloped and impoverished census tracts, and how investors benefit from the generous tax breaks included, provided they meet the program's requirements.

To recap, qualified opportunity zones are a new investment vehicle created by the Tax Cuts and Jobs Act of 2017, whose funds are designed to improve federally designated opportunity zone tracts. Provided investors maintain their investment stake for a 10-year period, they owe nothing in capital gains tax until the end of the 2026 calendar year.

You can read U.S. Energy's full article here:
https://www.usedc.com/revisiting-qualified-opportunity-zones/decision-to-cut-oil-production/