11/8/2010

Northern Oil and Gas, Inc. Announces Third Quarter Earnings, 45% Increase in Record Production Volumes and Provides Operations Update

WAYZATA, Minn., Nov. 8, 2010 /PRNewswire-FirstCall/ -- Northern Oil and Gas, Inc. (NYSE/Amex: NOG) ("Northern Oil") today announced record quarterly production volumes, as well as record quarterly revenues and operating income, excluding the impact of unrealized hedging losses.

THIRD QUARTER 2010 RESULTS

Northern Oil's production volumes for the third quarter of 2010 were a quarterly record of 250,129 barrels of oil equivalent ("BOE"), representing a 45% increase compared to the second quarter of 2010 and a 182% increase compared to the third quarter of 2009. These results exceeded previous guidance of a 30% to 35% quarter-over-quarter production increase and represents Northern Oil's eleventh consecutive quarterly increase in production.

Third quarter 2010 production consisted of 96% crude oil and approximately 4% associated natural gas. Northern Oil exited the third quarter of 2010 with production volumes of approximately 3,406 BOE per day. During the third quarter of 2010, production was added from approximately 5.75 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.

Revenues from the sale of crude oil and natural gas, including hedge settlements, for the third quarter of 2010 were $16,317,530, which represents a 36% increase compared to the second quarter of 2010 and a 236% increase compared to the third quarter of 2009.

During the third quarter of 2010, Northern Oil's average realized price for crude oil was $69.64 per barrel, which included a $3.22 per barrel gain due to the settlement of crude oil derivative contracts. This compares to an average $70.98 per barrel realized price in the second quarter of 2010, which included a $1.83 per barrel gain due to the settlement of crude oil derivative contracts, and an average $58.44 per barrel realized price in the third quarter of 2009, which included a $3.38 per barrel loss due to the settlement of crude oil derivative contracts.

Northern Oil's reported production expenses for the third quarter of 2010 were $1,084,769, or $4.19 per BOE, on an accrued basis, compared to $561,427, or $3.30 per BOE, in the second quarter of 2010 and $236,362, or $2.45 per BOE, in the third quarter of 2009. The higher production expense is a result of more mature wells utilizing

artificial lift and a general aging of Northern Oil's production.

Depletion expense for the third quarter of 2010 was $3,767,712, or $15.06 per BOE, compared to $2,600,836, or $15.06 per BOE, for the second quarter of 2010 and $935,804, or $10.56 per BOE, for the third quarter of 2009.

General and Administrative (G&A) expenses, net of share based compensation, for the third quarter of 2010 were $899,661, compared to $718,471 in the second quarter 2010.

Northern Oil's net income was $987,226, or $0.02 per diluted share for the third quarter of 2010. Northern Oil's net income, excluding unrealized mark-to-market hedging losses, was $4,961,803, or $0.10 per diluted share, for the third quarter of 2010, which represents a 42% increase over net income, excluding unrealized mark-to-market hedging losses, of $3,502,667, or $0.07 per diluted share, for the second quarter of 2010.

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. Northern Oil's Adjusted EBITDA for the third quarter of 2010 was $12,772,433, or $0.24 per diluted share, which represents a 32% increase over Adjusted EBITDA of $9,677,386, or $0.19 per diluted share, for the second 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. Northern Oil's management believes the use of non-GAAP financial measures provides useful information to investors to gain an overall understanding of current financial performance. Specifically, management believes the non-GAAP results included herein provide useful information to both management and investors by excluding certain expenses and unrealized commodity gains and losses that management believes are not indicative of Northern Oil's core operating results. In addition, these non-GAAP financial measures are used by Northern Oil's management for budgeting and forecasting as well as subsequently measuring Northern Oil's performance, and management believes that Northern Oil is providing investors with financial measures that most closely align to its internal measurement processes.

Northern Oil's capital expenditures relating to exploration and development activities approximated $103 million for the nine months ending September 30, 2010 and are expected to approximate $132 million for the entire 2010 fiscal year based on wells currently drilling and expected to spud by 2010 year-end.

OPERATIONS UPDATE AND INCREASED PRODUCTION GUIDANCE

As of November 5, 2010, Northern Oil is participating in the drilling or completion of 91 gross Bakken or Three Forks wells, for an aggregate of 10.72 net wells drilling, awaiting completion or completing. Of those wells, 5.05 net wells are drilling but have not reached total depth, an additional 4.99 net wells have been drilled to total depth and are

awaiting completion and the remaining 0.68 net wells are undergoing fracture stimulation to commence production.

As of November 5, 2010, Northern Oil has spud approximately 23.68 net wells during 2010. Management now expects to spud approximately 25 net wells throughout 2010, up from previous guidance of 24 net wells, and expects to increase production volumes further by 30 to 35% in the fourth quarter of 2010 compared to the third quarter of 2010.

RECENT COMPLETION HIGHLIGHTS

The following table illustrates the most recent well completions with updated longer-term rates in which Northern Oil participated with a working interest ("WI").

WELL NAME	OPERATOR	COUNTY/STATE	WI	IP/BOEPD*	DAYS USED TO COMPUTE AVG. BOEPD	AVG. BOEPD***
GOBLIN #1-26H	SLAWSON	MOUNTRAIL, ND	45.54%	1,338	N/A	N/A
ALAMO #1-19-18H	SLAWSON	MOUNTRAIL, ND	29.98%	1,625**	N/A	N/A
BADGER #1-9H	SLAWSON	MOUNTRAIL, ND	28.38%	2,057**	30	799**
DIAMONBACK #1-21H	SLAWSON	MOUNTRAIL, ND	25.23%	2,013	30	494**
REVOLVER #1-35H	SLAWSON	MOUNTRAIL, ND	24.58%	1,946	N/A	N/A
STALLION #1-1-12H	SLAWSON	MOUNTRAIL, ND	22.41%	2,753	200	720
RENEGADE #1-10H	SLAWSON	ROOSEVELT, MT	22.07%	662	N/A	N/A
SNIPER FEDERAL #1-6-7H	SLAWSON	MOUNTRAIL, ND	21.41%	3,784	150	930
STATE 36-1 #2H TFS	BRIGHAM	WILLIAMS, ND	20.36%	2,356	7	1,438
AMANDA #21-14H	CONOCO	MCKENZIE, ND	18.75%	1,833**	30	562**
ARMADA		MOUNTRAIL,				

#1-14-13H SLAWSON ND 14.20% 1,460 N/A N/A

MOUNTRAIL,
NEPTUNE #1-15H SLAWSON ND 13.37% 2,578** 30 749**

BANKS #5892 MOUNTRAIL,
44-34H OASIS ND 13.13% 949 N/A NA

HOIBY MOUNTRAIL,
159-94-4B-3-1H PETRO-HUNT ND 12.81% 831 N/A N/A

GUSTAFSON
29-32-161-92H SAMSON BURKE, ND 12.50% 694 N/A N/A

MCGAHAN MOUNTRAIL,
#1-18-7H HUNT OIL ND 8.56% 697** N/A N/A

ABELMANN 23-14
#1H BRIGHAM MCKENZIE, ND 8.02% 4,169 N/A N/A

KJORSTAD #5300
24-22H OASIS WILLIAMS, ND 6.46% 2,713** 15 1,115**

DOMASKIN MOUNTRAIL,
#19-30-29H FIDELITY ND 1.94% 2,731** N/A N/A

CLIFFORD BAKKE MOUNTRAIL,
26-35 #1H BRIGHAM ND 1.04% 5,061 7 3,657

* Initial production rate (the "IP" rate) is the 24-hour "Peak Production Rate." Peak Production Rates may be established following the initial day of production, depending on operator design or well flowback profiles. The IP rate may be estimated based on other third party estimates or limited data available at this time.

** The initial BOE production per day ("IP/BOEPD") for each well, the days used to compute the average BOE per day ("AVG. BOEPD") and the average BOE produced per day ("AVG. BOEPD") during such computation periods IP/BOEPD and AVG. BOEPD rates for these wells include only crude oil production because associated natural gas production was not available.

*** Average barrels of oil equivalents per day ("AVG. BOEPD") exclude any days a well was down for work/maintenance. All information in the foregoing table was obtained through operator drilling reports, operator daily production reports and certain Oil & Gas Division reports publicly available through North Dakota Industrial Commission.

ACREAGE ACQUISITIONS AND PRODUCTION PROJECTIONS

Year-to-date through September 30, 2010, Northern Oil has acquired approximately 38,864 net acres for an aggregate price of $42.2 million, or an average price of $1,086 per acre. Northern Oil expects to continue to opportunistically acquire acreage throughout the remainder of 2010 and 2011. Based on 2010 and anticipated 2011 activity and assuming drilling activity within the Williston Basin continues at its current pace, We expect to average approximately 6,500 BOE per day in production for 2011.

MANAGEMENT COMMENT

Michael Reger, Northern Oil's Chief Executive Officer, commented, "The third quarter was our best ever in terms of production volumes, Adjusted EBITDA, and key acreage acquisition. The value of our non-operated franchise is best illustrated by the fact that 80% of the acreage we acquired in the third quarter has already been drilled or is currently drilling. We believe we are well positioned to remain focused on the best areas of this rapidly advancing play and turn our acreage to production quickly and efficiently. We look forward to further success in 2011 as we continue to gain critical mass and participate with the many skilled operators driving technology and growth in this premier oil play."

THIRD 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, November 8, 2010 at 10:00 a.m. Central Standard Time. Details for the conference call are as follows:

Dial-In Number: (866) 837-9779 (US/Canada) and (703) 639-1417 (International)

Conference ID: 1490994, Northern Oil and Gas Third 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**.

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: oil and gas prices, our ability to raise capital, 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.

CONTACT:
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NORTHERN OIL AND GAS, INC.

CONDENSED BALANCE SHEETS

SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

ASSETS

	September 30, 2010 (UNAUDITED)	December 31, 2009
CURRENT ASSETS		
Cash and Cash Equivalents	$ 39,486,949	$ 6,233,372
Trade Receivables	17,841,344	7,025,011
Prepaid Drilling Costs	7,052,815	1,454,034
Prepaid Expenses	417,913	143,606
Other Current Assets	303,848	201,314
Short - Term Investments	-	24,903,476
Deferred Tax Asset	863,000	2,057,000
Total Current Assets	65,965,869	42,017,813
PROPERTY AND EQUIPMENT		
Oil and Natural Gas Properties, Full Cost Method (including		

unevaluated costs of		
$105,415,622 at 9/30/2010 and $53,862,529 at 12/31/2009)	205,430,775	96,801,626
Other Property and Equipment	2,395,743	439,656
Total Property and Equipment	207,826,518	97,241,282
Less - Accumulated Depreciation and Depletion	13,454,548	5,091,198
Total Property and Equipment, Net	194,371,970	92,150,084
DEBT ISSUANCE COSTS	1,446,521	1,427,071
Total Assets	$ 261,784,360	$ 135,594,968
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 15,086,298	$ 6,419,534
Line of Credit	-	834,492
Accrued Expenses	2,358,824	316,977
Derivative Liability	2,105,190	1,320,679
Other Liabilities	18,574	18,574
Total Current Liabilities	19,568,886	8,910,256
LONG-TERM LIABILITIES		
Revolving Credit Facility	-	-
Derivative Liability	3,051,982	1,459,374
Subordinated Notes	400,000	500,000
Other Noncurrent Liabilities	410,316	243,888

Total Long-Term Liabilities	3,862,298	2,203,262
DEFERRED TAX LIABILITY	5,931,000	922,000
Total Liabilities	29,362,184	12,035,518
STOCKHOLDERS' EQUITY		
Common Stock, Par Value $.001; 100,000,000 Authorized, 51,596,849 Outstanding (2009 – 43,911,044 Shares Outstanding)	51,597	43,912
Additional Paid-In Capital	223,847,529	124,884,266
Retained Earnings	9,509,614	841,892
Accumulated Other Comprehensive Income (Loss)	(986,564)	(2,210,620)
Total Stockholders' Equity	232,422,176	123,559,450
Total Liabilities and Stockholders' Equity	$ 261,784,360	$ 135,594,968

NORTHERN OIL AND GAS, INC.

CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
REVENUES				
Oil and Gas Sales	$ 15,541,520	$ 5,146,972	$ 35,575,240	$ 8,206,202
Gain (Loss) on Settled Derivatives	776,010	(291,000)	902,946	(416,878)
Mark-to-Market of Derivative Instruments	(6,449,577)	-	(3,189,194)	-
Other Revenue	15,868	-	48,116	-
	9,883,821	4,855,972	33,337,108	7,789,324
OPERATING EXPENSES				
Production Expenses	1,084,769	236,362	1,978,526	450,502
Production Taxes	1,604,608	437,048	3,274,751	684,763
General and Administrative Expense	1,624,071	896,877	5,242,582	2,020,828
Depletion of Oil and Gas Properties	3,767,712	935,804	8,252,153	1,786,130
Depreciation and Amortization	60,300	22,918	111,197	68,374
Accretion of Discount on Asset Retirement Obligations	18,025	1,306	30,777	4,777
Total Expenses	8,159,485	2,530,315	18,889,986	5,015,374
INCOME FROM OPERATIONS	1,724,336	2,325,657	14,447,122	2,773,950
OTHER (EXPENSE) INCOME	(117,110)	321,589	(349,400)	138,819

INCOME BEFORE INCOME TAXES	1,607,226	2,647,246	14,097,722	2,912,769
INCOME TAX PROVISION	620,000	1,059,000	5,430,000	1,165,000
NET INCOME	$ 987,226	$ 1,588,246	$ 8,667,722	$ 1,747,769
Net Income Per Common Share - Basic	$ 0.02	$ 0.04	$ 0.18	$ 0.05
Net Income Per Common Share - Diluted	$ 0.02	$ 0.04	$ 0.18	$ 0.05
Weighted Average Shares Outstanding – Basic	51,519,732	36,769,195	48,544,749	35,201,124
Weighted Average Shares Outstanding - Diluted	52,145,181	36,941,573	49,127,706	35,312,834

NORTHERN OIL AND GAS, INC.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009

(UNAUDITED)

	Nine Months Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 8,667,722	$ 1,747,769
Adjustments to Reconcile Net Income to Net Cash Provided by		
Operating Activities:		
Depletion of Oil and Gas Properties	8,252,153	1,786,130
Depreciation and Amortization	111,197	68,374
Amortization of Debt Issuance Costs	366,729	312,386
Accretion of Discount on Asset Retirement Obligations	30,777	4,777
Income Tax Provision	5,430,000	1,165,000
Loss on Sale of Available for Sale Securities	197,556	-
Market Value adjustment of Derivative Instruments	3,189,194	-
Amortization of Deferred Rent	(13,930)	(13,930)
Share - Based Compensation Expense	2,730,779	324,048
Changes in Working Capital and Other Items:		
Increase in Trade Receivables	(10,816,333)	(3,960,249)
Increase in Prepaid Expenses	(274,307)	(26,623)
Increase in Other Current Assets	(102,534)	-
Increase in Accounts Payable	8,666,764	2,952,237
Decrease in Accrued Expenses	(123,153)	(17,418)
Net Cash Provided By Operating Activities	26,312,614	4,342,501

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Other Equipment and Furniture	(1,956,087)	(14,450)
Increase in Prepaid Drilling Costs	(5,598,781)	(662)
Proceeds from Sale of Oil and Gas Properties	237,877	-
Proceeds from Sale of Available for Sale Securities	25,890,901	800,000
Increase in Oil and Gas Properties	(92,812,276)	(25,804,442)
Net Cash Used For Investing Activities	(74,238,366)	(25,019,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Line of Credit	(834,492)	(812,323)
Advances on Revolving Credit Facility	5,300,000	26,000,000
Payments on Revolving Credit Facility	(5,300,000)	(17,000,000)
Increase (Decrease) in Subordinated Notes, net	(100,000)	500,000
Debt Issuance Costs Paid	(386,179)	(1,190,061)
Proceeds from Issuance of Common Stock - Net of Issuance Costs	82,500,000	12,686,763
Net Cash Provided by Financing Activities	81,179,329	20,184,379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,253,577	(492,674)
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	6,233,372	780,716
CASH AND CASH EQUIVALENTS – END OF PERIOD	$ 39,486,949	$ 288,042
Supplemental Disclosure of Cash Flow Information		

Cash Paid During the Period for Interest	$ 169,232	$ 472,116
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	$ 12,679,422	$ 224,879
Payment of Compensation through Issuance of Common Stock	$ 5,956,526	$ 324,048
Capitalized Asset Retirement Obligations	$ 151,009	$ 104,396
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 GAAP Net Income to Adjusted EBITDA

	Three Months Ended	
	September 30, 2010	June 30, 2010
Net Income	$ 987,226	$ 6,120,866

Add Back:

Income Tax Provision	620,000	3,833,000
Depreciation, Depletion, Amortization, and Accretion	3,931,999	2,766,688
Share Based Compensation	724,410	1,193,072
Mark-to-Market of Derivative Instruments	6,449,577	(4,251,199)
Interest Expense	59,221	14,959
Adjusted EBITDA	$ 12,772,433	$ 9,677,386
Adjusted EBITDA Per Common Share - Basic	$ 0.25	$ 0.19
Adjusted EBITDA Per Common Share - Diluted	$ 0.24	$ 0.19
Weighted Average Shares Outstanding – Basic	51,519,732	49,934,409
Weighted Average Shares Outstanding - Diluted	52,145,181	50,609,944

Northern Oil and Gas, Inc.

Reconciliation of GAAP Net Income to Net Income Excluding

Unrealized Mark-to-Market Hedging Losses

	Three Months Ended	
	September 30, 2010	June 30, 2010
Net Income	$ 987,226	$ 6,120,866
Mark-to-Market of Derivative Instruments	6,449,577	(4,251,199)
Tax Impact	(2,475,000)	1,633,000
Net Income without the Effect of Certain Items	$ 4,961,803	$ 3,502,667
Net Income Per Common Share – Basic	$ 0.10	$ 0.07
Net Income Per Common Share – Diluted	$ 0.10	$ 0.07
Weighted Average Shares Outstanding – Basic	51,519,732	49,934,409
Weighted Average Shares Outstanding - Diluted	52,145,181	50,609,944

SOURCE Northern Oil and Gas, Inc.

Released November 8, 2010