

August 9, 2010



# Northern Oil and Gas, Inc. Announces Record Second Quarter Earnings, Record Production Volumes Exceeding Previous Guidance and Provides Operations Update

WAYZATA, Minn., Aug. 9 /PRNewswire-FirstCall/ -- Northern Oil and Gas, Inc. (NYSE/Amex: NOG) ("Northern Oil") today reported net income of \$6,120,866, or \$0.12 per share, on total revenues of \$16,231,773 for the quarter ended June 30, 2010. Second quarter 2010 production volumes increased by 38% from the first quarter of 2010, exceeding previous expectations of 20% to 30% quarter-over-quarter production increases.

## SECOND QUARTER 2010 RESULTS

Revenues from the sale of crude oil and natural gas, including hedge settlements, for the second quarter were \$11,968,792, which represents a 46% increase compared to the first quarter of 2010 and a 426% increase compared to the second quarter of 2009. Total revenue, including the mark-to-market value of hedge instruments, for the second quarter were \$16,231,773, which represents a 125% increase compared to the first quarter of 2010 and a 613% increase compared to the second quarter of 2009.

During the second quarter of 2010, Northern Oil's average realized price for crude oil was \$70.98 per barrel, which included a \$1.83 per barrel gain due to the settlement of crude oil derivative contracts. This compares to an average \$68.70 per barrel realized price in the first quarter of 2010, which included a \$1.48 per barrel loss due to the settlement of crude oil derivative contracts, and an average \$52.36 per barrel realized price in the second quarter of 2009, which included a \$2.85 per barrel loss due to the settlement of our crude derivative contracts.

Northern Oil's production volumes for the second quarter 2010 were a quarterly record of 172,663 barrels of oil equivalent ("BOE"), representing a 38% increase compared to the first quarter 2010 and a 235% increase compared to the second quarter 2009. This increase represents Northern Oil's tenth consecutive quarterly increase in production. Second quarter 2010 production consisted of 96% crude oil and approximately 4% associated natural gas. Northern Oil exited the second quarter of 2010 with production volumes of approximately 2,703 BOE per day. During the second quarter of 2010, production was added from approximately 3.89 net wells. Northern Oil has maintained a 100% drilling success rate in the Williston Basin Bakken and Three Forks trends since the company's inception.

Northern Oil's reported production expenses for the second quarter of 2010 were \$561,427, or \$3.30 per BOE on an accrued basis, compared to \$332,330, or \$3.15 per BOE, in the first

quarter 2010 and \$119,751, or \$2.41 per BOE, in the second quarter 2009.

Depletion expense for the second quarter of 2010 was \$2,600,836, or \$15.06 per BOE, compared to \$1,883,605, or \$15.06 per BOE, from the first quarter 2010 and \$548,124, or \$10.64 per BOE, from the second quarter 2009.

Cash general and administrative (G&A) expenses for the second quarter of 2010 were \$718,471, representing a 20% decrease compared to \$893,671 in the first quarter 2010.

Northern Oil's reported net income for the second quarter of 2010 was \$6,120,866, or \$0.12 per diluted share, compared to net income of \$1,559,630, or \$0.04 per diluted share, for the first quarter 2010 and net income of \$418,396, or \$0.01 per diluted share, for the second quarter 2009.

Northern Oil's net income for the second quarter of 2010, excluding unrealized mark-to-market hedging gains, was \$3,502,667, or \$0.07 per diluted share, compared to net income in the first quarter 2010 excluding unrealized mark-to-market hedging losses of \$2,172,446, or \$0.05 per diluted share.

Northern Oil defines Adjusted EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation, depletion and amortization, (iv) accretion of abandonment liability, (v) pre-tax unrealized gain and losses on commodity risk and (vii) non-cash expenses relating to share based payments recognized under ASC Topic 718. Adjusted EBITDA for the second quarter of 2010 was \$9,677,386, or \$0.19 per diluted share, which represents a 51% increase over adjusted EBITDA of \$6,417,708, or \$0.14 per diluted share, for the first quarter of 2010.

Net income excluding unrealized mark-to-market hedging gains and adjusted EBITDA are non-GAAP measures. A reconciliation of these measures to GAAP is included in our accompanying financial tables found later in this release.

In the six months ending June 30, 2010, Northern Oil's capital expenditures relating to exploration and development activities approximated \$54 million.

## **OPERATIONS UPDATE AND INCREASED PRODUCTION GUIDANCE**

Northern Oil is currently participating in the drilling or completion of an additional 63 gross Bakken or Three Forks wells and one gross Red River well, for an aggregate of 7.24 net wells currently drilling or awaiting completion.

As of August 9, 2010, Northern Oil has spud approximately 13.85 net wells in 2010.

Management reaffirms its previously announced guidance to spud approximately 18 net wells throughout 2010 and expects to increase production volumes by 30 to 35% in the third quarter of 2010 compared to previous guidance of 20 to 30% in the second quarter of 2010.

## **RECENT COMPLETION HIGHLIGHTS**

The following table illustrates the most recent well completions in which Northern Oil participated.

WELL NAME	OPERATOR	COUNTY/ STATE	WI	INITIAL PRODUCTION BOEPD	DAYS USED TO COMPUTE AVG. BOEPD	AVG. BOEPD
SUMMERFIELD 15-15H	AMERICAN	DUNN, ND	5.10%	2,799	37	974
KUBIK TRUST #1-18-19H	ANSCHUTZ	DUNN, ND	3.20%	2,441	60	861
JACK CVANCARA 19-18 #1H	BRIGHAM	MOUNTRAIL, ND	3.16%	5,035	30	1,800
LIFFRIG #29-20 1-H TFS	BRIGHAM	MOUNTRAIL, ND	6.25%	2,477	84	654
GILLUND #1-32H	CONTINENTAL	DIVIDE, ND	9.62%	623	N/A	N/A
JOANNE #1-7H	CONTINENTAL	DIVIDE, ND	37.58%	452	N/A	N/A
SHONNA #2-15H	CONTINENTAL	DIVIDE, ND	14.84%	402	N/A	N/A
UXBRIDGE #1-9H	CONTINENTAL	DIVIDE, ND	9.04%	795	N/A	N/A
VAN HOOK #100-15H TFS	EOG RESOURCES	MOUNTRAIL, ND	10.00%	1,585	100	931
RS-NELSON FARMS 2829H-1	HESS CORP	MOUNTRAIL, ND	45.55%	751	N/A	N/A
EDWARDS #5992 44-10	OASIS	BURKE, ND	21.00%	612	88	315
BADGER #1-9H	SLAWSON	MOUNTRAIL, ND	28.38%	2,518	N/A	N/A
COUGAR FEDERAL #1-30H	SLAWSON	MOUNTRAIL, ND	3.81%	1,493	90	706
LUNKER FEDERAL #1-30-4H	SLAWSON	MOUNTRAIL, ND	6.40%	2,186	N/A	N/A
MACHETE #1-19H	SLAWSON	MOUNTRAIL, ND	14.74%	1,303	60	705
MINX #1-29H	SLAWSON	MOUNTRAIL, ND	22.00%	1,475	90	473
SNIPER FEDERAL #1-6-7H	SLAWSON	MOUNTRAIL, ND	21.41%	3,784	24	1,426
STALLION #1-1-12H	SLAWSON	MOUNTRAIL, ND	22.41%	2,753	125	953
VANDAL #1-16H	SLAWSON	RICHLAND, MT	20.00%	478	57	271
SCHILKE #2-24H	PEAK	MCKENZIE, ND	5.24%	1,679	N/A	N/A

## UPDATED HEDGING ACTIVITY

The following table reflects the weighted average price of Northern Oil's open commodity derivative contracts as of July 31, 2010, by year with associated volumes.

Weighted Average Price  
Of Open Commodity Contracts

Year	Volumes (Barrels)	Weighted Average Price
2010	315,000	\$ 80.36
2011	372,500	\$ 80.32
2012	141,000	\$ 79.39

## **MANAGEMENT COMMENT**

Michael Reger, Northern Oil's Chief Executive Officer, commented, "Our strong production growth has been a result of continued improvement in well results, increased core acreage additions, robust drilling activity and growing efficiencies in this premier oil resource play.

We continue to be impressed by the expanding size and scope of the Bakken and Three Forks trend as well as the evolution in completion techniques. We would like to thank all of the operators with whom we have been fortunate enough to work for all of their efforts in advancing the collective success of all participants in this exciting and high return oil play.

We remain well capitalized and positioned to continue to execute on our strategy of acquiring high quality non-operated interests and developing our substantial core Bakken position. Northern Oil would like to reaffirm its focus on the Williston Basin Bakken play as we continue to exploit our leasing advantage and turn our high quality acreage to production."

## **SECOND QUARTER EARNINGS RELEASE TELECONFERENCE CALL**

In conjunction with Northern Oil's release of its financial and operating results, investors, analysts and other interested parties are invited to listen to a conference call with management on Monday, August 9, 2010 at 10:00 a.m. Central Daylight Time. Details for the conference call are as follows:

Dial-In Number: (866) 261-2650 (US/Canada) and (703) 639-1221 (International)

Conference ID: 1474933, Northern Oil and Gas Second Quarter Earnings Release

## ABOUT NORTHERN OIL AND GAS

Northern Oil and Gas, Inc. is an exploration and production company based in Wayzata, Minnesota. Northern Oil's core area of focus is the Williston Basin Bakken and Three Forks trend in North Dakota and Montana.

More information about Northern Oil and Gas, Inc. can be found at [www.NorthernOil.com](http://www.NorthernOil.com).

## SAFE HARBOR

This press release contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, and indebtedness covenant compliance are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "anticipate," "target," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about, actual or potential future sales, market size, collaborations, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our Company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, general economic or industry conditions, nationally and/or in the communities in which our Company conducts business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our Company's operations, products, services and prices.

We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control.

## FINANCIAL INFORMATION

### ASSETS

June 30,

2010

(UNAUDITED)

December 31,

2009

CURRENT ASSETS

Cash and Cash Equivalents	\$ 70,167,911	\$ 6,233,372
Trade Receivables	11,311,742	7,025,011
Prepaid Drilling Costs	6,431,446	1,454,034
Prepaid Expenses	481,371	143,606
Other Current Assets	272,392	201,314
Short - Term Investments	-	24,903,476
Derivative Asset	1,068,924	-
Deferred Tax Asset	863,000	2,057,000
Total Current Assets	90,596,786	42,017,813

PROPERTY AND EQUIPMENT

Oil and Natural Gas Properties, Full Cost Method (including unevaluated cost of \$86,422,227 at 6/30/2010 and \$53,862,529 at 12/31/2009)	156,185,056	96,801,626
Other Property and Equipment	2,193,447	439,656
Total Property and Equipment	158,378,503	97,241,282
Less - Accumulated Depreciation and Depletion	9,626,536	5,091,198
Total Property and Equipment, Net	148,751,967	92,150,084

DEBT ISSUANCE COSTS	1,525,703	1,427,071
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Total Assets	\$ 240,874,456	\$ 135,594,968
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 9,987,487	\$ 6,419,534
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Line of Credit	-	834,492
Accrued Expenses	1,938,696	316,977
Derivative Liability	-	1,320,679
Other Liabilities	18,574	18,574
Total Current Liabilities	11,944,757	8,910,256
LONG-TERM LIABILITIES		
Revolving Credit Facility	-	-
Derivative Liability	85,544	1,459,374
Subordinated Notes	400,000	500,000
Other Noncurrent Liabilities	315,727	243,888
Total Long-Term Liabilities	801,271	2,203,262
DEFERRED TAX LIABILITY	5,192,000	922,000
Total Liabilities	17,938,028	12,035,518
STOCKHOLDERS' EQUITY		
Common Stock, Par Value \$.001; 100,000,000 Authorized, 51,079,143 Outstanding (2009 - 43,911,044 Shares Outstanding)	51,080	43,912
Additional Paid-In Capital	215,539,549	124,884,266
Retained Earnings	8,522,388	841,892
Accumulated Other Comprehensive Income (Loss)	(1,176,589)	(2,210,620)
Total Stockholders' Equity	222,936,428	123,559,450
Total Liabilities and Stockholders' Equity	\$ 240,874,456	\$ 135,594,968

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
		Adjusted *		Adjusted *
REVENUES				
Oil and Gas Sales	\$ 11,664,873	\$ 2,418,496	\$ 20,033,720	\$ 3,059,230
Gain (Loss) on Settled Derivatives	303,919	(143,412)	126,936	(125,878)
Mark-to-Market of Derivative Instruments	4,251,199	-	3,260,383	-
Other Revenue	11,782	-	32,248	-
	16,231,773	2,275,084	23,453,287	2,933,352
OPERATING EXPENSES				
Production Expenses	561,427	119,751	893,757	214,140
Production Taxes	1,024,277	189,400	1,670,143	247,715
General and Administrative Expense	718,471	519,014	1,612,142	910,674
Share Based Compensation	1,193,072	36,302	2,006,369	213,277
Depletion of Oil and Gas Properties	2,600,836	548,124	4,484,441	850,326
Depreciation and Amortization	26,267	22,777	50,897	45,456
Accretion of Discount on Asset Retirement Obligations	9,215	2,077	12,752	3,471
Total Expenses	6,133,565	1,437,445	10,730,501	2,485,059
INCOME FROM OPERATIONS	10,098,208	837,639	12,722,786	448,293



OTHER EXPENSE	(144,342)	(139,243)	(232,290)	(182,770)
	9,953,866	698,396	12,490,496	265,523
INCOME BEFORE INCOME TAXES				
INCOME TAX PROVISION	3,833,000	280,000	4,810,000	106,000
NET INCOME	\$ 6,120,866	\$ 418,396	\$ 7,680,496	\$ 159,523

Net Income Per Common Share - Basic	\$ 0.12	\$ 0.01	\$ 0.16	\$ 0.00
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Net Income Per Common Share - Diluted	\$ 0.12	\$ 0.01	\$ 0.16	\$ 0.00
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Weighted Average Shares Outstanding - Basic	49,934,409	34,582,282	47,032,602	34,404,093
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Weighted Average Shares Outstanding - Diluted	50,609,944	34,741,036	47,593,962	34,484,966
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NORTHERN OIL AND GAS, INC.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(UNAUDITED)

Six Months Ended

June 30,

2009

	2010	Adjusted *
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 7,680,496	\$ 159,523
Adjustments to Reconcile Net Income to Net Cash Provided by		
Operating Activities:		
Depletion of Oil and Gas Properties	4,484,441	850,326
Depreciation and Amortization	50,897	45,456
Amortization of Debt Issuance Costs	280,768	168,790
Accretion of Discount on Asset Retirement Obligations	12,752	3,471
Income Tax Provision	4,810,000	106,000
Loss on Sale of Available for Sale Securities	197,556	-
Market Value adjustment of Derivative Instruments	(3,260,383)	-
Amortization of Deferred Rent	(9,287)	(9,286)
Share - Based Compensation Expense	2,006,369	213,277
Changes in Working Capital and Other Items:		
Increase in Trade Receivables	(4,286,731)	(775,192)
Increase in Prepaid Expenses	(337,765)	(44,892)
Decrease (Increase) in Other Current Assets	(71,078)	-
Increase in Accounts Payable	3,567,953	2,585,014
Decrease in Accrued Expenses	(138,281)	(934,162)
Net Cash Provided By Operating Activities	14,987,707	2,368,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Other Equipment and Furniture	(1,753,791)	(6,943)
Decrease (Increase) in Prepaid Drilling Costs	(4,977,412)	19
Proceeds from Sale of Oil and Gas Properties	237,877	-
Proceeds from Sale of Available for Sale Securities	25,890,901	-
Increase in Oil and Gas Properties	(51,636,851)	(17,506,249)
Net Cash Used For Investing Activities	(32,239,276)	(17,513,173)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Line of Credit	(834,492)	(12,338)
Advances on Revolving Credit Facility	5,300,000	16,000,000
Payments on Revolving Credit Facility	(5,300,000)	-
Increase (Decrease) in Subordinated Notes, net	(100,000)	500,000
Debt Issuance Costs Paid	(379,400)	(1,190,061)
Proceeds from Issuance of Common Stock - Net of Issuance Costs	82,500,000	12,701,049
Net Cash Provided by Financing Activities	81,186,108	27,998,650
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,934,539	12,853,802
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	6,233,372	780,716
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 70,167,911	\$ 13,634,518

Supplemental Disclosure of Cash Flow Information

Cash Paid During the Period for Interest	\$ 125,135	\$ 189,128
Cash Paid During the Period for Income Taxes	\$ -	\$ -

Non-Cash Financing and Investing Activities:

Purchase of Oil and Gas Properties through Issuance of Common Stock	\$ 5,698,337	\$ 224,879
Payment of Compensation through Issuance of Common Stock	\$ 4,224,114	\$ 261,280
Capitalized Asset Retirement Obligations	\$ 69,802	\$ 61,403
Fair Value of Warrants Issued for Debt Issuance Costs	\$ -	\$ 221,153
Payment of Debt Issuance Costs through Issuance of Common Stock	\$ -	\$ 475,200

USE OF NON GAAP FINANCIAL MEASURES

Northern Oil and Gas, Inc.

Reconciliation of Adjusted EBITDA

	Three Months Ended	
	March 31,	June 30,
	2010	2010
Net Income	\$ 1,559,630	\$ 6,120,866
Add Back:		
Income Tax Provision	977,000	3,833,000
Depreciation, Depletion, Amortization, and Accretion	2,062,170	2,766,688
Share Based Compensation	813,297	1,193,072
Unrealized Gain on Commodity Price Risk Management Activities	990,816	(4,251,199)
Interest Expense	14,795	14,959
Adjusted EBITDA	\$ 6,417,708	\$ 9,677,386
EBITDA Per Common Share - Basic	\$ 0.15	\$ 0.19
EBITDA Per Common Share - Diluted	\$ 0.14	\$ 0.19

Weighted Average Shares Outstanding - Basic 44,098,553 49,934,409

Weighted Average Shares Outstanding - Diluted 44,544,469 50,609,944

Northern Oil and Gas, Inc.  
Reconciliation of GAAP Net Income to Earnings Without  
the Effect of Certain Items

	Three Months Ended	
	March 31,	June 30,
	2010	2010
Net Income, as Reported	\$ 1,559,630	\$ 6,120,866
Unrealized Derivative Gains	990,816	(4,251,199)
Tax Impact	(378,000)	1,633,000
Earnings without the Effect of Certain Items	\$ 2,172,446	\$ 3,502,667
Net Income Per Common Share - Basic	\$ 0.05	\$ 0.07
Net Income Per Common Share - Diluted	\$ 0.05	\$ 0.07
Weighted Average Shares Outstanding - Basic	44,098,553	49,934,409
Weighted Average Shares Outstanding - Diluted	44,544,469	50,609,944

CONTACT:

Investor Relations

772-219-7525

SOURCE Northern Oil and Gas, Inc.