UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File No. 001-33999

NORTHERN OIL AND GAS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Minnesota 95-3848122
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

601 Carlson Pkwy – Suite 990, Minnetonka, Minnesota 55305
(Address of Principal Executive Offices) (Zip Code)

952-476-9800
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  Name of Each Exchange On Which Registered
Common Stock, $0.001 par value  NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T ($232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K ($229.405) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)
Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates of the registrant on the last business day of the registrant’s most recently completed second fiscal quarter (based on the closing sale price as reported by the NYSE MKT) was approximately $68.0 million.

As of February 21, 2018, the registrant had 65,944,133 shares of common stock issued and outstanding.
Portions of the definitive proxy statement related to the registrant’s 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this report for the year ended December 31, 2017.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the “safe harbor” protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. 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,” “continue,” “anticipate,” “target,” “could,” “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: changes in crude oil and natural gas prices, the pace of drilling and completions activity on our properties, our ability to acquire additional development opportunities, changes in our reserves estimates or the value thereof, 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 consummate any transaction with our bondholders, including the final terms of any such transaction, which could result in the issuance of a significant amount of equity, our ability to raise or access capital, including as a condition to any transaction with our bondholders, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, and other economic, competitive, governmental, regulatory and technical factors affecting our company’s operations, products and prices.

We have based any 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. Accordingly, results actually achieved may differ materially from expected results described in these statements. Forward-looking statements speak only as of the date they are made. You should consider carefully the statements in “Item 1A. Risk Factors” and other sections of this report, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. Our company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We assume no obligation to update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, other than as may be required by applicable law or regulation. Readers are urged to carefully review and consider the various disclosures made by us in our reports filed with the United States Securities and Exchange Commission (the “SEC”) which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operation and cash flows. If one or more of these risks or uncertainties materialize, or if the underlying assumptions prove incorrect, our actual results may vary materially from those expected or projected.
GLOSSARY OF TERMS

Unless otherwise indicated in this report, natural gas volumes are stated at the legal pressure base of the state or geographic area in which the reserves are located at 60 degrees Fahrenheit. Crude oil and natural gas equivalents are determined using the ratio of six Mcf of natural gas to one barrel of crude oil, condensate or natural gas liquids.

The following definitions shall apply to the technical terms used in this report.

Terms used to describe quantities of crude oil and natural gas:

“Bbl.” One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate or NGLs.

“Boe.” A barrel of oil equivalent and is a standard convention used to express crude oil, NGL and natural gas volumes on a comparable crude oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of natural gas to 1.0 Bbl of crude oil or NGL.

“Boepd.” Boe per day.

“Btu or British Thermal Unit.” The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

“MBbl.” One thousand barrels of crude oil, condensate or NGLs.

“MBoe.” One thousand Boe.

“Mcf.” One thousand cubic feet of natural gas.

“MMBbl.” One million barrels of crude oil, condensate or NGLs.

“MMBoe.” One million Boe.

“MMBtu.” One million British Thermal Units.

“MMcf.” One million cubic feet of natural gas.

“NGLs.” Natural gas liquids. Hydrocarbons found in natural gas that may be extracted as liquefied petroleum gas and natural gasoline.

Terms used to describe our interests in wells and acreage:

“Basin.” A large natural depression on the earth’s surface in which sediments generally brought by water accumulate.

“Completion.” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs, and/or natural gas.

“Conventional play.” An area that is believed to be capable of producing crude oil, NGLs, and natural gas occurring in discrete accumulations in structural and stratigraphic traps.

“Costless Collar.” An option position where the proceeds from the sale of a call option at its inception fund the purchase of a put option at its inception.

“Developed acreage.” Acreage consisting of leased acres spaced or assignable to productive wells. Acreage included in spacing units of infill wells is classified as developed acreage at the time production commences from the initial well in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“Development well.” A well drilled within the proved area of a crude oil, NGL, or natural gas reservoir to the depth of a stratigraphic horizon (rock layer or formation) known to be productive for the purpose of extracting proved crude oil, NGL, or natural gas reserves.
“Differential.” The difference between a benchmark price of crude oil and natural gas, such as the NYMEX crude oil spot price, and the wellhead price received.

“Dry hole.” A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

“Exploratory well.” A well drilled to find and produce crude oil, NGLs, or natural gas in an unproved area, to find a new reservoir in a field previously found to be producing crude oil, NGLs, or natural gas in another reservoir, or to extend a known reservoir.

“Field.” An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

“Formation.” A layer of rock which has distinct characteristics that differs from nearby rock.

“Gross acres or Gross wells.” The total acres or wells, as the case may be, in which a working interest is owned.

“Held by operations.” A provision in an oil and gas lease that extends the stated term of the lease as long as drilling operations are ongoing on the property.

“Held by production.” A provision in an oil and gas lease that extends the stated term of the lease as long as the property produces a minimum quantity of crude oil, NGLs, and natural gas.

“Hydraulic fracturing.” The technique of improving a well’s production by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to keep the channel open, so that fluids or natural gases may more easily flow through the formation.

“Infill well.” A subsequent well drilled in an established spacing unit of an already established productive well in the spacing unit. Acreage on which infill wells are drilled is considered developed commencing with the initial productive well established in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“Net acres.” The percentage ownership of gross acres. Net acres are deemed to exist when the sum of fractional ownership working interests in gross acres equals one (e.g., a 10% working interest in a lease covering 640 gross acres is equivalent to 64 net acres).

“Net well.” A well that is deemed to exist when the sum of fractional ownership working interests in gross wells equals one.


“OPEC.” The Organization of Petroleum Exporting Countries.

“Productive well.” A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

“Recompletion.” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs or natural gas or, in the case of a dry hole, the reporting of abandonment to the appropriate agency.

“Reservoir.” A porous and permeable underground formation containing a natural accumulation of producible crude oil, NGLs and/or natural gas that is confined by impermeable rock or water barriers and is separate from other reservoirs.

“Spacing.” The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres, e.g., 40-acre spacing, and is often established by regulatory agencies.
“Unconventional play.” An area believed to be capable of producing crude oil, NGLs, and/or natural gas occurring in cumulations that are regionally extensive but require recently developed technologies to achieve profitability. These areas tend to have low permeability and may be closely associated with source rock as this is the case with crude oil and natural gas shale, tight crude oil and natural gas sands and coal bed methane.

“Undeveloped acreage.” Leased acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of crude oil, NGLs, and natural gas, regardless of whether such acreage contains proved reserves. Undeveloped acreage includes net acres held by operations until a productive well is established in the spacing unit.

“Unit.” The joining of all or substantially all interests in a reservoir or field, rather than a single tract, to provide for development and operation without regard to separate property interests. Also, the area covered by a unitization agreement.

“Wellbore.” The hole drilled by the bit that is equipped for natural gas production on a completed well. Also called well or borehole.

“West Texas Intermediate or WTI.” A light, sweet blend of oil produced from the fields in West Texas.

“Working interest.” The right granted to the lessee of a property to explore for and to produce and own crude oil, NGLs, natural gas or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

“Workover.” Operations on a producing well to restore or increase production.

Terms used to assign a present value to or to classify our reserves:

“Possible reserves.” The additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves.

“Pre-tax PV-10% or PV-10.” The estimated future net revenue, discounted at a rate of 10% per annum, before income taxes and with no price or cost escalation or de-escalation in accordance with guidelines promulgated by the SEC.

“Probable reserves.” The additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but which together with proved reserves, are as likely as not to be recovered.

“Proved developed producing reserves (PDPs).” Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional crude oil, NGLs, and natural gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included in “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

“Proved developed non-producing reserves (PDNP).” Proved crude oil, NGLs, and natural gas reserves that are developed behind pipe, shut-in or that can be recovered through improved recovery only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells that were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to the start of production.

“Proved reserves.” The quantities of crude oil, NGLs and natural gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

“Proved undeveloped drilling location.” A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.
"Proved undeveloped reserves" or "PUDs." Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for development. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with reasonable certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves will not be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir or an analogous reservoir.

(i) The area of the reservoir considered as proved includes: (A) the area identified by drilling and limited by fluid contacts, if any, and (B) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible crude oil, NGLs or natural gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons ("LKH") as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil ("HKO") elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) the project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the twelve-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based on future conditions.

"Standardized measure." Discounted future net cash flows estimated by applying year-end prices to the estimated future production of year-end proved reserves. Future cash inflows are reduced by estimated future production and development costs based on period end costs to determine pre-tax cash inflows. Future income taxes, if applicable, are computed by applying the statutory tax rate to the excess of pre-tax cash inflows over our tax basis in the oil and natural gas properties. Future net cash inflows after income taxes are discounted using a 10% annual discount rate.
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We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas properties, primarily in the Bakken and Three Forks formations within the Williston Basin in North Dakota and Montana. We believe the location, size and concentration of our acreage position in one of North America’s leading unconventional oil-resource plays will provide drilling and development opportunities that result in significant long-term value. Our primary focus is oil exploration and production through non-operated working interests in wells drilled and completed in spacing units that include our acreage. As a non-operator, we are able to diversify our investment exposure by participating in a large number of gross wells, as well as entering into more project areas by partnering with numerous experienced operating partners. In addition, because we can elect to participate on a well-by-well basis, we believe we have increased flexibility in the timing and amount of our capital expenditures because we are not burdened with various contractual development agreements or a large operating support staff. Further, we are able to avoid exploratory costs incurred by many oil and gas producers.

During 2017, we added 354 gross (16.9 net) wells in the Williston Basin. At December 31, 2017, we owned working interests in 3,262 gross (229.0 net) producing wells, with substantially all the wells targeting the Bakken and Three Forks formations. As of December 31, 2017, we leased approximately 143,253 net acres, all located in the Williston Basin, of which approximately 124,404 net acres were developed.

As of December 31, 2017, our proved reserves were 75.8 MMBoe (all of which were in the Williston Basin) as estimated by our third-party independent reservoir engineering firm, Ryder Scott Company, LP. As of December 31, 2017, 61% of our proved reserves were classified as proved developed and 83% of our proved reserves were oil. The following table provides a summary of certain information regarding our assets:

<table>
<thead>
<tr>
<th>Net Acres</th>
<th>Productive Wells</th>
<th>Average Daily Production(1)</th>
<th>Proved Reserves</th>
<th>% Oil</th>
<th>% Proved Developed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross</td>
<td>Net</td>
<td>Boe per day</td>
<td>MBoe</td>
<td></td>
</tr>
<tr>
<td>North Dakota</td>
<td>128,747</td>
<td>3,172</td>
<td>218.7</td>
<td>16,573</td>
<td>75,357</td>
</tr>
<tr>
<td>Montana</td>
<td>14,506</td>
<td>90</td>
<td>10.3</td>
<td>169</td>
<td>475</td>
</tr>
<tr>
<td>Total</td>
<td>143,253</td>
<td>3,262</td>
<td>229.0</td>
<td>16,742</td>
<td>75,832</td>
</tr>
</tbody>
</table>

(1) Represents the average daily production over the three months ended December 31, 2017.
Business Strategy

Key elements of our business strategies include:

• **Continue Participation in the Development of Our Existing Properties in the Williston Basin as a Non-Operator.** We believe the best way to develop our acreage is to take a long-term approach and develop our locations with potential for the highest rates of return. We plan to continue to concentrate our capital expenditures in the Williston Basin, where we believe our current acreage position can provide an attractive return on the capital employed on our multi-year drilling inventory of oil-focused properties.

• **Diversify Our Risk Through Non-Operated Participation in a Large Number of Bakken and Three Forks Wells.** As a non-operator, we seek to diversify our investment and operational risk through participation in a large number of oil wells and with multiple operators. As of December 31, 2017, we have participated in 3,262 gross (229.0 net) producing wells in the Williston Basin with an average working interest of 7.0% in each gross well, with more than 35 experienced operating partners. We expect to continue partnering with numerous experienced operators across our leasehold positions.

• **Accelerate Growth by Pursuing Value-Enhancing Acquisitions.** In conjunction with our efforts to strengthen our balance sheet, we strive to be the natural consolidator and clearing house of non-operated working interest in the Williston Basin. Historically, our core acquisition strategy has been to seek to acquire smaller lease positions at a significant discount to the contiguous acreage positions typically sought by larger producers. Such acquisitions, including wellbore acquisitions, have been a significant driver of our net well additions and additions to production. We intend to continue these activities, while at the same time evaluating and pursuing larger non-operated asset packages that can more quickly accelerate our growth strategy.

• **Maintain a Strong Balance Sheet and Proactively Manage to Limit Downside.** We strive to remain financially strong, yet flexible, through the prudent management of our balance sheet and active management of commodity price volatility. Given the volatility of the commodity price environment, we employ an active commodity price risk management program to better enable us to execute our business plan over the entire commodity price cycle. The following table summarizes the open oil derivative contracts that we have entered into as of December 31, 2017, by year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Swap Volumes (Bbl)</th>
<th>Weighted Average Swap Price ($)</th>
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<tbody>
<tr>
<td>2018</td>
<td>3,050,000</td>
<td>53.26</td>
</tr>
<tr>
<td>2019</td>
<td>1,887,600</td>
<td>51.80</td>
</tr>
<tr>
<td>2020</td>
<td>1,244,200</td>
<td>50.41</td>
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Industry Operating Environment

The oil and natural gas industry is affected by many factors that we generally cannot control. Government regulations, particularly in the areas of taxation, energy, climate change and the environment, can have a significant impact on operations and profitability. Significant factors that will impact oil prices in the current fiscal year and future periods include: political and social developments in the Middle East, demand in Asian and European markets, and the extent to which members of OPEC and other oil exporting nations manage oil supply through export quotas. Additionally, natural gas prices continue to be under pressure due to concerns over excess supply of natural gas due to the high productivity of emerging shale plays in the United States. Natural gas prices are generally determined by North American supply and demand and are also affected by imports and exports of liquefied natural gas. Weather also has a significant impact on demand for natural gas since it is a primary heating source.

Oil and natural gas prices have fallen significantly since their early third quarter 2014 levels and NYMEX WTI oil prices dropped to the $26 per Bbl level in February 2016. Although oil prices have increased since February 2016, they remain well below the $100 per Bbl oil prices realized during 2014. Lower oil and gas prices not only decrease our revenues, but an extended decline in oil or gas prices may materially and adversely affect our future business, financial position, cash flows, results of operations, liquidity, ability to finance planned capital expenditures and the oil and natural gas reserves that we can economically produce. Lower oil and gas prices may also limit our ability to access borrowing availability under our term loan credit agreement, which is dependent on many factors including the value of our proved reserves.

While lower commodity prices may reduce our future net cash flow from operations, we expect to have sufficient liquidity to continue development of our oil and gas properties. At December 31, 2017, we had $102.2 million of cash and a term loan credit agreement that provides for the issuance of up to $500 million in term loans to the Company, consisting of (i) $300 million in initial term loans that were made on November 1, 2017, (ii) $100 million in delayed draw term loans available to the Company until May 1, 2019, subject to certain conditions precedent described in the term loan credit agreement, and (iii) up to $100 million in incremental term loans on an uncommitted basis and subject, among other things, to one or more lenders agreeing to make incremental term loans.

Development

We primarily engage in oil and natural gas exploration and production by participating on a proportionate basis alongside third-party interests in wells drilled and completed in spacing units that include our acreage. In addition, we acquire wellbore-only working interests in wells in which we do not hold the underlying leasehold interests from third parties unable or unwilling to participate in particular well proposals. We typically depend on drilling partners to propose, permit and initiate the drilling of wells. Prior to commencing drilling, our partners are required to provide all owners of oil, natural gas and mineral interests within the designated spacing unit the opportunity to participate in the drilling costs and revenues of the well to the extent of their pro-rata share of such interest within the spacing unit. We assess each drilling opportunity on a case-by-case basis and participate in wells that we expect to meet our return thresholds based upon our estimates of ultimate recoverable oil and natural gas, expected oil and gas prices, expertise of the operator, and completed well cost from each project, as well as other factors. Historically, we have participated pursuant to our working interest in a vast majority of the wells proposed to us. However, declines in oil prices have reduced both the number of well proposals we receive and the proportion of well proposals in which we have elected to participate.

We do not manage our commodities marketing activities internally, but our operating partners generally market and sell oil and natural gas produced from wells in which we have an interest. Our operating partners coordinate the transportation of our oil production from our wells to appropriate pipelines or rail transport facilities pursuant to arrangements that such partners negotiate and maintain with various parties purchasing the production. We understand that our partners generally sell our production to a variety of purchasers at prevailing market prices under separately negotiated short-term contracts. The price at which production is sold generally is tied to the spot market for oil. Williston Basin Light Sweet Crude from the Bakken source rock is generally 41-42 API crude oil and is readily accepted into the pipeline infrastructure. The weighted average differential reported to us by our producers during 2017 was $5.87 per barrel below NYMEX pricing. Our weighted average differential was approximately $3.51 per barrel below NYMEX pricing during the fourth quarter of 2017. This differential represents the imbedded transportation costs in moving the oil from wellhead to refinery and will fluctuate based on availability of pipeline, rail and other transportation methods.
The oil and natural gas industry is intensely competitive, and we compete with numerous other oil and natural gas exploration and production companies. Some of these companies have substantially greater resources than we have. Not only do they explore for and produce oil and natural gas, but also many carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These other companies may be able to pay more for exploratory prospects and productive oil and natural gas properties. They may also have more resources to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit.

Our larger or integrated competitors may be better able to absorb the burden of existing, and any changes to federal, state, and local laws and regulations than we can, which would adversely affect our competitive position. Our ability to discover reserves and acquire additional properties in the future will be dependent upon our ability and resources to evaluate and select suitable properties and to consummate transactions in this highly competitive environment. In addition, we may be at a disadvantage in producing oil and natural gas properties and bidding for exploratory prospects, because we have fewer financial and human resources than other companies in our industry. Should a larger and better financed company decide to directly compete with us, and be successful in its efforts, our business could be adversely affected.

The market for oil and natural gas that will be produced from our properties depends on factors beyond our control, including the extent of domestic production and imports of oil and natural gas, the proximity and capacity of pipelines and other transportation facilities, demand for oil and natural gas, the marketing of competitive fuels and the effects of state and federal regulation. The oil and natural gas industry also competes with other industries in supplying the energy and fuel requirements of industrial, commercial and individual consumers.

Our oil production is expected to be sold at prices tied to the spot oil markets. Our natural gas production is expected to be sold under short-term contracts and priced based on first of the month index prices or on daily spot market prices. We rely on our operating partners to market and sell our production. Our operating partners include a variety of exploration and production companies, from large publicly-traded companies to small, privately-owned companies. We do not believe the loss of any single operator would have a material adverse effect on our company as a whole.

Our oil and natural gas properties are subject to customary royalty and other interests, liens under indebtedness, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions. Our term loan credit agreement is also secured by a first lien on substantially all of our assets. We do not believe that any of these burdens materially interfere with the use of our properties or the operation of our business.

We believe that we have satisfactory title to or rights in our producing properties. As is customary in the oil and gas industry, minimal investigation of title is made at the time of acquisition of undeveloped properties. In most cases, we investigate title only when we acquire producing properties or before commencement of drilling operations.

Winter weather conditions and lease stipulations can limit or temporarily halt the drilling and producing activities of our operating partners and other oil and natural gas operations. These constraints and the resulting shortages or high costs could delay or temporarily halt the operations of our operating partners and materially increase our operating and capital costs. Such seasonal anomalies can also pose challenges for meeting well drilling objectives and may increase competition for equipment, supplies and personnel during the spring and summer months, which could lead to shortages and increase costs or delay or temporarily halt our operating partners’ operations.

We do not own any physical real estate, but, instead, our acreage is comprised of leasehold interests subject to the terms and provisions of lease agreements that provide our company the right to drill and maintain wells in specific geographic areas. Lease arrangements that comprise our acreage positions are generally established using industry-standard terms that have been established and used in the oil and natural gas industry for many years. Some of our leases may be acquired from other parties that obtained the original leasehold interest prior to our acquisition of the leasehold interest.
In general, our lease agreements stipulate three-to-five year terms. Bonuses and royalty rates are negotiated on a case-by-case basis consistent with industry standard pricing. Once a well is drilled and production established, the leased acreage in the applicable spacing unit is considered developed acreage and is held by production. Other locations within the drilling unit created for a well may also be drilled at any time with no time limit as long as the lease is held by production. Given the current pace of drilling in the Bakken play at this time, we do not believe lease expiration issues will materially affect our North Dakota position.

Governmental Regulation and Environmental Matters

Our operations are subject to various rules, regulations and limitations impacting the oil and natural gas exploration and production industry as whole.

Regulation of Oil and Natural Gas Production

Our oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state, tribal and local authorities and agencies. For example, North Dakota and Montana require permits for drilling operations, drilling bonds and reports concerning operations and impose other requirements relating to the exploration and production of oil and natural gas. Such states may also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, the sourcing and disposal of water used in the process of drilling, completion and abandonment, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. The effect of these regulations is to limit the amount of oil and natural gas that we can produce from our wells and to limit the number of wells or the locations at which we can drill. Moreover, both states impose a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within their jurisdictions. Failure to comply with any such rules and regulations can result in substantial penalties. The regulatory burden on the oil and natural gas industry will most likely increase our cost of doing business and may affect our profitability. Because such rules and regulations are frequently amended or reinterpreted, we are unable to predict the future cost or impact of complying with such laws. Significant expenditures may be required to comply with governmental laws and regulations and may have a material adverse effect on our financial condition and results of operations. Additionally, currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered. Therefore, we are unable to predict the future costs or impact of compliance. Additional proposals and proceedings that affect the oil and natural gas industry are regularly considered by Congress, the states, the Federal Energy Regulatory Commission (“FERC”) and the courts. We cannot predict when or whether any such proposals may become effective.

Regulation of Transportation of Oil

Sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at negotiated prices. Nevertheless, Congress could reenact price controls in the future. Our sales of crude oil are affected by the availability, terms and cost of transportation. The transportation of oil by common carrier pipelines is also subject to rate and access regulation. The FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act. In general, interstate oil pipeline rates must be cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates may be permitted in certain circumstances. Effective January 1, 1995, the FERC implemented regulations establishing an indexing system (based on inflation) for transportation rates for oil pipelines that allows a pipeline to increase its rates annually up to a prescribed ceiling, without making a cost of service filing. Every five years, the FERC reviews the appropriateness of the index level in relation to changes in industry costs. On December 17, 2015, the FERC established a new price index for the five-year period which commenced on July 1, 2016.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any way that is of material difference from those of our competitors who are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is generally governed by pro-rationing provisions set forth in the pipelines’ published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our similarly situated competitors.
Regulation of Transportation and Sales of Natural Gas

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the Natural Gas Act of 1938 ("NGA"), the Natural Gas Policy Act of 1978 ("NGPA") and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Onshore gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states. Although the FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, the FERC’s determinations as to the classification of facilities is done on a case-by-case basis. State regulation of natural gas gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation and facilities are also subject to regulation by state regulatory agencies, and certain transportation services provided by intrastate pipelines are also regulated by FERC. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulation within a particular state will generally affect all intrastate natural gas shippers within the state on a comparable basis, we believe that the regulation of similarly situated intrastate natural gas transportation in any states in which we operate and ship natural gas on an intrastate basis will not affect our operations in any way that is of material difference from those of our competitors. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas.

Environmental Matters

Our operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue. These laws and regulations may:

- require the acquisition of a permit or other authorization before construction or drilling commences and for certain other activities;
- limit or prohibit construction, drilling and other activities on certain lands lying within wilderness and other protected areas; and
- impose substantial liabilities for pollution resulting from its operations.

The permits required for our operations may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, we are in substantial compliance with current applicable environmental laws and regulations, and have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on our company, as well as the oil and natural gas industry in general.

The Comprehensive Environmental, Response, Compensation, and Liability Act ("CERCLA") and comparable state statutes impose strict, joint and several liability on owners and operators of sites and on persons who disposed of or arranged for the disposal of "hazardous substances" found at such sites. It is not uncommon for the neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes govern the disposal of "solid waste" and "hazardous waste" and authorize the imposition of substantial fines and penalties for noncompliance. Although CERCLA currently excludes petroleum from its definition of "hazardous substance," state laws affecting our operations may impose clean-up liability relating to petroleum and petroleum related products. In addition, although RCRA classifies certain oil field wastes as "non-hazardous," such exploration and production wastes could be reclassified as hazardous wastes thereby making such wastes subject to more stringent handling and disposal requirements. Recent regulation and litigation that has been brought against others in the industry under RCRA concern liability for earthquakes that were allegedly caused by injection of oil field wastes.
The Endangered Species Act (“ESA”) seeks to ensure that activities do not jeopardize endangered or threatened animal, fish and plant species, nor destroy or modify the critical habitat of such species. Under ESA, exploration and production operations, as well as actions by federal agencies, may not significantly impair or jeopardize the species or its habitat. ESA provides for criminal penalties for willful violations of ESA. Other statutes that provide protection to animal and plant species and that may apply to our operations include, but are not necessarily limited to, the Fish and Wildlife Coordination Act, the Fishery Conservation and Management Act, the Migratory Bird Treaty Act and the National Historic Preservation Act. Although we believe that our operations are in substantial compliance with such statutes, any change in these statutes or any reclassification of a species as endangered could subject our company (directly or indirectly through our operating partners) to significant expenses to modify our operations or could force discontinuation of certain operations altogether.

The Clean Air Act (“CCA”) controls air emissions from oil and natural gas production and natural gas processing operations, among other sources. Clean Air Act regulations include New Source Performance Standards (“NSPS”) for the oil and natural gas source category to address emissions of sulfur dioxide and volatile organic compounds (“VOCs”) and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities.

On September 18, 2015, the EPA proposed to further amend the NSPS for the oil and natural gas source category to set standards for methane and VOC emissions from new and modified oil and gas production sources and natural gas-processing and transmission sources. These regulations were finalized and published in the Federal Register on June 3, 2016. Although these regulations are still in effect, they are being reconsidered by the Trump Administration EPA. Although we cannot predict the cost to comply with these new requirements at this point, or to what extent they may or may not be changed upon review, compliance with these new rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

These new regulations and proposals and any other new regulations requiring the installation of more sophisticated pollution control equipment could have a material adverse impact on our business, results of operations and financial condition.

The Federal Water Pollution Control Act of 1972, or the Clean Water Act (the “CWA”), imposes restrictions and controls on the discharge of produced waters and other pollutants into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. The CWA and certain state regulations prohibit the discharge of produced water, sand, drilling fluids, drill cuttings, sediment and certain other substances related to the oil and gas industry into certain coastal and offshore waters without an individual or general National Pollutant Discharge Elimination System discharge permit. In addition, the Clean Water Act and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Some states also maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions. Costs may be associated with the treatment of wastewater and/or developing and implementing storm water pollution prevention plans. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of oil and other pollutants and impose liability on parties responsible for those discharges, for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The underground injection of oil and natural gas wastes are regulated by the Underground Injection Control program authorized by the Safe Drinking Water Act. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Substantially all of the oil and natural gas production in which we have interest is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. Legislation to amend the Safe Drinking Water Act to repeal the exemption for hydraulic fracturing from the definition of “underground injection” and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, were proposed in recent sessions of Congress. The U.S. Congress continues to consider legislation to amend the Safe Drinking Water Act to address hydraulic fracturing operations.
Scrutiny of hydraulic fracturing activities continues in other ways. The federal government is currently undertaking several studies of hydraulic fracturing’s potential impacts. Several states, including Montana and North Dakota where our properties are located, have also proposed or adopted legislative or regulatory restrictions on hydraulic fracturing. A number of municipalities in other states, including Colorado and Texas, have enacted bans on hydraulic fracturing. New York State’s ban on hydraulic fracturing was recently upheld by the Courts. In Colorado, the Colorado Supreme Court has ruled the municipal bans were preempted by state law. We cannot predict whether any other legislation will ever be enacted and if so, what its provisions would be. If additional levels of regulation and permits were required through the adoption of new laws and regulations at the federal or state level, which could lead to delays, increased operating costs and process prohibitions that would materially adversely affect our revenue and results of operations.

The National Environmental Policy Act (“NEPA”) establishes a national environmental policy and goals for the protection, maintenance and enhancement of the environment and provides a process for implementing these goals within federal agencies. A major federal agency action having the potential to significantly impact the environment requires review under NEPA. Many of the activities of our third-party operating partners are covered under categorical exclusions which results in a shorter NEPA review process. The Council on Environmental Quality has announced an intention to reinvigorate NEPA reviews and on March 12, 2012, issued final guidance that may result in longer review processes that could lead to delays and increased costs that could materially adversely affect our revenues and results of operations.

Climate Change

Significant studies and research have been devoted to climate change, and climate change has developed into a major political issue in the United States and globally. Certain research suggests that greenhouse gas emissions contribute to climate change and pose a threat to the environment. Recent scientific research and political debate has focused in part on carbon dioxide and methane incidental to oil and natural gas exploration and production.

In the United States, legislative and regulatory initiatives are underway to limit greenhouse gas (“GHG”) emissions. The U.S. Congress has considered legislation that would control GHG emissions through a “cap and trade” program and several states have already implemented programs to reduce GHG emissions. The U.S. Supreme Court determined that GHG emissions fall within the federal Clean Air Act, or the CAA, definition of an “air pollutant.” Recent litigation has held that if a source was subject to Prevention of Significant Deterioration (“PSD”) or Title V based on emissions of conventional pollutants like sulfur dioxide, particulates, nitrogen dioxide, carbon monoxide, ozone or lead, then the EPA could also require the source to control GHG emissions and the source would have to install Best Available Control Technology to do so. As a result, a source may still have to control GHG emissions if it is an otherwise regulated source.

On February 23, 2014, Colorado became the first state in the nation to adopt rules to control methane emissions from oil and gas facilities. On June 3, 2016, EPA issued three final rules that were intended to curb emissions of methane, VOCs and toxic air pollutants such as benzene from new, reconstructed and modified oil and gas sources. These new regulations include leak detection and repair provisions, and may require controls to reduce methane emissions from certain oil and gas facilities. To the extent that these regulations remain in place and to the extent that our third party operating partners are required to further control methane emissions, such controls could impact our business.

In addition, our third party operating partners are required to report their greenhouse gas emissions under EPA Clean Air Act rules. Because regulation of GHG emissions is relatively new, further regulatory, legislative and judicial developments are likely to occur. Such developments may affect how these GHG initiatives will impact us. Moreover, while the U.S. Supreme Court held in its June 2011 decision American Electric Power Co. v. Connecticut that, with respect to claims concerning GHG emissions, the federal common law of nuisance was displaced by the federal Clean Air Act, the Court left open the question of whether tort claims against sources of GHG emissions alleging property damage may proceed under state common law. There thus remains some litigation risk for such claims. Due to the uncertainties surrounding the regulation of and other risks associated with GHG emissions, we cannot predict the financial impact of related developments on us.
Legislation or regulations that may be adopted to address climate change could also affect the markets for our products by making our products more or less desirable than competing sources of energy. To the extent that our products are competing with higher greenhouse gas emitting energy sources, our products would become more desirable in the market with more stringent limitations on greenhouse gas emissions. To the extent that our products are competing with lower GHG emitting energy sources such as solar and wind, our products would become less desirable in the market with more stringent limitations on greenhouse gas emissions. We cannot predict with any certainty at this time how these possibilities may affect our operations.

The majority of scientific studies on climate change suggest that stronger storms may occur in the future in the areas where we operate, although the scientific studies are not unanimous. Although operators may take steps to mitigate physical risks from storms, no assurance can be given that future storms will not have a material adverse effect on our business.

Employees

We currently have 18 full time employees. We may hire additional technical or administrative personnel as appropriate. However, we do not expect a significant change in the number of full time employees over the next 12 months based upon our currently-projected business plan. We are using and will continue to use the services of independent consultants and contractors to perform various professional services. We believe that this use of third-party service providers enhances our ability to contain general and administrative expenses.

Office Locations

Our executive offices are located at 601 Carlson Pkwy, Suite 990, Minnetonka, Minnesota 55305. Our office space consists of 8,295 square feet of leased space. We believe our current office space is sufficient to meet our needs for the foreseeable future.

Organizational Background

On June 30, 2010, we reincorporated in the State of Minnesota from the State of Nevada pursuant to a plan of merger between Northern Oil and Gas, Inc., a Nevada corporation, and Northern Oil and Gas, Inc., a Minnesota corporation and wholly-owned subsidiary of the Nevada corporation. Upon the reincorporation, each outstanding certificate representing shares of the Nevada corporation’s common stock was deemed, without any action by the holders thereof, to represent the same number and class of shares of our company’s common stock. As of June 30, 2010, the rights of our shareholders began to be governed by Minnesota corporation law and our Minnesota articles of incorporation and bylaws.

Available Information – Reports to Security Holders

Our website address is www.northernoil.com. We make available on this website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. These filings are also available to the public at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Electronic filings with the SEC are also available on the SEC internet website at www.sec.gov.

We have also posted to our website our Audit Committee Charter, Compensation Committee Charter, Nominating Committee Charter and our Code of Business Conduct and Ethics, in addition to all pertinent company contact information.
Oil and natural gas prices are volatile. The continuing and extended decline in oil and natural gas prices has adversely affected, and could continue to adversely affect, our business, financial position, results of operations and cash flow.

The oil and natural gas markets are very volatile, and we cannot predict future oil and natural gas prices. Oil and natural gas prices declined significantly and have remained depressed since late 2014. The prices we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. We seek to mitigate volatility and potential declines in oil prices through derivative arrangements that hedge a portion of our expected production. As of December 31, 2017, we had hedged 3.1 million, 1.9 million and 1.2 million barrels of oil in 2018, 2019 and 2020, respectively, at an average price of $53.26, $51.80 and $50.41 per barrel of oil in 2018, 2019 and 2020, respectively (see Note 13 to our financial statements).

The prices we receive for our production and the levels of our production depend on numerous factors beyond our control. These factors include, but are not limited to, the following:

- changes in global supply and demand for oil and natural gas;
- the actions of OPEC and other major oil producing countries;
- the price and quantity of imports of foreign oil and natural gas;
- political and economic conditions, including embargoes, in oil-producing countries or affecting other oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- changes in U.S. energy policy under the current administration;
- weather conditions;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations;
- proximity and capacity of oil and natural gas pipelines and other transportation facilities;
- the price and availability of competitors’ supplies of oil and natural gas in captive market areas; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices have and, if they continue, will continue to decrease our revenues, the amount of oil and natural gas that our operators can produce economically, and our reserve bookings. A substantial or extended decline in oil or natural gas prices, such as the depressed commodity price environment that we’ve experienced since late 2014, has resulted in and could result in further future impairments of our proved oil and natural gas properties and may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures. To the extent commodity prices received from production are insufficient to fund planned capital expenditures, we may be required to reduce spending or borrow or issue additional equity to cover any such shortfall. Lower oil and natural gas prices may limit our ability to comply with the covenants under our term loan credit agreement and/or limit our ability to access borrowing availability thereunder, which is dependent on many factors including the value of our proved producing reserves.
Our estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

Determining the amount of oil and natural gas recoverable from various formations involves significant complexity and uncertainty. No one can measure underground accumulations of oil or natural gas in an exact way. Oil and natural gas reserve engineering requires subjective estimates of underground accumulations of oil and/or natural gas and assumptions concerning future oil and natural gas prices, production levels, and operating, exploration and development costs. Some of our reserve estimates are made without the benefit of a lengthy production history, and are less reliable than estimates based on a lengthy production history. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate.

We routinely make estimates of oil and natural gas reserves in connection with managing our business and preparing reports to our lenders and investors. We make these reserve estimates using various assumptions, including assumptions as to oil and natural gas prices, development schedules, drilling and operating expenses, capital expenditures, taxes and availability of funds. Some of these assumptions are inherently subjective, and the accuracy of our reserve estimates relies in part on the ability of our management team, reserve engineers and other advisors to make accurate assumptions. Any significant variance from these assumptions by actual figures could greatly affect our estimates of reserves, the economically recoverable quantities of oil, natural gas and NGLs attributable to any particular group of properties, the classifications of reserves based on risk of recovery, and estimates of the future net cash flows. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil, natural gas and NGLs we ultimately recover being different from our reserve estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this Annual Report on Form 10-K and subsequent reports we file with the SEC. For example, the estimated quantities and value of our proved reserves as of December 31, 2016 declined significantly from the prior year, due to the decline in oil and natural gas prices as well as a reduction in the number of undeveloped locations included in our proved reserve estimates, due to reduced levels of drilling in a low commodity price environment. In addition, we may adjust estimates of net proved reserves to reflect production history, changes in operating costs, results of exploration and development, prevailing oil and natural gas prices and any other factors, many of which are beyond our control.

Drilling for and producing oil, natural gas and NGLs are high risk activities with many uncertainties that could adversely affect our financial condition or results of operations.

Our operators’ drilling activities are subject to many risks, including the risk that they will not discover commercially productive reservoirs. Drilling for oil or natural gas can be uneconomical, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, drilling and producing operations on our acreage may be curtailed, delayed or canceled by our operators as a result of other factors, including:

- declines in oil or natural gas prices;
- the high cost, shortages or delivery delays of equipment and services;
- shortages of or delays in obtaining water for hydraulic fracturing operations;
- unexpected operational events;
- adverse weather conditions;
- facility or equipment malfunctions;
- title problems;
- pipeline ruptures or spills;
- compliance with environmental and other governmental requirements;
- regulations, restrictions, moratoria and bans on hydraulic fracturing;
- unusual or unexpected geological formations;
- loss of drilling fluid circulation;
formations with abnormal pressures;

environmental hazards, such as oil, natural gas or well fluids spills or releases, pipeline or tank ruptures and discharges of toxic gas;

fires;

blowouts, craterings and explosions;

uncontrollable flows of oil, natural gas or well fluids;

and

pipeline capacity curtailments.

Any of these events can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties.

We ordinarily maintain insurance against various losses and liabilities arising from our operations; however, insurance against all operational risks is not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

Due to the declines in oil and natural gas prices, we have taken significant writedowns of our oil and natural gas properties. We may be required to record further writedowns of our oil and natural gas properties.

In 2015 and 2016 we were required to write down the carrying value of certain of our oil and natural gas properties, and further writedowns could be required in the future. Writedowns may occur when oil and natural gas prices are low, or if we have downward adjustments to our estimated proved reserves, increases in our estimates of operating or development costs, deterioration in drilling results or mechanical problems with wells where the cost to redrill or repair is not supported by the expected economics.

Under the full cost method of accounting, capitalized oil and gas property costs less accumulated depletion and net of deferred income taxes may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proved oil and gas reserves plus the cost of unproved properties not subject to amortization (without regard to estimates of fair value), or estimated fair value, if lower, of unproved properties that are subject to amortization. Should capitalized costs exceed this ceiling, an impairment would be recognized.

During 2017, we performed an impairment review using prices that reflect an average of 2017’s monthly prices as prescribed pursuant to the SEC’s guidelines. As a result of improving commodity prices, no impairment was recorded during 2017. Although oil and natural gas prices have improved, if a lower pricing environment reoccurs we expect we could be required to further write down the value of our oil and natural gas properties. If lower average monthly pricing is reflected in the trailing twelve-month average pricing calculation, the present value of our future net revenues could decline and additional impairment could be recognized. The quarterly ceiling test considers many factors including reserves, capital expenditure estimates and trailing twelve-month average prices. SEC defined prices for each quarter in 2017 were as follows:

<table>
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<tr>
<th>SEC Defined Prices for 12 Months Ended</th>
<th>NYMEX Oil Price (per Bbl)</th>
<th>Henry Hub Gas Price (per MMBtu)</th>
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<tbody>
<tr>
<td>December 31, 2017</td>
<td>$ 51.34</td>
<td>$ 2.98</td>
</tr>
<tr>
<td>September 30, 2017</td>
<td>49.81</td>
<td>3.01</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>48.95</td>
<td>3.01</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>47.61</td>
<td>2.74</td>
</tr>
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Any significant reduction in the value of our proved producing reserves could limit our ability to comply with the covenants under our term loan credit agreement, limit the borrowing availability thereunder, and/or otherwise negatively impact our liquidity and, consequently, our ability to fund our operations, and we may not have sufficient funds to repay borrowings under our term loan credit agreement or any other obligation if required as a result of a reduction in the value of our proved producing reserves.

Our term loan credit agreement includes a covenant that requires the ratio of (i) our Total PDP PV-10 (as defined in the term loan credit agreement) plus the aggregate amount of our unrestricted cash and cash equivalents to (ii) the amount of Senior Secured Debt (as defined in the term loan credit agreement), to not be less than 1.30 to 1.00. The covenant calculation is performed quarterly (March 31, June 30, September 30 and December 31). Reductions in estimates of our producing oil, NGL and natural gas reserves could result in a covenant violation under our term loan credit agreement and/or limit our borrowing availability thereunder. The same could also arise from other factors, including but not limited to:

- lower commodity prices or production;
- increased leverage ratios;
- inability to drill or unfavorable drilling results;
- changes in crude oil, NGL and natural gas reserve engineering; or
- increased operating and/or capital costs.

As of December 31, 2017, we had $300 million of borrowings outstanding under our term loan credit agreement and cash of $102 million. We may make further borrowings under our term loan credit agreement in the future. Any significant reduction in our quarterly PDP PV-10 valuation could result in a default under current and/or future debt instruments, negatively impact our liquidity and our ability to fund our operations and, as a result, would have a material adverse effect on our financial position, results of operation and cash flow. If we do not have sufficient funds and we are otherwise unable to arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

Our future success depends on our ability to replace reserves that our operators produce.

Because the rate of production from oil and natural gas properties generally declines as reserves are depleted, our future success depends upon our ability to economically find or acquire and produce additional oil and natural gas reserves. Except to the extent that we acquire additional properties containing proved reserves, conduct successful exploration and development activities or, through engineering studies, identify additional behind-pipe zones or secondary recovery reserves, our proved reserves will decline as our reserves are produced. We have added significant net wells and production from wellbore-only acquisitions, where we don’t hold the underlying leasehold interest that would entitle us to participate in future wells. Future oil and natural gas production, therefore, is highly dependent upon our level of success in acquiring or finding additional reserves that are economically recoverable. We cannot assure you that we will be able to find or acquire and develop additional reserves at an acceptable cost.

We may acquire significant amounts of unproved property to further our development efforts. Development and exploratory drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. We acquire both proved and producing properties as well as undeveloped acreage that we believe will enhance growth potential and increase our earnings over time. However, we cannot assure you that all of these properties will contain economically viable reserves or that we will not abandon our initial investments. Additionally, we cannot assure you that unproved reserves or undeveloped acreage that we acquire will be profitably developed, that new wells drilled on our properties will be productive or that we will recover all or any portion of our investments in our properties and reserves.
As a non-operator, our development of successful operations relies extensively on third-parties, which could have a material adverse effect on our results of operation.

We have only participated in wells operated by third-parties. Our current ability to develop and maintain successful business operations depends on the success of our third-party operators. If our operators are not successful in the development, exploitation, production and exploration activities relating to our leasehold interests, or are unable or unwilling to perform, our financial condition and results of operation would be materially adversely affected.

These risks are heightened in a low commodity price environment, which presents significant challenges to most (if not all) of our operators. The challenges and risks faced by our operators may be similar to or greater than our own, including with respect to their ability to service their debt, remain in compliance with their debt instruments and, if necessary, access additional capital. We have already seen some bankruptcy filings for oil and gas operators, and a low commodity price environment could result in additional operators being forced into bankruptcy. The insolvency of an operator of any of our properties, the failure of an operator of any of our properties to adequately perform operations or an operator’s breach of applicable agreements could reduce our production and revenue and result in our liability to governmental authorities for compliance with environmental, safety and other regulatory requirements, to the operator’s suppliers and vendors and to royalty owners under oil and gas leases jointly owned with the operator or another insolvent owner. Finally, an operator of our properties may have the right, if another non-operator fails to pay its share of costs because of its insolvency or otherwise, to require us to pay our proportionate share of the defaulting party’s share of costs.

Our operators will make decisions in connection with their operations (subject to their contractual and legal obligations to other owners of working interests), which may not be in our best interests.

Additionally, we may have virtually no ability to exercise influence over the operational decisions of our operators, including the setting of capital expenditure budgets and drilling locations and schedules. Dependence on our operators could prevent us from realizing our target returns for those locations. The success and timing of development activities by our operators will depend on a number of factors that will largely be outside of our control, including:

- oil and natural gas prices and other factors generally affecting industry operating environment;
- the timing and amount of capital expenditures;
- their expertise and financial resources;
- approval of other participants in drilling wells;
- selection of technology; and
- the rate of production of reserves, if any.

We could experience periods of higher costs as activity levels in the Williston Basin fluctuate or if commodity prices rise. These increases could reduce our profitability, cash flow, and ability to complete development activities as planned.

The recent rise in commodity prices has increased activity and investment in the Williston Basin. As a result of increased activity in the Williston Basin, competition for equipment, labor and supplies is also expected to increase. Likewise, higher oil, natural gas and NGL prices generally increase the demand for equipment, labor and supplies, and can lead to shortages of, and increasing costs for, drilling equipment, services and personnel. Shortages of, or increasing costs for, experienced drilling crews and equipment and services could restrict our operating partners’ ability to drill the wells and conduct the operations that we currently expect.

In addition, capital and operating costs in the oil and natural gas industry have generally risen during periods of increasing commodity prices as producers seek to increase production in order to capitalize on higher commodity prices. In situations where cost inflation exceeds commodity price inflation, our profitability and cash flow, and our operators’ ability to complete development activities as scheduled and on budget, may be negatively impacted. Any delay in the drilling of new wells or significant increase in drilling costs could reduce our revenues and cash available to make payments on our debt obligations.
Our lack of industry and geographical diversification may increase the risk of an investment in our company.

Our business focus is on the oil and natural gas industry in properties that are primarily in the areas of the Williston Basin located in Montana and North Dakota. While other companies may have the ability to manage their risk by diversification, the narrow focus of our business, in terms of both the industry focus and geographic scope of our business, means that we will likely be impacted more acutely by factors affecting our industry or the region in which we operate than we would if our business were more diversified. As a result of the narrow focus of our business, we may be disproportionately exposed to the effects of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, market limitations, weather events or interruption of the processing or transportation of oil or natural gas. Additionally, we may be exposed to further risks, such as changes in field-wide rules and regulations that could cause us to permanently or temporarily shut-in all of our wells within the Williston Basin. We do not currently intend to broaden either the nature or geographic scope of our business.

Locations that the operators of our properties decide to drill may not yield oil or natural gas in commercially viable quantities.

The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a well. Our efforts will be uneconomical if the operators of our properties drill dry holes or wells that are productive but do not produce enough to be commercially viable after drilling, operating and other costs. If the operators of our properties drill future wells that are identified as dry holes, the drilling success rate would decline and may adversely affect our results of operations.

To the extent we are unable to obtain future hedges at attractive prices or our derivative activities are not effective, our cash flows and financial condition may be adversely impacted.

To achieve more predictable cash flows and reduce our exposure to adverse fluctuations in the price of oil, we enter into derivative instrument contracts for a portion of our expected oil production, including swaps, collars, puts and basis swaps. In accordance with applicable accounting principles, we are required to record our derivatives at fair market value, and they are included on our balance sheet as assets or liabilities and in our statements of operations as gain (loss) on derivatives, net. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair market value of our derivative instruments.

Our derivatives activities could result in financial losses or could reduce our cash flow.

We enter into swaps, collars or other derivatives arrangements from time to time to hedge our expected production depending on projected production levels and expected market conditions, and to comply with covenant requirements under our term loan credit agreement. While intended to mitigate the effects of volatile oil and natural gas prices, such transactions may limit our potential gains and increase our potential losses if oil and natural gas prices were to rise substantially over the price established by the hedge.

Our actual future production may be significantly higher or lower than we estimate at the time we enter into derivative contracts for such period. If the actual amount of production is higher than we estimate, we will have greater commodity price exposure than we intended. If the actual amount of production is lower than the notional amount that is subject to our derivative financial instruments, we might be forced to satisfy all or a portion of our derivative transactions without the benefit of the cash flow from our sale of the underlying physical commodity, resulting in a substantial diminution of our liquidity. As a result of these factors, our hedging activities may not be as effective as we intend in reducing the volatility of our cash flows, and in certain circumstances may actually increase the volatility of our cash flows. In addition, such transactions may expose us to the risk of loss in certain circumstances, including instances in which:

- a counterparty to our derivative contracts is unable to satisfy its obligations under the contracts;
- our production is less than expected; or
- there is a widening of price differentials between delivery points for our production and the delivery point assumed in the derivative arrangement.
Our ability to use net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

We have net operating loss (“NOL”) carryforwards that we may use to offset against taxable income for U.S. federal income tax purposes. At December 31, 2017, we had an estimated NOL carryforward of approximately $714.5 million for United States federal tax return purposes. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), a corporation that undergoes an “ownership change” can be subject to limitations on the use of its NOLs to offset future taxable income. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. For example, in connection with the potential exchange transaction described in Note 16 to the financial statements, we expect that a limitation under Section 382 could be triggered. In addition, under the Tax Cuts and Jobs Act (the “Tax Act”), which was signed into law on December 22, 2017, (i) the amount of post-2017 NOLs that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself, and (ii) NOLs can no longer be carried back to prior taxable years. There is a risk that due to changes under the Tax Act, regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs.

The present value of future net cash flows from our proved reserves is not necessarily the same as the current market value of our estimated proved reserves.

We base the estimated discounted future net cash flows from our proved reserves using a 12-month average price and costs in effect on the day of the estimate. However, actual future net cash flows from our oil and natural gas properties will be affected by factors such as:

- the volume, pricing and duration of our oil and natural gas hedging contracts;
- actual prices we receive for oil, natural gas and NGLs;
- our actual operating costs in producing oil, natural gas and NGLs;
- the amount and timing of our capital expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves, which could adversely affect our business, results of operations and financial condition.

Our business depends on oil and natural gas transportation and processing facilities and other assets that are owned by third parties.

The marketability of our oil and natural gas depends in part on the availability, proximity and capacity of pipeline systems, processing facilities, oil trucking fleets and rail transportation assets owned by third parties. The lack of available capacity on these systems and facilities, whether as a result of proration, physical damage, scheduled maintenance or other reasons, could result in a substantial increase in costs, the shut-in of producing wells or the delay or discontinuance of development plans for our properties. The negative effects arising from these and similar circumstances may last for an extended period of time. In many cases, operators are provided only with limited, if any, notice as to when these circumstances will arise and their duration. In addition, many of our wells are drilled in locations in the Williston Basin that are serviced to a limited extent, if at all, by gathering and transportation pipelines, which may or may not have sufficient capacity to transport production from all of the wells in the area. As a result, we rely on third party oil trucking to transport a significant portion of our production to third party transportation pipelines, rail loading facilities and other market access points. Any significant curtailment in gathering system or pipeline capacity, or the unavailability of sufficient third party trucking or rail capacity, could adversely affect our business, results of operations and financial condition.
Certain of our undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is established or operations are commenced on units containing the acreage or the leases are extended.

A significant portion of our acreage is not currently held by production or held by operations. Unless production in paying quantities is established or operations are commenced on units containing these leases during their terms, the leases will expire. If our leases expire and we are unable to renew the leases, we will lose our right to participate in the development of the related properties. Drilling plans for these areas are generally in the discretion of third party operators and are subject to change based on various factors that are beyond our control, such as: the availability and cost of capital, equipment, services and personnel; seasonal conditions; regulatory and third party approvals; oil, NGL and natural gas prices; results of title work; gathering system and other transportation constraints; drilling costs and results; and production costs. As of December 31, 2017, we estimate that we had leases that were not developed that represented 11,915 net acres potentially expiring in 2018, 3,690 net acres potentially expiring in 2019, 980 net acres potentially expiring in 2020 and 2,264 net acres potentially expiring in 2021 and beyond.

Seasonal weather conditions adversely affect operators’ ability to conduct drilling activities in the areas where our properties are located.

Seasonal weather conditions can limit drilling and producing activities and other operations in our operating areas and as a result, a majority of the drilling on our properties is generally performed during the summer and fall months. These seasonal constraints can pose challenges for meeting well drilling objectives and increase competition for equipment, supplies and personnel during the summer and fall months, which could lead to shortages and increase costs or delay operations. Additionally, many municipalities impose weight restrictions on the paved roads that lead to jobsites due to the muddy conditions caused by spring thaws. This could limit access to jobsites and operators’ ability to service wells in these areas.

Significant capital expenditures are required to develop our properties and replace our reserves.

Our exploration, development and acquisition activities require substantial capital expenditures. Historically, we have funded our capital expenditures through a combination of cash flow from operations, our credit facility, debt issuances, and equity issuances. We have also engaged in asset sales from time to time. If our access to capital were limited due to numerous factors, which could include a decrease in operating cash flow due to lower oil and natural gas prices or decreased production or deterioration of the credit and capital markets, we would have a reduced ability to develop our properties and replace our reserves. We may not be able to incur additional debt under our term loan credit agreement, issue debt or equity, engage in asset sales or access other methods of financing on acceptable terms to develop our properties and/or meet our reserve replacement requirements.

We may be unable to obtain additional capital that we will require to implement our business plan.

Future acquisitions and future exploration, development, production and marketing activities, will require a substantial amount of capital. Cash reserves, cash from operations and borrowings under our term loan credit agreement may not be sufficient to fund both our continuing operations and our planned growth. We may require additional capital to continue to grow our business through acquisitions and to further expand our exploration and development programs. We may be unable to obtain additional capital if and when required.

We may pursue sources of additional capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. We may not be successful in consummating suitable financing transactions in the time period required or at all, and we may not be able to obtain the capital we require by other means. If the amount of capital we are able to raise from financing activities, together with our cash from operations, is not sufficient to satisfy our capital requirements, we may not be able to implement our business plan and may be required to scale back our operations, sell assets at unattractive prices or obtain financing on unattractive terms, any of which could adversely affect our business, results of operations and financial condition.

The development of our proved undeveloped reserves in the Williston Basin and other areas of operation may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, our undeveloped reserves may not be ultimately developed or produced.

Approximately 39% of our estimated net proved reserves volumes were classified as proved undeveloped as of December 31, 2017. Development of these reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved reserves as unproved reserves.
Our acquisition strategy will subject us to certain risks associated with the inherent uncertainty in evaluating properties for which we have limited information.

We intend to expand our operations in part through acquisitions. Our decision to acquire a property will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic and other information, the results of which are often inconclusive and subject to various interpretations. Also, our reviews of acquired properties are inherently incomplete because it generally is not feasible to perform an in-depth review of the individual properties involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as ground water contamination, are not necessarily observable even when an inspection is undertaken.

Any acquisition involves other potential risks, including, among other things:

- the validity of our assumptions about reserves, future production, revenues and costs;
- a decrease in our liquidity by using a significant portion of our cash from operations or borrowing capacity to finance acquisitions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- dilution to shareholders if we use equity as consideration for, or to finance, acquisitions;
- the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- an inability to hire, train or retain qualified personnel to manage and operate our growing business and assets; and
- an increase in our costs or a decrease in our revenues associated with any potential royalty owner or landowner claims or disputes.

The loss of any member of our management team, upon whose knowledge, relationships with industry participants, leadership and technical expertise we rely could diminish our ability to conduct our operations, and harm our ability to execute our business plan.

Our success depends heavily upon the continued contributions of those members of our management team whose knowledge, relationships with industry participants, leadership and technical expertise would be difficult to replace. In particular, our ability to successfully acquire additional properties, to increase our reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants. In addition, our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment is dependent on our management team’s knowledge and expertise in the industry. To continue to develop our business, we rely on our management team’s knowledge and expertise in the industry and will use our management team’s relationships with industry participants to enter into strategic relationships, which may take the form of joint ventures with other private parties and contractual arrangements with other oil and natural gas companies.

The members of our management team may terminate their employment with our company at any time. If we were to lose members of our management team, we may not be able to replace the knowledge that they possess. In addition, we may not be able to establish or maintain strategic relationships with industry participants. If we were to lose the services of the members of our management team, our ability to conduct our operations and execute our business plan could be materially harmed.
Deficiencies of title to our leased interests could significantly affect our financial condition.

We typically do not incur the expense of a title examination prior to acquiring oil and natural gas leases or undivided interests in oil and natural gas leases or other developed rights. If an examination of the title history of a property reveals that an oil or natural gas lease or other developed rights have been purchased in error from a person who is not the owner of the mineral interest desired, our interest would substantially decline in value or be eliminated. In such cases, the amount paid for such oil or natural gas lease or leases or other developed rights may be lost. It is generally our practice not to incur the expense of retaining lawyers to examine the title to the mineral interest to be acquired. Rather, we typically rely upon the judgment of oil and natural gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental or county clerk’s office before attempting to acquire a lease or other developed rights in a specific mineral interest.

Prior to drilling an oil or natural gas well, however, it is the normal practice in the oil and natural gas industry for the person or company acting as the operator of the well to obtain a preliminary title review of the spacing unit within which the proposed oil or natural gas well is to be drilled to ensure there are no obvious deficiencies in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct deficiencies in the marketability of the title, such as obtaining affidavits of heirship or causing an estate to be administered. Such curative work entails expense, and the operator may elect to proceed with a well despite defects to the title identified in the preliminary title opinion. Furthermore, title issues may arise at a later date that were not initially detected in any title review or examination. Any one or more of the foregoing could require us to reverse revenues previously recognized and potentially negatively affect our cash flows and results of operations. Our failure to obtain perfect title to our leaseholds may adversely affect our current production and reserves and our ability in the future to increase production and reserves.

Competition may limit our ability to obtain rights to explore and develop oil and natural gas reserves.

The oil and natural gas industry is highly competitive. Other oil and natural gas companies may seek to acquire oil and natural gas leases and other properties and services we will need to operate our business in the areas in which we expect to operate. This competition is increasingly intense as prices of oil and natural gas on the commodities markets have risen in recent years. Additionally, other companies engaged in our line of business may compete with us from time to time in obtaining capital from investors. Competitors include larger companies which, in particular, may have access to greater resources, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests. If we are unable to compete effectively or respond adequately to competitive pressures, our results of operation and financial condition may be materially adversely affected.

Insufficient transportation or refining capacity in the Williston Basin could cause significant fluctuations in our realized oil and natural gas prices.

The Williston Basin crude oil business environment has historically been characterized by periods when oil production has surpassed local transportation and refining capacity, resulting in substantial discounts in the price received for crude oil versus prices quoted for WTI crude oil. Although additional Williston Basin transportation takeaway capacity has been added over the last several years, production also increased substantially during the same period. The increased production coupled with delays in rail car arrivals and commissioning of rail loading facilities has caused price differentials to significantly increase at times.

Crude oil from the Bakken/Three Forks formations may pose unique hazards that may have an adverse effect on our operations.

The U.S. Department of Transportation (“USDOT”) recently concluded that crude oil from the Bakken/Three Forks formations has a higher volatility than most other U.S. crude oil and thus is more ignitable and flammable. Based on that information, and several fires involving rail transportation of crude oil, USDOT has started a rulemaking to develop new requirements for shipping crude oil by rail. In addition, the rail industry has adopted increased precautions for crude shipments. Any new restrictions that significantly affect transportation of crude oil production could materially and adversely affect our financial condition, results of operations and cash flows.
Our business involves the selling and shipping by rail of crude oil, including from the Bakken shale, which involves risks of derailment, accidents and liabilities associated with cleanup and damages, as well as potential regulatory changes that may adversely impact our business, financial condition or results of operations.

A portion of our crude oil production is transported to market centers by rail. Derailments in North America of trains transporting crude oil have caused various regulatory agencies and industry organizations, as well as federal, state and municipal governments, to focus attention on transportation by rail of flammable materials. Transportation safety regulators in the United States and Canada are concerned that crude oil from the Bakken shale may be more flammable than crude oil from other producing regions and are investigating that issue and are also considering changes to existing regulations to address those possible risks. In May 2015, the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) adopted a final rule that, among other things, imposes a new and enhanced tank car design standard for certain tank cars carrying crude oil and ethanol, a phase out by as early as January 2018 for older DOT-111 tank cars that are not retrofitted, and a classification and testing program for unrefined petroleum based products, including crude oil. The rule also includes new operational requirements such as routing analyses, speed restrictions and enhanced braking controls. Transport Canada has also issued legal requirements that align with the rule adopted by PHMSA, including standards relating to train speed restrictions, route risk analyses and a phase out of non-compliant DOT-111 tank cars.

Any changes to existing laws and regulations, or promulgation of new laws and regulations, including any voluntary measures by the rail industry, that result in new requirements for the design, construction or operation of tank cars used to transport crude oil could increase our costs of doing business and limit our ability to transport and sell our crude oil at favorable prices at market centers throughout the United States, the consequences of which could have a material adverse effect on our financial condition, results of operations and cash flows.

To the extent that new regulations require design changes or other modifications of tank cars, we may incur significant constraints on transportation capacity during the period while tank cars are being retrofitted or newly constructed to comply with the new regulations. In addition, any derailment of crude oil from the Bakken shale involving crude oil that we have sold or are shipping may result in claims being brought against us that may involve significant liabilities. Although we believe that we are adequately insured against such events, we cannot assure you that our insurance policies will cover the entirety of any damages that may arise from such an event.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends, in substantial part, on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third-parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut in wells due to lack of a market or inadequacy or unavailability of crude oil or natural gas pipelines or gathering system capacity. If our production becomes shut-in for any of these or other reasons, we would be unable to realize revenue from those wells until other arrangements were made to deliver the products to market.

Our derivative activities expose us to potential regulatory risks.

The Federal Trade Commission (“FTC”), Federal Regulatory Commission (“FERC”) and the Commodities Futures Trading Commission (“CFTC”) have statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to derivative activities that we undertake with respect to oil, natural gas, NGLs, or other energy commodities, we are required to observe the market-related regulations enforced by these agencies. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations and financial condition.
Legislative and regulatory developments could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

In July of 2010, the United States Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which contains measures aimed at increasing the transparency and stability of the over-the-counter (“OTC”) derivatives market and preventing excessive speculation. In November 2013, the CFTC re-proposed implementing regulations imposing position limits for certain physical commodity contracts in the major energy markets and economically equivalent futures, options and swaps, with exemptions for certain bona fide hedging positions. The CFTC’s initial position limit rules were vacated by a federal court in 2012. It is not clear when the newly-proposed rules on position limits would become effective. CFTC rules under the Dodd-Frank Act also may impose clearing and trade execution requirements in connection with our derivatives activities, although currently those requirements do not extend to derivatives based on physical commodities in the energy markets and some or all of our derivatives activities may be exempt from such requirements based on our non-financial end-user status.

Regulations issued under the Dodd-Frank Act also may require certain counterparties to our derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty. The final rules are being phased in over time depending on the finalization of certain other rules to be promulgated jointly by the CFTC and the SEC. The legislation and regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements and through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. We maintain an active hedging program related to oil price risks. The Dodd-Frank Act and rules and regulations thereunder could reduce trading positions and the market-making activities of our counterparties. If we reduce our use of derivatives as a result of legislation and regulations or any resulting changes in the derivatives markets, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures or to make payments on our debt obligations. Finally, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our business, financial condition, and our results of operations.

Our business is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.

Our operational interests, as operated by our third-party operating partners, are regulated extensively at the federal, state, tribal and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon oil and natural gas wells. Under these laws and regulations, our company (either directly or indirectly through our operating partners) could also be liable for personal injuries, property and natural resource damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of our business and subject us to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects.

Part of the regulatory environment in which we do business includes, in some cases, legal requirements for obtaining environmental assessments, environmental impact studies and/or plans of development before commencing drilling and production activities. In addition, our activities are subject to the regulations regarding conservation practices and protection of correlative rights. These regulations affect our business and limit the quantity of natural gas we may produce and sell. A major risk inherent in the drilling plans in which we participate is the need for our operators to obtain drilling permits from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit for a well or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on the development of our properties. Additionally, the oil and natural gas regulatory environment could change in ways that might substantially increase the financial and managerial costs of compliance with these laws and regulations and, consequently, adversely affect our profitability. At this time, we cannot predict the effect of this increase on our results of operations. Furthermore, we may be put at a competitive disadvantage to larger companies in our industry that can spread these additional costs over a greater number of wells and larger operating staff.
Environmental risks may adversely affect our business.

All phases of the oil and natural gas business can present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. There is risk of incurring significant environmental costs and liabilities as a result of the handling of petroleum hydrocarbons and wastes, air emissions and wastewater discharges related to our business, and historical operations and waste disposal practices. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, loss of our leases, incurring of investigatory or remedial obligations and the imposition of injunctive relief.

Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge, regardless of whether we were responsible for the release or contamination and regardless of whether our operating partners met previous standards in the industry at the time they were conducted. In addition, claims for damages to persons, property or natural resources may result from environmental and other impacts of operations on our properties. The application of environmental laws to our business may cause us to curtail production or increase the costs of our production, development or exploration activities.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Hydraulic fracturing is used extensively by our third-party operating partners. The hydraulic fracturing process is typically regulated by state oil and natural gas commissions. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The Safe Drinking Water Act (the “SDWA”) regulates the underground injection of substances through the Underground Injection Control (“UIC”) program. While hydraulic fracturing generally is exempt from regulation under the UIC program, the EPA has taken the position that hydraulic fracturing with fluids containing diesel fuel is subject to regulation under the UIC program as “Class II” UIC wells. On October 21, 2011, the EPA announced its intention to propose federal Clean Water Act regulations governing wastewater discharges from hydraulic fracturing and certain other natural gas operations. In addition, the Department of Interior (“DOI”) published a revised proposed rule on May 24, 2013 that would update existing regulation of hydraulic fracturing activities on Federal and Indian lands, including requirements for disclosure, well bore integrity and handling of flowback water. The final rule was issued on March 26, 2015.

The EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives has also conducted an investigation of hydraulic fracturing practices. A final assessment of the EPA study was released in December 2016, generally concluding that hydraulic fracturing activities can impact drinking water resources in some circumstances and identifying factors that can influence the impacts. As part of these studies, both the EPA and the House committee have requested that certain companies provide them with information concerning the chemicals used in the hydraulic fracturing process. These studies could spur initiatives to regulate hydraulic fracturing under the SDWA or otherwise. Congress has in recent legislative sessions considered legislation to amend the SDWA, including legislation that would repeal the exemption for hydraulic fracturing from the definition of “underground injection” and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, were proposed in recent sessions of Congress. The U.S. Congress may consider similar SDWA legislation in the future.

Recent EPA CAA regulations established emission limits for sulfur dioxide (SO2) and volatile organic compounds (VOCs) for oil and natural gas production and natural gas processing operations. The final rule mandates the use of reduced emission completions or “green completions” on all hydraulically-fractured gas wells constructed or refractured after January 1, 2015. The rules also established requirements regarding emissions from compressors, controllers, dehydrators, storage tanks and other production equipment. EPA’s 2016 proposed Clean Air Act regulations addressing methane emissions from certain oil and gas facilities are in effect but under review by EPA.

In addition, several state and local governments are considering or have adopted legislative or regulatory restrictions on hydraulic fracturing through additional permit requirements, operational restrictions, and temporary or permanent bans on hydraulic fracturing in certain environmentally sensitive areas such as watersheds. For example, Montana and North Dakota have both adopted regulations requiring the disclosure of all fluids, additives, and chemicals used in the hydraulic fracturing process. And, in 2014, North Dakota adopted new requirements aimed at capturing gas and reducing flaring.
A number of lawsuits and enforcement actions have been initiated across the country alleging that hydraulic fracturing practices have adversely impacted drinking water supplies, use of surface water, and the environment generally. If new laws or regulations that significantly restrict hydraulic fracturing, such as amendments to the SDWA, are adopted, such laws could make it more costly for us and difficult for our third party operating partners to perform fracturing to stimulate production from tight formations as well as make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, if hydraulic fracturing is further regulated at the federal or state level, our third-party operating partners fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements and also to attendant permitting delays and potential increases in costs.

Any such federal or state legislative or regulatory changes with respect to hydraulic fracturing could cause us to incur substantial compliance costs or result in operational delays, and the consequences of any failure to comply by us or our third-party operating partners could have a material adverse effect on our financial condition and results of operations. Until such pending or threatened legislation or regulations are finalized and implemented, it is not possible to estimate their impact on our business.

Any of the above risks could impair our ability to manage our business and have a material adverse effect on our operations, cash flows and financial position.

**Climate change legislation or regulations restricting emissions of “greenhouse gases” could result in increased operating costs and reduced demand for the oil and natural gas that we produce.**

The EPA has determined that emissions of certain “greenhouse gases” (“GHG”) present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth’s atmosphere and other climatic changes. Based on its findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the CAA. In 2015 and 2016, EPA approved rules that would require controls on methane emissions from oil and gas facilities and proposed the Clean Power Plan, which required states to regulate carbon dioxide emissions from utility operations, with a long-term goal of 30% reduction below 2005 rates of CO2 from electric utilities by the year 2030. The Trump Administration is reviewing both the methane rules for oil and gas facilities and the Clean Power Plan, and the execution of the latter is stayed. While the future of climate change regulation is uncertain under the current administration, future GHG regulations of the oil and gas industry remain a possibility.

In addition, the U.S. Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases, though it is yet to do so, and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances that correspond to their annual emissions of GHGs. The number of allowances available for purchase is reduced each year in an effort to achieve the overall GHG reduction goal. As the number of GHG emission allowances declines each year, the cost or value of such allowances is expected to escalate significantly. The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could require our third-party operating partners, and indirectly us, to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas produced by our operational interests. Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have an adverse effect on our business, financial condition and results of operations.

Regulation of GHG emissions could also result in reduced demand for our production, as oil and natural gas consumers seek to reduce their own GHG emissions. Any regulation of GHG emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could have a material adverse effect on our business, results of operations and financial condition. In addition, to the extent climate change results in more severe weather and significant physical effects, such as increased frequency and severity of storms, floods, droughts and other climatic effects, our own, our third-party operating partners or our customers’ operations may be disrupted, which could result in a decrease in our available products or reduce our customers’ demand for our products.

Further, there have been various legislative and regulatory proposals at the federal and state levels to provide incentives and subsidies to (i) shift more power generation to renewable energy sources and (ii) support technological advances to drive less energy consumption. These incentives and subsidies could have a negative impact on oil, natural gas and NGL consumption.
Any of the above risks could impair our ability to manage our business and have a material adverse effect on our operations, cash flows and financial position.

Decommissioning costs are unknown and may be substantial. Unplanned costs could divert resources from other projects.

We may become responsible for costs associated with plugging, abandoning and reclaiming wells, pipelines and other facilities that we use for production of oil and natural gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith is often referred to as “decommissioning.” We accrue a liability for decommissioning costs associated with our wells, but have not established any cash reserve account for these potential costs in respect of any of our properties. If decommissioning is required before economic depletion of our properties or if our estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, we may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair our ability to focus capital investment in other areas of our business.

Our term loan credit agreement contains operating and financial restrictions that may restrict our business and financing activities.

Our term loan credit agreement contains, and any future indebtedness we incur (including the debt contemplated by the potential exchange transaction described in Note 16 to the financial statements) may contain, a number of restrictive covenants that will impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- declare or pay any dividend or make any other distributions on, purchase or redeem our equity interests or purchase or redeem subordinated debt;
- make certain investments;
- incur or guarantee additional indebtedness or issue certain types of equity securities;
- create certain liens;
- sell assets;
- consolidate, merge or transfer all or substantially all of our assets; and
- engage in transactions with our affiliates.

In addition, the term loan credit agreement includes financial maintenance and other covenants, as summarized in Note 4 to the financial statements. As a result of these covenants, we could be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

Our ability to comply with some of the covenants and restrictions may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A failure to comply with the covenants, ratios or tests in our term loan credit agreement or any future indebtedness could result in an event of default under our term loan credit agreement or our future indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. If an event of default under our term loan credit agreement occurs and remains uncured, the lenders thereunder:

- would not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- may have the ability to require us to apply all of our available cash to repay these borrowings; and
- may prevent us from making debt service payments under our other agreements.
An event of default or an acceleration under our term loan credit agreement could result in an event of default and an acceleration under other existing or future indebtedness, including our senior notes and/or the debt contemplated by the potential exchange transaction described in Note 16 to the financial statements. Conversely, an event of default or an acceleration under any other existing or future indebtedness could result in an event of default and an acceleration under our term loan credit agreement. In addition, our obligations under the term loan credit agreement are collateralized by perfected first priority liens and security interests on substantially all of our assets and if we are unable to repay our indebtedness under the term loan credit agreement, the lenders could seek to foreclose on our assets.

Our leverage and debt service obligations may adversely affect our financial condition, results of operations and business prospects.

Our level of indebtedness could affect our operations in several ways, including the following:

- require us to dedicate a substantial portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate;
- increase our vulnerability to economic downturns and adverse developments in our business, such as a low commodity price environment;
- limit our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness;
- place restrictions on our ability to obtain additional financing, make investments, sell assets and engage in business combinations;
- place us at a competitive disadvantage relative to competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness; and
- make it more difficult for us to satisfy our obligations under our debt agreements and increase the risk that we may default on our debt obligations.

Our ability to meet our expenses and debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We will not be able to control many of these factors, such as economic conditions and governmental regulation. We depend on our term loan credit agreement for future capital needs, because we use operating cash flows for investing activities and borrow as needed. We cannot be certain that our cash flow will be sufficient to allow us to pay the principal and interest on our current and future debt and meet our other obligations. If we do not have enough money, we may be required to refinance all or part of our debt, sell assets, borrow more money or raise equity. We may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us, if at all. Our ability to comply with the financial and other restrictive covenants in our current and future indebtedness will be affected by the levels of cash flow from our operations and future events and circumstances beyond our control. Failure to comply with these covenants would result in an event of default under our indebtedness, and such an event of default could materially and adversely affect our business, financial condition and results of operations.

We may not be able to generate enough cash flow to meet our debt obligations.

We expect our earnings and cash flow to vary significantly from year to year due to the cyclical nature of our industry. As a result, the amount of debt that we can service in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and commitments. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt. Many of these factors, such as oil and natural gas prices, economic and financial conditions in our industry and the global economy or competitive initiatives of our competitors, are beyond our control.

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If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

- refinancing or restructuring our debt;
- selling assets;
- reducing or delaying capital investments; or
- seeking to raise additional capital.

However, we cannot assure you that undertaking alternative financing plans, if necessary, would allow us to meet our debt obligations. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations and prospects.

The inability of one or more of our operating partners to meet their obligations to us may adversely affect our financial results.

Our principal exposures to credit risk are through receivables resulting from the sale of our oil and natural gas production ($52.0 million in receivables at December 31, 2017), which operating partners market on our behalf to energy marketing companies, refineries and their affiliates.

We are subject to credit risk due to the concentration of our oil and natural gas receivables with a limited number of operating partners. This concentration may impact our overall credit risk since these entities may be similarly affected by changes in economic and other conditions. A low commodity price environment may strain our operating partners, which could heighten this risk. The inability or failure of our operating partners to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our term loan credit agreement bear interest at variable rates and expose us to interest rate risk. If interest rates increase and we are unable to effectively hedge our interest rate risk, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness would decrease. A 1% increase in interest rates on the debt outstanding under our term loan credit agreement as of December 31, 2017 would cost us approximately $3.0 million in additional annual interest expense.

Despite our current level of indebtedness, we may still be able to incur substantially more debt. This could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness in the future, subject to certain limitations, including under our term loan credit agreement, our senior notes and under any future debt agreements. If new debt is added to our current debt levels, the related risks that we now face could increase. Our level of indebtedness could, for instance, prevent us from engaging in transactions that might otherwise be beneficial to us or from making desirable capital expenditures. This could put us at a competitive disadvantage relative to other less leveraged competitors that have more cash flow to devote to their operations. In addition, the incurrence of additional indebtedness could make it more difficult to satisfy our existing financial obligations.

Our articles of incorporation, bylaws, and Minnesota state law contain provisions that may have the effect of delaying or preventing a change in control and may adversely affect the market price of our capital stock.

Our articles of incorporation authorize our board of directors to issue preferred stock without any further vote or action by the stockholders. The rights of the holders of our common stock will be subject to the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could delay, deter or prevent a change in control and could adversely affect the voting power or economic value of our shares.

In addition, some provisions of our articles of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including, among others, limitations on the ability of our stockholders to call special meetings, limitations on the ability of our stockholders to act by written consent, and advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders.
Minnesota law prohibits us from engaging in any business combination with any “interested stockholder,” meaning generally that a stockholder who owns 10% or more of our stock cannot acquire us for a period of four years from the date such stockholder became an interested stockholder, unless various conditions are met, such as the approval of the transaction by our board of directors. Pursuant to our January 2, 2015, agreement with TRT Holdings, Inc. (and certain of its affiliates), however, a 20% threshold applies for such parties instead of the statutory 10% threshold.

The availability of shares for sale in the future could reduce the market price of our common stock.

Our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock. In the future, we may issue securities to raise cash for acquisitions, to pay down debt, to fund capital expenditures or general corporate expenses, in connection with the exercise of stock options or to satisfy our obligations under our incentive plans. We may also acquire interests in other companies by using a combination of cash and our common stock or just our common stock. We may also issue securities convertible into, exchangeable for, or that represent the right to receive, our common stock. Any of these events may dilute your ownership interest in our company, reduce our earnings per share and have an adverse impact on the price of our common stock.

Because we have no plans to pay, and are currently restricted from paying dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any payment of future dividends will be at the discretion of our board of directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our board of directors deems relevant. Covenants contained in our term loan credit agreement and the indentures governing our senior notes restrict the payment of dividends. Investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment.

Item 1B. Unresolved Staff Comments

None.
Estimated Net Proved Reserves

The table below summarizes our estimated net proved reserves at December 31, 2017, 2016 and 2015 based on reports prepared by Ryder Scott Company, LP (“Ryder Scott”), our independent reserve engineers. In preparing its reports, Ryder Scott evaluated properties representing all of our proved reserves at December 31, 2017, 2016 and 2015 in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to companies involved in oil and natural gas producing activities. Our estimated net proved reserves in the table below do not include probable or possible reserves and do not in any way include or reflect our commodity derivatives.

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>December 31, 2016</th>
<th>December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proved Reserves</td>
<td>% of Total</td>
<td>Proved Reserves</td>
</tr>
<tr>
<td>SEC Proved Reserves:</td>
<td>(MBoe)</td>
<td>Total</td>
<td>(MBoe)</td>
</tr>
<tr>
<td>Developed</td>
<td>46,345</td>
<td>61</td>
<td>37,713</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>29,487</td>
<td>39</td>
<td>16,368</td>
</tr>
<tr>
<td>Total Proved Properties</td>
<td>75,832</td>
<td>100</td>
<td>54,081</td>
</tr>
</tbody>
</table>

(1) The table above values oil and natural gas reserve quantities as of December 31, 2017 assuming constant realized prices of $45.90 per barrel of oil and $3.34 per Mcf of natural gas. Under SEC guidelines, these prices represent the average prices per barrel of oil and per Mcf of natural gas at the beginning of each month in the 12-month period prior to the end of the reporting period, after adjustment to reflect applicable transportation and quality differentials.

(2) The table above values oil and natural gas reserves quantities as of December 31, 2016 assuming constant realized prices of $35.24 per barrel of oil and $1.67 per Mcf of natural gas. Under SEC guidelines, these prices represent the average prices per barrel of oil and per Mcf of natural gas at the beginning of each month in the 12-month period prior to the end of the reporting period, after adjustment to reflect applicable transportation and quality differentials.

(3) The table above values oil and natural gas reserves quantities as of December 31, 2015 assuming constant realized prices of $42.03 per barrel of oil and $1.63 per Mcf of natural gas. Under SEC guidelines, these prices represent the average prices per barrel of oil and per Mcf of natural gas at the beginning of each month in the 12-month period prior to the end of the reporting period, after adjustment to reflect applicable transportation and quality differentials.

Estimated net proved reserves at December 31, 2017 were 75,832 MBoe, a 40% increase from estimated net proved reserves of 54,081 MBoe at December 31, 2016. The increase in 2017 total proved reserves was primarily due to the impact of higher commodity prices in 2017 as compared to 2016, which also increased both the number of undeveloped drilling locations and the expected productive life of economic locations reflected in our 2017 proved reserve estimates. Higher commodity prices and development activity in 2017 led to an increase in our capital spending. As a result of the higher activity levels, the number of proved undeveloped wells included in the reserves was increased from 32.6 net wells in 2016 to 52.1 net wells in 2017.

Estimated net proved reserves at December 31, 2016 were 54,081 MBoe, a 17% decrease from estimated net proved reserves of 65,298 MBoe at December 31, 2015. The decrease in 2016 total proved reserves was primarily due to the impact of lower commodity prices in 2016 as compared to 2015, which reduced both the number of locations from which reserves can be economically produced and the expected productive life of economic locations.
The following table sets forth summary information by reserve category with respect to estimated proved reserves at December 31, 2017:

<table>
<thead>
<tr>
<th>Reserve Category</th>
<th>Oil (MBbls)</th>
<th>Natural Gas (MMcf)</th>
<th>Total (MBoe)</th>
<th>%</th>
<th>Amount (In thousands)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDP Properties</td>
<td>33,334</td>
<td>40,296</td>
<td>40,050</td>
<td>53</td>
<td>$510,087</td>
<td>67</td>
</tr>
<tr>
<td>PDNP Properties</td>
<td>5,258</td>
<td>6,222</td>
<td>6,295</td>
<td>8</td>
<td>101,269</td>
<td>13</td>
</tr>
<tr>
<td>PUD Properties</td>
<td>24,220</td>
<td>31,603</td>
<td>29,487</td>
<td>39</td>
<td>146,644</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>62,812</td>
<td>78,121</td>
<td>75,832</td>
<td>100</td>
<td>$758,000</td>
<td>100</td>
</tr>
</tbody>
</table>

(1) The SEC Pricing Proved Reserves table above values oil and natural gas reserve quantities and related discounted future net cash flows as of December 31, 2017 based on average prices of $51.34 per barrel of oil and $2.98 per MMbtu of natural gas. Under SEC guidelines, these prices represent the average prices per barrel of oil and per MMbtu of natural gas at the beginning of each month in the 12-month period prior to the end of the reporting period. The average resulting price used as of December 31, 2017, after adjustment to reflect applicable transportation and quality differentials, was $45.90 per barrel of oil and $3.34 per Mcf of natural gas.

(2) Boe are computed based on a conversion ratio of one Boe for each barrel of oil and one Boe for every 6,000 cubic feet (i.e., 6 Mcf) of natural gas.

(3) Pre-tax PV10%, or “PV-10,” may be considered a non-GAAP financial measure as defined by the SEC and is derived from the standardized measure of discounted future net cash flows, which is the most directly comparable GAAP measure. See “Reconciliation of PV-10 to Standardized Measure” below.

The table above assumes prices and costs discounted using an annual discount rate of 10% without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, or federal income taxes. The information in the table above does not give any effect to or reflect our commodity derivatives.

Reconciliation of PV-10 to Standardized Measure

PV-10 is derived from the Standardized Measure of discounted future net cash flows, which is the most directly comparable GAAP financial measure. PV-10 is a computation of the Standardized Measure of discounted future net cash flows on a pre-tax basis. PV-10 is equal to the Standardized Measure of discounted future net cash flows at the applicable date, before deducting future income taxes, discounted at 10 percent. We believe that the presentation of PV-10 is relevant and useful to investors because it presents the discounted future net cash flows attributable to our estimated net proved reserves prior to taking into account future corporate income taxes, and it is a useful measure for evaluating the relative monetary significance of our oil and natural gas properties. Further, investors may utilize the measure as a basis for comparison of the relative size and value of our reserves to other companies. We use this measure when assessing the potential return on investment related to our oil and natural gas properties. PV-10, however, is not a substitute for the Standardized Measure of discounted future net cash flows. Our PV-10 measure and the Standardized Measure of discounted future net cash flows do not purport to represent the fair value of our oil and natural gas reserves.
The following table reconciles the pre-tax PV10% value of our SEC Pricing Proved Reserves as of December 31, 2017 to the Standardized Measure of discounted future net cash flows.

### SEC Pricing Proved Reserves
(in thousands)

<table>
<thead>
<tr>
<th>Standardized Measure Reconciliation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Present Value of Estimated Future Net Revenues (Pre-Tax PV10%)</td>
<td>$ 758,000</td>
</tr>
<tr>
<td>Future Income Taxes, Discounted at 10%(1)</td>
<td>(4,014)</td>
</tr>
<tr>
<td>Standardized Measure of Discounted Future Net Cash Flows</td>
<td>$ 753,986</td>
</tr>
</tbody>
</table>

(1) The expected tax benefits to be realized from utilization of the net operating loss and tax credit carryforwards are used in the computation of future income tax cash flows. As a result of available net operating loss carryforwards and the remaining tax basis of our assets at December 31, 2017, our future income taxes were significantly reduced.

Uncertainties are inherent in estimating quantities of proved reserves, including many risk factors beyond our control. Reserve engineering is a subjective process of estimating subsurface accumulations of oil and natural gas that cannot be measured in an exact manner. As a result, estimates of proved reserves may vary depending upon the engineer valuing the reserves. Further, our actual realized price for our oil and natural gas is not likely to average the pricing parameters used to calculate our proved reserves. As such, the oil and natural gas quantities and the value of those commodities ultimately recovered from our properties will vary from reserve estimates.

Additional discussion of our proved reserves is set forth under the heading “Supplemental Oil and Gas Information - Unaudited” to our financial statements included later in this report.

### Proved Undeveloped Reserves

At December 31, 2017, we had approximately 29.5 MMBoe of proved undeveloped reserves as compared to 16.4 MMBoe at December 31, 2016. A reconciliation of the change in proved undeveloped reserves during 2017 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>MMBoe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Proved Undeveloped Reserves at 12/31/2016</td>
<td>16.4</td>
</tr>
<tr>
<td>Converted to Proved Developed Through Drilling</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Added from Extensions and Discoveries</td>
<td>18.9</td>
</tr>
<tr>
<td>Removed for 5-Year Rule</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Revisions</td>
<td>1.6</td>
</tr>
<tr>
<td>Estimated Proved Undeveloped Reserves at 12/31/2017</td>
<td>29.5</td>
</tr>
</tbody>
</table>

During 2017, commodity prices for crude oil, NGL and natural gas increased from the prior year, which resulted in higher capital spending during 2017. We expect to increase our capital spending again in 2018. As a result, we have increased the proportion of our reserves that have historically been categorized as PUD. This is driven by the current economic price environment, coupled with our improved liquidity, which increases the number of PUD locations that we have reasonable certainty to believe will be developed during the five-year time horizon.

Our future development drilling program includes the drilling of approximately 52.1 proven undeveloped net wells before the end of 2022 at an estimated cost of $364.3 million. Our development plan for drilling proved undeveloped wells calls for the drilling of 18.9 net wells during 2018 (includes 9.5 net wells drilled at December 31, 2017, but classified as proved undeveloped due to Ryder Scott internal guidelines which require greater than 65% of total costs to be incurred to be classified as developed), 8.2 net wells during 2019, 8.2 net wells during 2020, 7.8 net wells during 2021 and 9.0 net wells during 2022 for a total of 52.1 net wells. We expect that our proved undeveloped reserves will continue to be converted to proved developed producing reserves as additional wells are drilled including our acreage. All locations comprising our remaining proved undeveloped reserves are forecast to be drilled within five years from initially being recorded in accordance with our development plan.
At December 31, 2017, the PV-10 value of our proved undeveloped reserves amounted to 20% of the PV-10 value of our total proved reserves. Although our historical producing property additions exceed our existing development plans, there are numerous uncertainties. The development of these reserves is dependent upon a number of factors which include, but are not limited to: financial targets such as drilling within cash flow or reducing debt, drilling of obligatory wells, satisfactory rates of return on proposed drilling projects, and the levels of drilling activities by operators in areas where we hold leasehold interests. During 2017, Northern increased its capital spending by 85% compared to 2016 in response to the improving commodity price environment. If a lower commodity price environment reoccurs, we may seek to reduce our development spending. While lower commodity prices could reduce our future borrowing capacity (we had $102.2 million of cash and committed borrowing availability of $100.0 million under our term loan credit agreement at December 31, 2017), with 67% of the PV-10 value of our total proved reserves supported by producing wells, we believe we will have sufficient cash flows and adequate liquidity to complete our development plan.

At December 31, 2017, we had spent a total of $34.0 million related to the development of proved undeveloped reserves, which resulted in the conversion of 4.8 MMBoe of proved undeveloped reserves as of December 31, 2016 to proved developed reserves as of December 31, 2017. Proved developed property additions in 2017 also included 5.6 MMBoe from the conversion of previously undeveloped locations that were not booked in our December 31, 2016 proved undeveloped reserves (the related development costs incurred at December 31, 2017 were $57.8 million). Additionally, our proved undeveloped reserves at December 31, 2017 included 5.3 MMBoe for net wells that had commenced drilling activities but remained classified as undeveloped reserves due to Ryder Scott’s internal guidelines which require greater than 65% of the total costs to have been incurred in order to be classified as proved developed (the related development costs incurred at December 31, 2017 were $22.0 million).

In 2017, we also added 18.9 MMBoe of proved undeveloped reserves primarily in our North Dakota areas of operations as a result of higher commodity prices and increased well performance and development activity in the Williston Basin. The SEC-prescribed commodity prices (after adjustment for transportation, quality and basis differentials) were $10.66 higher per barrel of oil and $1.67 higher per Mcf of natural gas at year-end 2017 as compared to year-end 2016. Additionally, we had positive performance revisions of 1.6 MMBoe, which were offset by the removal of 2.6 MMBoe of proved undeveloped reserves due to the SEC-prescribed 5-year rule. We added 354 gross (16.9 net) wells to production during 2017.

Proved Reserves Sensitivity by Price Scenario

The SEC disclosure rules allow for optional reserves sensitivity analysis, such as the sensitivity that oil and natural gas reserves have to price fluctuations. We have chosen to compare our proved reserves from the 2017 SEC case to one alternate pricing case. The sensitivity scenario was not audited by a third party. In the sensitivity scenario, all factors other than the commodity price assumption have been held constant with the SEC case, including the number of proved undeveloped locations, drill schedules and operating costs assumptions. This sensitivity is only meant to demonstrate the impact that changing commodity prices may have on estimated proved reserves and PV-10 and there is no assurance this outcome will be realized. The table below shows our proved reserves utilizing the 2017 SEC case compared with one alternate price scenario.

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Table of Contents

Price Cases

<table>
<thead>
<tr>
<th>Net Proved Reserves (December 31, 2017)</th>
<th>SEC Case(1)</th>
<th>Scenario 1(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil (MBbl)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>38,593</td>
<td>40,000</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>24,220</td>
<td>26,321</td>
</tr>
<tr>
<td>Total</td>
<td>62,812</td>
<td>66,321</td>
</tr>
<tr>
<td>Natural Gas (MMcF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td>46,518</td>
<td>48,412</td>
</tr>
<tr>
<td>Undeveloped</td>
<td>31,603</td>
<td>34,716</td>
</tr>
<tr>
<td>Total</td>
<td>78,121</td>
<td>83,129</td>
</tr>
<tr>
<td>Total Proved Reserves (MBOE)</td>
<td>75,832</td>
<td>80,176</td>
</tr>
</tbody>
</table>

(1) Represents reserves based on pricing prescribed by the SEC. The unescalated twelve month arithmetic average of the first day of the month posted prices were adjusted for transportation and quality differentials to arrive at prices of $45.90 per Bbl for oil and $3.34 per Mcf for natural gas. Production costs were held constant for the life of the wells.

(2) Prices based on $60.00 per Bbl for oil and $3.00 per MMbtu for natural gas, which were then adjusted for transportation and quality differentials to arrive at prices of $54.56 per Bbl for oil and $3.36 per Mcf for natural gas. Production costs and the future development drilling program were both held constant with the SEC case.

The following table provides the estimated pre-tax PV10% value as of December 31, 2017, of our proved reserves under the SEC case and the alternate price case, and also reconciles these amounts to the standardized measure of discounted future net cash flows. Pre-tax PV10% value may be considered a non-GAAP financial measure. See “Reconciliation of PV-10 to Standardized Measure” above.

<table>
<thead>
<tr>
<th>Standardized Measure Reconciliation (in thousands)</th>
<th>SEC Case(1)</th>
<th>Scenario 1(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Present Value of Estimated Future Net Revenues</td>
<td>$ 758,000</td>
<td>$ 1,015,881</td>
</tr>
<tr>
<td>(Pre-Tax PV10%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future Income Taxes, Discounted at 10%(3)</td>
<td>(4,014)</td>
<td>(34,808)</td>
</tr>
<tr>
<td>Standardized Measure of Discounted Future Net Cash Flows</td>
<td>$ 753,986</td>
<td>$ 981,073</td>
</tr>
</tbody>
</table>

(1) Represents reserves based on pricing prescribed by the SEC. The unescalated twelve month arithmetic average of the first day of the month posted prices were adjusted for transportation and quality differentials to arrive at prices of $45.90 per Bbl for oil and $3.34 per Mcf for natural gas. Production costs were held constant for the life of the wells.

(2) Prices based on $60.00 per Bbl for oil and $3.00 per MMbtu for natural gas, which were then adjusted for transportation and quality differentials to arrive at prices of $54.56 per Bbl for oil and $3.36 per Mcf for natural gas. Production costs and the future development drilling program were both held constant with the SEC case.

(3) The expected tax benefits to be realized from utilization of the net operating loss and tax credit carryforwards are used in the computation of future income tax cash flows. As a result of available net operating loss carryforwards and the remaining tax basis of our assets at December 31, 2017, our future income taxes were significantly reduced.
Independent Petroleum Engineers

We have utilized Ryder Scott Company, LP (“Ryder Scott”), an independent reservoir engineering firm, as our third-party engineering firm. The selection of Ryder Scott is approved by our Audit Committee. Ryder Scott is one of the largest reservoir-evaluation consulting firms and evaluates oil and natural gas properties and independently certifies petroleum reserves quantities for various clients throughout the United States and internationally. Ryder Scott has substantial experience calculating the reserves of various other companies with operations targeting the Bakken and Three Forks formations and, as such, we believe Ryder Scott has sufficient experience to appropriately determine our reserves. Ryder Scott utilizes proprietary technology, systems and data to calculate our reserves commensurate with this experience. The reports of our estimated proved reserves in their entirety are based on the information we provide to them. Ryder Scott is a Texas Registered Engineering Firm (F-1580). Our primary contact at Ryder Scott is James L. Baird, Managing Senior Vice President. Mr. Baird is a State of Colorado Licensed Professional Engineer (License #41521).

In accordance with applicable requirements of the SEC, estimates of our net proved reserves and future net revenues are made using average prices at the beginning of each month in the 12-month period prior to the date of such reserve estimates and are held constant throughout the life of the properties (except to the extent a contract specifically provides for escalation).

The reserves set forth in the Ryder Scott report for the properties are estimated by performance methods or analogy. In general, reserves attributable to producing wells and/or reservoirs are estimated by performance methods such as decline curve analysis which utilizes extrapolations of historical production data. Reserves attributable to non-producing and undeveloped reserves included in our report are estimated by analogy. The estimates of the reserves, future production, and income attributable to properties are prepared using the economic software package Aries for Windows, a copyrighted program of Halliburton.

To estimate economically recoverable oil and natural gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be demonstrated to be economically producible based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined as of the effective date of the report. With respect to the property interests we own, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, production taxes, recompletion and development costs and product prices are based on the SEC regulations, geological maps, well logs, core analyses, and pressure measurements.

The reserve data set forth in the Ryder Scott report represents only estimates, and should not be construed as being exact quantities. They may or may not be actually recovered, and if recovered, the actual revenues and costs could be more or less than the estimated amounts. Moreover, estimates of reserves may increase or decrease as a result of future operations.

Reservoir engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. There are numerous uncertainties inherent in estimating oil and natural gas reserves and their estimated values, including many factors beyond our control. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geologic interpretation and judgment. As a result, estimates of different engineers, including those used by us, may vary. In addition, estimates of reserves are subject to revision based upon actual production, results of future development and exploration activities, prevailing oil and natural gas prices, operating costs and other factors. The revisions may be material. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered and are highly dependent upon the accuracy of the assumptions upon which they are based. Our estimated net proved reserves, included in our SEC filings, have not been filed with or included in reports to any other federal agency. See “Item 1A. Risk Factors – Our estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.”

Internal Controls Over Reserves Estimation Process

We utilize Ryder Scott, a third-party reservoir engineering firm, as our independent reserves evaluator for 100% of our reserves base. In addition, we employ one internal reserve engineer who is responsible for overseeing the preparation of our reserves estimates. Our internal reserve engineer has a B.S. in petroleum engineering from Montana Tech and has over ten years of oil and gas experience on the reservoir side. Our engineer has experience working for large independent and financial firms on projects and acquisitions, both domestic and international.
Our technical team meets with our independent third-party engineering firm to review properties and discuss evaluation methods and assumptions used in the proved reserves estimates, in accordance with our prescribed internal control procedures. Our internal controls over the reserves estimation process include verification of input data into our reserves evaluation software as well as management review, such as, but not limited to the following:

- Comparison of historical expenses from the lease operating statements and workover authorizations for expenditure to the operating costs input in our reserves database;
- Review of working interests and net revenue interests in our reserves database against our well ownership system;
- Review of historical realized prices and differentials from index prices as compared to the differentials used in our reserves database;
- Review of updated capital costs prepared by our operations team;
- Review of internal reserve estimates by well and by area by our internal reservoir engineer;
- Discussion of material reserve variances among our internal reservoir engineer and our executive management; and
- Review of a preliminary copy of the reserve report by executive management.

**Production, Price and Production Expense History**

The price that we receive for the oil and natural gas we produce is largely a function of market supply and demand. Demand is impacted by general economic conditions, weather and other seasonal conditions, including hurricanes and tropical storms. Over or under supply of oil or natural gas can result in substantial price volatility. Oil supply in the United States has grown dramatically over the past few years, and the supply of oil could impact oil prices in the United States if the supply outstrips domestic demand. Historically, commodity prices have been volatile, and we expect that volatility to continue in the future. A substantial or extended decline in oil or natural gas prices or poor drilling results could have a material adverse effect on our financial position, results of operations, cash flows, quantities of oil and natural gas reserves that may be economically produced and our ability to access capital markets.

The following table sets forth information regarding our oil and natural gas production, realized prices and production costs for the periods indicated. For additional information on price calculations, please see information set forth in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Production:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil (Bbl)</td>
<td>4,537,295</td>
<td>4,325,919</td>
<td>5,168,687</td>
</tr>
<tr>
<td>Natural Gas and NGLs (Mcf)</td>
<td>5,187,886</td>
<td>4,026,899</td>
<td>4,651,583</td>
</tr>
<tr>
<td>Total (Boe)</td>
<td>5,401,943</td>
<td>4,997,069</td>
<td>5,943,950</td>
</tr>
<tr>
<td><strong>Average Sales Prices:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil (per Bbl)</td>
<td>$45.09</td>
<td>$35.22</td>
<td>$37.77</td>
</tr>
<tr>
<td>Effect of Gain (Loss) on Settled Derivatives on Average Price (per Bbl)</td>
<td>0.83</td>
<td>14.22</td>
<td>31.17</td>
</tr>
<tr>
<td>Oil Net of Settled Derivatives (per Bbl)</td>
<td>45.92</td>
<td>49.44</td>
<td>68.94</td>
</tr>
<tr>
<td>Natural Gas and NGLs (per Mcf)</td>
<td>3.74</td>
<td>1.82</td>
<td>1.60</td>
</tr>
<tr>
<td>Realized Price on a Boe Basis Including all Realized Derivative Settlements</td>
<td>42.16</td>
<td>44.27</td>
<td>61.19</td>
</tr>
<tr>
<td><strong>Average Costs:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Expenses (per Boe)</td>
<td>$9.21</td>
<td>$9.14</td>
<td>$8.77</td>
</tr>
</tbody>
</table>

35
Drilling and Development Activity

The following table sets forth the number of gross and net productive and non-productive wells drilled in the years ended December 31, 2017, 2016 and 2015. The number of wells drilled refers to the number of wells completed at any time during the fiscal year, regardless of when drilling was initiated. We have classified all wells drilled to-date targeting the Bakken and Three Forks formations as development wells.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exploratory Wells:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-Productive</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Development Wells:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>354</td>
<td>16.9</td>
<td>294</td>
<td>10.7</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-Productive</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Productive Exploratory and Development Wells</strong></td>
<td>354</td>
<td>16.9</td>
<td>294</td>
<td>10.7</td>
</tr>
</tbody>
</table>

The following table summarizes our cumulative gross and net productive oil wells by state at each of December 31, 2017, 2016 and 2015.

<table>
<thead>
<tr>
<th></th>
<th>At December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>North Dakota</td>
<td>3,172</td>
<td>218.7</td>
<td>—</td>
<td>2,820</td>
</tr>
<tr>
<td>Montana</td>
<td>90</td>
<td>10.3</td>
<td>—</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,262</td>
<td>229.0</td>
<td>—</td>
<td>2,914</td>
</tr>
</tbody>
</table>

Leasehold Properties

As of December 31, 2017, our principal assets included approximately 143,253 net acres located in the northern region of the United States. The following table summarizes our estimated gross and net developed and undeveloped acreage by state at December 31, 2017.

<table>
<thead>
<tr>
<th></th>
<th>Developed Acreage</th>
<th>Undeveloped Acreage</th>
<th>Total Acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross</td>
<td>Net</td>
<td>Gross</td>
</tr>
<tr>
<td><strong>North Dakota:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>McKenzie County</td>
<td>106,192</td>
<td>25,426</td>
<td>11,546</td>
</tr>
<tr>
<td>Mountrail County</td>
<td>117,044</td>
<td>26,507</td>
<td>6,114</td>
</tr>
<tr>
<td>Williams County</td>
<td>73,234</td>
<td>17,132</td>
<td>4,128</td>
</tr>
<tr>
<td>Dunn County</td>
<td>69,705</td>
<td>14,777</td>
<td>8,431</td>
</tr>
<tr>
<td>Divide County</td>
<td>55,838</td>
<td>15,530</td>
<td>3,426</td>
</tr>
<tr>
<td>Other</td>
<td>92,022</td>
<td>14,038</td>
<td>10,760</td>
</tr>
<tr>
<td><strong>North Dakota:</strong></td>
<td>514,035</td>
<td>113,410</td>
<td>44,405</td>
</tr>
<tr>
<td>Montana</td>
<td>40,591</td>
<td>10,994</td>
<td>5,760</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>554,626</td>
<td>124,404</td>
<td>50,165</td>
</tr>
</tbody>
</table>
As of December 31, 2017, approximately 87% of our total acreage was developed. All of our proved reserves are located in North Dakota and Montana.

**Recent Acquisitions**

In 2017 and 2016 we acquired leasehold interests covering an aggregate of approximately 1,934 and 3,399 net acres in our key prospect areas, for an average cost of $2,353 and $1,515 per net acre, respectively.

We generally assess acreage subject to near-term drilling activities on a lease-by-lease basis because we believe each lease’s contribution to a subject spacing unit is best assessed on that basis if development timing is sufficiently clear. Consistent with that approach, the majority of our acreage acquisitions involve properties that are selected by us on a lease-by-lease basis for their participation in a well expected to be spud in the near future, and the subject leases are then aggregated to complete one single closing with the transferor. As such, we generally view each acreage assignment from brokers, landmen and other parties as involving several separate acquisitions combined into one closing with the common transferor for convenience. However, in certain instances an acquisition may involve a larger number of leases presented by the transferors as a single package without negotiation on a lease-by-lease basis. In those instances, we still review each lease on a lease-by-lease basis to ensure that the package as a whole meets our acquisition criteria and drilling expectations.

**Acreage Expirations**

As a non-operator, we are subject to lease expirations if an operator does not commence the development of operations within the agreed terms of our leases. All of our leases for undeveloped acreage summarized in the table below will expire at the end of their respective primary terms, unless we renew the existing leases, establish commercial production from the acreage or some other “savings clause” is exercised. In addition, our leases typically provide that the lease does not expire at the end of the primary term if drilling operations have been commenced. While we generally expect to establish production from most of our acreage prior to expiration of the applicable lease terms, there can be no guarantee we can do so. The approximate expiration of our net acres which are subject to expire between 2018 and 2022 and thereafter, are set forth below:

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>Acreage Subject to Expiration</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross</td>
<td>Net</td>
<td></td>
</tr>
<tr>
<td>December 31, 2018</td>
<td>36,094</td>
<td>11,915</td>
<td></td>
</tr>
<tr>
<td>December 31, 2019</td>
<td>9,027</td>
<td>3,690</td>
<td></td>
</tr>
<tr>
<td>December 31, 2020</td>
<td>2,195</td>
<td>980</td>
<td></td>
</tr>
<tr>
<td>December 31, 2021</td>
<td>474</td>
<td>286</td>
<td></td>
</tr>
<tr>
<td>December 31, 2022 and thereafter</td>
<td>2,375</td>
<td>1,978</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50,165</td>
<td>18,849</td>
<td></td>
</tr>
</tbody>
</table>

During 2017, we had leases expire in Montana (5,035 net acres) and North Dakota (7,758 net acres) covering approximately 12,793 net acres, all of which was prospective for the Bakken and Three Forks Formations. The 2017 lease expirations carried a cost of $18.7 million. We believe that the expired acreage was not material to our capital deployed in these prospects.

**Unproved Properties**

All properties that are not classified as proved properties are considered unproved properties and, thus, the costs associated with such properties are not subject to depletion. Once a property is classified as proved, all associated acreage and drilling costs are subject to depletion.

We assess all items classified as unproved property on an annual basis, or if certain circumstances exist, more frequently, for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill, remaining lease term, geological and geophysical evaluations, drilling results and activity, the assignment of proved reserves, and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to depletion and amortization. For the years ended December 31, 2017, 2016 and 2015, we included $0.6 million, $7.0 million and $37.6 million, respectively, related to expiring leases within costs subject to the depletion calculation.
We historically have acquired our properties by purchasing individual or small groups of leases directly from mineral owners or from landmen or lease brokers, which leases generally have not been subject to specified drilling projects, and by purchasing lease packages in identified project areas controlled by specific operators. We generally participate in drilling activities on a proportionate basis by electing whether to participate in each well on a well-by-well basis at the time wells are proposed for drilling.

We believe that the majority of our unproved costs will become subject to depletion within the next five years by proving up reserves relating to its acreage through exploration and development activities, by impairing the acreage that will expire before we can explore or develop it further or by determining that further exploration and development activity will not occur. The timing by which all other properties will become subject to depletion will be dependent upon the timing of future drilling activities and delineation of our reserves.

**Impairment and Depletion of Oil and Natural Gas Properties**

As a result of low commodity prices and their effect on the proved reserve values of properties in 2016 and 2015, we recorded a non-cash ceiling test impairment of $237 million in 2016 and $1.2 billion in 2015. Given improving commodity prices, no impairments were recorded during 2017. The impairment charges affected our reported net income but did not reduce our cash flow.

Depending on future commodity price levels, the trailing 12-month average price used in the ceiling calculation could decline and may cause additional future write downs of our oil and natural gas properties. In addition to commodity prices, our production rates, levels of proved reserves, future development costs, transfers of unevaluated properties and other factors will determine our actual ceiling test calculation and impairment analyses in future periods.

Our depletion expense is driven by many factors including certain exploration costs involved in the development of producing reserves, production levels and estimates of proved reserve quantities and future developmental costs. The following table presents our depletion expenses during 2017, 2016 and 2015.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Depletion of Oil and Natural Gas Properties</td>
<td>$58,801,474</td>
</tr>
<tr>
<td>Depletion Expense (per Boe)</td>
<td>10.89</td>
</tr>
</tbody>
</table>

**Research and Development**

We do not anticipate performing any significant research and development under our plan of operation.

**Delivery Commitments**

We do not currently have any delivery commitments for product obtained from our wells.
Item 3. Legal Proceedings

Our company is subject from time to time to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business.

On August 18, 2016, plaintiff Jeffrey Fries, individually and on behalf of all others similarly situated, filed a class action complaint in the United States District Court for the Southern District of New York against our company, Michael Reger (our former chief executive officer), and Thomas Stoelk (our former chief financial officer and interim chief executive officer) as defendants. An amended complaint was filed by plaintiffs in July 2017. Defendants (including our company) filed a motion to dismiss the amended complaint in August 2017. The court granted our motion to dismiss in January 2018, but permitted the plaintiff the opportunity to further amend the complaint. A second amended complaint was filed by plaintiff in January 2018. The complaint purports to bring a federal securities class action on behalf of a class of persons who acquired the company’s securities between March 1, 2013 and August 15, 2016, and seeks to recover damages caused by defendants’ alleged violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The company intends to continue to vigorously defend itself in this matter.

Item 4. Mine Safety Disclosures

None.
## Market Information

Our common stock trades on the NYSE American under the symbol “NOG.” The high and low sales prices for shares of common stock of our company for each quarter during 2016 and 2017 are set forth below.

<table>
<thead>
<tr>
<th>Fiscal Year Ended December 31, 2016</th>
<th>Sales Price</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>$5.07</td>
<td>$1.99</td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td>5.85</td>
<td>3.70</td>
<td></td>
</tr>
<tr>
<td>Third Quarter</td>
<td>4.94</td>
<td>2.52</td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>3.50</td>
<td>1.55</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year Ended December 31, 2017</th>
<th>Sales Price</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
<td>4.00</td>
<td>2.30</td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td>2.68</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>Third Quarter</td>
<td>1.45</td>
<td>0.66</td>
<td></td>
</tr>
<tr>
<td>Fourth Quarter</td>
<td>2.10</td>
<td>0.63</td>
<td></td>
</tr>
</tbody>
</table>

The closing price for our common stock on the NYSE American on February 22, 2018 was $2.10 per share.

## Comparison Chart

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.
The following graph compares the 60-month cumulative total shareholder return on our common stock since December 31, 2012, and the cumulative total returns of Standard & Poor’s Composite 500 Index and the NYSE Arca Oil Index (formerly the AMEX Oil Index) for the same period. This graph tracks the performance of a $100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2012 to December 31, 2017.

*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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* The following table sets forth the total returns utilized to generate the foregoing graph.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Oil &amp; Gas, Inc.</td>
<td>100.00</td>
<td>89.6</td>
<td>33.59</td>
<td>22.95</td>
<td>16.35</td>
<td>12.19</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>100.00</td>
<td>132.39</td>
<td>150.51</td>
<td>152.59</td>
<td>170.84</td>
<td>208.14</td>
</tr>
<tr>
<td>NYSE Arca Oil Index</td>
<td>100.00</td>
<td>118.41</td>
<td>108.38</td>
<td>90.31</td>
<td>113.22</td>
<td>122.53</td>
</tr>
</tbody>
</table>

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

**Holders**

As of February 21, 2018, we had 65,944,133 shares of our common stock outstanding, held by approximately 258 shareholders of record. The number of record holders does not necessarily bear any relationship to the number of beneficial owners of our common stock.
Dividends

The payment of dividends is subject to the discretion of our Board of Directors and will depend, among other things, upon our earnings, our capital requirements, our financial condition, and other relevant factors. We have not paid or declared any dividends upon our common stock since our inception and do not presently anticipate paying any dividends upon our common stock in the foreseeable future. Under our term loan credit agreement, we are restricted in our ability to pay cash dividends on our common stock. Any cash dividends in the future to common shareholders will be payable when, as and if declared by our Board of Directors based upon the Board’s assessment of:

- our financial condition and performance;
- earnings;
- need for funds;
- capital requirements;
- prior claims of preferred stock to the extent issued and outstanding; and
- other factors, including income tax consequences, contractual restrictions and any applicable laws.

There can be no assurance, therefore, that any dividends on the common stock will ever be paid.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of the Company, or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the quarter ended December 31, 2017.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased(1)</th>
<th>Average Price Paid Per Share</th>
<th>Total Number of Shares Purchased as Part of Publically Announced Plans or Programs</th>
<th>Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month #1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 1, 2017 to October 31, 2017</td>
<td>—</td>
<td>$ —</td>
<td>—</td>
<td>$ 108.3 million</td>
</tr>
<tr>
<td>Month #2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>November 1, 2017 to November 30, 2017</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>108.3 million</td>
</tr>
<tr>
<td>Month #3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 1, 2017 to December 31, 2017</td>
<td>69,578</td>
<td>1.75</td>
<td>—</td>
<td>108.3 million</td>
</tr>
<tr>
<td>Total</td>
<td>69,578</td>
<td>1.75</td>
<td>—</td>
<td>$ 108.3 million</td>
</tr>
</tbody>
</table>

(1) All shares purchased reflect shares surrendered in satisfaction of tax obligations in connection with the vesting of restricted stock awards.

(2) In May 2011, our board of directors approved a stock repurchase program to acquire up to $150 million worth of shares of our Company’s outstanding common stock. In total, we have repurchased 3,190,268 shares under this program through December 31, 2017 at a weighted average price of $13.06 per share. The last time we repurchased shares under this program was in 2014.
## Item 6. Selected Financial Data

### Statements of Operations Information:

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except share and per common share data)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and Gas Sales</td>
<td>$223,963</td>
<td>$159,691</td>
<td>$202,639</td>
<td>$431,605</td>
<td>$369,187</td>
</tr>
<tr>
<td>Gain (Loss) on Derivative Instruments, Net</td>
<td>(14,667)</td>
<td>(14,819)</td>
<td>72,383</td>
<td>163,413</td>
<td>(33,458)</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>23</td>
<td>31</td>
<td>36</td>
<td>9</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>209,320</td>
<td>144,903</td>
<td>275,057</td>
<td>595,027</td>
<td>335,773</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Expenses</td>
<td>49,733</td>
<td>45,680</td>
<td>52,108</td>
<td>55,696</td>
<td>41,859</td>
</tr>
<tr>
<td>Production Taxes</td>
<td>20,604</td>
<td>15,514</td>
<td>19,042</td>
<td>17,602</td>
<td>16,575</td>
</tr>
<tr>
<td>General and Administrative Expense</td>
<td>18,988</td>
<td>14,758</td>
<td>19,042</td>
<td>17,602</td>
<td>16,575</td>
</tr>
<tr>
<td>Depletion, Depreciation, Amortization and Accretion</td>
<td>59,500</td>
<td>61,244</td>
<td>137,770</td>
<td>172,884</td>
<td>124,383</td>
</tr>
<tr>
<td>Impairment of Oil and Natural Gas Properties</td>
<td>—</td>
<td>237,013</td>
<td>1,163,959</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>148,825</td>
<td>374,208</td>
<td>1,394,446</td>
<td>289,855</td>
<td>217,776</td>
</tr>
<tr>
<td><strong>Income (Loss) from Operations</strong></td>
<td>60,495</td>
<td>(229,305)</td>
<td>(1,119,388)</td>
<td>305,171</td>
<td>117,997</td>
</tr>
<tr>
<td>Interest Expense, Net of Capitalization</td>
<td>(70,286)</td>
<td>(64,486)</td>
<td>(58,360)</td>
<td>(42,106)</td>
<td>(32,709)</td>
</tr>
<tr>
<td>Write-off of Debt Issuance Costs</td>
<td>(95)</td>
<td>(1,090)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss on the Extinguishment of Debt</td>
<td>(993)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other Income (Expense)</td>
<td>116</td>
<td>(16)</td>
<td>(30)</td>
<td>47</td>
<td>(453)</td>
</tr>
<tr>
<td><strong>Total Other Income (Expense)</strong></td>
<td>(71,258)</td>
<td>(65,591)</td>
<td>(58,390)</td>
<td>(42,058)</td>
<td>(33,162)</td>
</tr>
<tr>
<td><strong>Income (Loss) Before Income Taxes</strong></td>
<td>(10,764)</td>
<td>(294,896)</td>
<td>(1,177,779)</td>
<td>263,113</td>
<td>84,835</td>
</tr>
<tr>
<td>Income Tax Provision (Benefit)</td>
<td>(1,570)</td>
<td>(1,402)</td>
<td>(202,424)</td>
<td>99,367</td>
<td>31,768</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$ (9,194)</td>
<td>$ (293,494)</td>
<td>$ (975,355)</td>
<td>$ 163,746</td>
<td>$ 53,067</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Per Common Share – Basic</strong></td>
<td>$ (0.15)</td>
<td>$ (4.80)</td>
<td>$ (16.08)</td>
<td>$ 2.70</td>
<td>$ 0.85</td>
</tr>
<tr>
<td><strong>Net Income (Loss) Per Common Share – Diluted</strong></td>
<td>$ (0.15)</td>
<td>$ (4.80)</td>
<td>$ (16.08)</td>
<td>$ 2.69</td>
<td>$ 0.85</td>
</tr>
<tr>
<td>Weighted Average Shares Outstanding – Basic</td>
<td>62,408,855</td>
<td>61,173,547</td>
<td>60,652,447</td>
<td>60,691,701</td>
<td>62,364,957</td>
</tr>
<tr>
<td>Weighted Average Shares Outstanding – Diluted</td>
<td>62,408,855</td>
<td>61,173,547</td>
<td>60,652,447</td>
<td>60,860,769</td>
<td>62,747,298</td>
</tr>
</tbody>
</table>

### Statements of Cash Flows Information:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>$72,967</td>
<td>$101,892</td>
<td>$247,016</td>
<td>$274,258</td>
<td>$222,774</td>
</tr>
<tr>
<td><strong>Net Cash Used For Investing Activities</strong></td>
<td>$ (119,240)</td>
<td>$ (90,964)</td>
<td>$ (288,936)</td>
<td>$ (477,040)</td>
<td>$ (358,536)</td>
</tr>
<tr>
<td><strong>Net Cash (Used For) Provided by Financing Activities</strong></td>
<td>$141,970</td>
<td>$(7,832)</td>
<td>$35,973</td>
<td>$206,433</td>
<td>$128,061</td>
</tr>
</tbody>
</table>

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Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the “Selected Financial Data” in Item 6 and the Financial Statements and Accompanying Notes appearing elsewhere in this report.

Executive Overview

We are an independent energy company engaged in the acquisition, exploration, development and production of oil and natural gas properties, primarily in the Bakken and Three Forks formations within the Williston Basin in North Dakota and Montana. Our primary focus is oil exploration and production through non-operated working interests in wells drilled and completed by third-party operators of oil and gas wells.

Our financial and operating performance for the year ended December 31, 2017 included the following:

- Oil and gas sales of $224.0 million in 2017, compared to $159.7 million in 2016
- Average daily production of 14,800 Boepd in 2017, an 8.4% increase compared to 13,653 Boepd in 2016
- Added 16.9 net wells to production in 2017, compared to 10.7 net wells added to production in 2016
- Proved reserves of 75.8 MMBoe at December 31, 2017, a 40% increase compared to 2016 year-end, in each case as estimated by our third-party reserve engineers under SEC guidelines
- Closed a new term loan credit agreement in November 2017, which provides $202.2 million of liquidity at December 31, 2017 (comprised of $102.2 million of cash on hand and $100.0 million of delayed draw term loan availability)

Source of Our Revenues

We derive our revenues from the sale of oil, natural gas and NGLs produced from our properties. Revenues are a function of the volume produced, the prevailing market price at the time of sale, oil quality, Btu content and transportation costs to market. We use derivative instruments to hedge future sales prices on a substantial, but varying, portion of our oil production. We expect our derivative activities will help us achieve more predictable cash flows and reduce our exposure to downward price fluctuations. The use of derivative instruments has in the past, and may in the future, prevent us from realizing the full benefit of upward price movements but also mitigates the effects of declining price movements.
Principal Components of Our Cost Structure

- **Oil price differentials.** The price differential between our Williston Basin well head price and the NYMEX WTI benchmark price is driven by the additional cost to transport oil from the Williston Basin via train, barge, pipeline or truck to refineries.

- **Gain (loss) on derivative instruments, net.** We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in the price of oil. Gain (loss) on derivative instruments, net is comprised of (i) cash gains and losses we recognize on settled derivatives during the period, and (ii) non-cash market-to-market gains and losses we incur on derivative instruments outstanding at period end.

- **Production expenses.** Production expenses are daily costs incurred to bring oil and natural gas out of the ground and to the market, together with the daily costs incurred to maintain our producing properties. Such costs also include field personnel compensation, salt water disposal, utilities, maintenance, repairs and servicing expenses related to our oil and natural gas properties.

- **Production taxes.** Production taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at market prices (not hedged prices) or at fixed rates established by federal, state or local taxing authorities. We seek to take full advantage of all credits and exemptions in our various taxing jurisdictions. In general, the production taxes we pay correlate to the changes in oil and natural gas revenues.

- **Depreciation, depletion, amortization and impairment.** Depreciation, depletion, amortization and impairment includes the systematic expensing of the capitalized costs incurred to acquire, explore and develop oil and natural gas properties. As a full cost company, we capitalize all costs associated with our development and acquisition efforts and allocate these costs to each unit of production using the units-of-production method.

- **General and administrative expenses.** General and administrative expenses include overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our acquisition and development operations, franchise taxes, audit and other professional fees and legal compliance.

- **Interest expense.** We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings. As a result, we incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. We capitalize a portion of the interest paid on applicable borrowings into our full cost pool. We include interest expense that is not capitalized into the full cost pool, the amortization of deferred financing costs and bond premiums (including origination and amendment fees), commitment fees and annual agency fees as interest expense.
• Income tax expense. Our provision for taxes includes both federal and state taxes. We record our federal income taxes in accordance with accounting for income taxes under GAAP which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits will not be realized.

Selected Factors That Affect Our Operating Results

Our revenues, cash flows from operations and future growth depend substantially upon:

• the timing and success of drilling and production activities by our operating partners;
• the prices and the supply and demand for oil, natural gas and NGLs;
• the quantity of oil and natural gas production from the wells in which we participate;
• changes in the fair value of the derivative instruments we use to reduce our exposure to fluctuations in the price of oil;
• our ability to continue to identify and acquire high-quality acreage and drilling opportunities;
• the level of our operating expenses.

In addition to the factors that affect companies in our industry generally, the location of our acreage and wells in the Williston Basin subjects our operating results to factors specific to this region. These factors include the potential adverse impact of weather on drilling, production and transportation activities, particularly during the winter and spring months, and the limitations of the developing infrastructure and transportation capacity in this region.

The price of oil in the Williston Basin can vary depending on the market in which it is sold and the means of transportation used to transport the oil to market. Light sweet crude from the Williston Basin has a higher value at many major refining centers because of its higher quality relative to heavier and sour grades of oil; however, because of North Dakota’s location relative to traditional oil transport centers, this higher value is generally offset to some extent by higher transportation costs. While rail transportation has historically been more expensive than pipeline transportation, Williston Basin prices have at times justified shipment by rail to markets such as St. James, Louisiana, which offers prices benchmarked to Brent/LLS. Additional pipeline infrastructure during 2017 has increased takeaway capacity in the Williston Basin which has improved wellhead values in the region.

The price at which our oil production is sold typically reflects a discount to the NYMEX benchmark price. Thus, our operating results are also affected by changes in the oil price differentials between the NYMEX and the sales prices we receive for our oil production. Our oil price differential to the NYMEX benchmark price during 2017 was $5.87 per barrel, as compared to $8.25 per barrel in 2016. Fluctuations in our oil price differential are due to several factors such as takeaway capacity relative to production levels in the Williston Basin, and seasonal refinery maintenance temporarily depressing crude demand.

Another significant factor affecting our operating results is drilling costs. The cost of drilling wells has varied significantly over the past few years as volatility in oil prices has substantially impacted the level of drilling activity in the Williston Basin. Generally, higher oil prices have led to increased drilling activity, with the increased demand for drilling and completion services driving these costs higher. Lower oil prices have generally had the opposite effect. In addition, individual components of the cost can vary depending on numerous factors such as the length of the horizontal lateral, the number of fracture stimulation stages, and the choice of proppant (sand or ceramic).

Rig activity levels in 2017 increased from 2016 levels and a large percentage of our newer wells utilize higher intensity completion techniques. The higher intensity completions generally deliver the best returns in the current pricing environment but cost more due to increased materials and servicing costs. As a result, we expect our average costs from wells we elect to participate in to increase 5-10% during 2018. During 2017, the weighted average authorization for expenditure (or AFE) cost for wells we elected to participate in was $7.5 million, compared to $7.0 million for the wells we elected to participate in during 2016.
Market Conditions

The price that we receive for the oil and natural gas we produce is largely a function of market supply and demand. Being primarily an oil producer, we are more significantly impacted by changes in oil prices than by changes in the price of natural gas. World-wide supply in terms of output, especially the production quota set by OPEC, and the strength of the U.S. dollar can adversely impact oil prices. Historically, commodity prices have been volatile and we expect the volatility to continue in the future. Factors impacting the future oil supply balance are world-wide demand for oil, as well as the growth in domestic oil production.

Prices for various quantities of natural gas, NGLs and oil that we produce significantly impact our revenues and cash flows. The following table lists average NYMEX prices for oil and natural gas for the years ended December 31, 2017, 2016 and 2015.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Average NYMEX Prices(1)</td>
<td></td>
</tr>
<tr>
<td>Oil (per Bbl)</td>
<td>$ 50.85</td>
</tr>
<tr>
<td>Natural Gas (per Mcf)</td>
<td>3.02</td>
</tr>
</tbody>
</table>

(1) Based on average NYMEX closing prices.

Oil and natural gas prices have fallen significantly since their early third quarter 2014 levels. Lower oil and natural gas prices not only decrease our revenues, but an extended decline in oil or natural gas prices has adversely affected our business and may materially and adversely affect our future business, financial position, cash flows, results of operations, liquidity, ability to finance planned capital expenditures and the oil and natural gas reserves that we can economically produce. Also, lower oil and natural gas prices may reduce our ability to access the capital markets, which is partially based on the perceived value of our proved reserves. During 2017, we began to experience an improving commodity price environment which increased our average NYMEX pricing as compared to 2016. The average 2017 NYMEX pricing was $50.85 per barrel of oil or 17% higher than the average NYMEX price per barrel in 2016. Although oil and natural gas prices have increased, our realized oil price after reflecting settled derivatives was lower in 2017 than in 2016 due to lower settlement prices on our derivatives in 2017. Our average 2017 realized oil price per barrel after reflecting settled derivatives was $45.92 or 7% lower than 2016. The decrease in settled derivatives in 2017 as compared to 2016 was due to lower settlement prices on our hedged volumes and higher NYMEX oil prices in 2017 compared to 2016.
Results of Operations for 2017, 2016 and 2015

The following table sets forth selected operating data for the periods indicated. Production volumes and average sales prices are derived from accrued accounting data for the relevant period indicated.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td><strong>Net Production:</strong></td>
<td></td>
</tr>
<tr>
<td>Oil (Bbl)</td>
<td>4,537,295</td>
</tr>
<tr>
<td>Natural Gas and NGLs (Mcf)</td>
<td>5,187,886</td>
</tr>
<tr>
<td>Total (Boe)</td>
<td>5,401,943</td>
</tr>
<tr>
<td><strong>Net Sales (in thousands):</strong></td>
<td></td>
</tr>
<tr>
<td>Oil Sales</td>
<td>$204,581</td>
</tr>
<tr>
<td>Natural Gas and NGL Sales</td>
<td>19,382</td>
</tr>
<tr>
<td>Gain (Loss) on Derivative Instruments, Net</td>
<td>(14,667)</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>23</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>209,320</td>
</tr>
<tr>
<td><strong>Average Sales Prices:</strong></td>
<td></td>
</tr>
<tr>
<td>Oil (per Bbl)</td>
<td>$45.09</td>
</tr>
<tr>
<td>Effect of Gain (Loss) on Settled Derivatives on Average Price (per Bbl)</td>
<td>0.83</td>
</tr>
<tr>
<td>Oil Net of Settled Derivatives (per Bbl)</td>
<td>45.92</td>
</tr>
<tr>
<td>Natural Gas and NGLs (per Mcf)</td>
<td>3.74</td>
</tr>
<tr>
<td>Realized Price on a Boe Basis Including all Realized Derivative Settlements</td>
<td>42.16</td>
</tr>
<tr>
<td><strong>Operating Expenses (in thousands):</strong></td>
<td></td>
</tr>
<tr>
<td>Production Expenses</td>
<td>$49,733</td>
</tr>
<tr>
<td>Production Taxes</td>
<td>20,604</td>
</tr>
<tr>
<td>General and Administrative Expense</td>
<td>18,988</td>
</tr>
<tr>
<td>Depletion, Depreciation, Amortization and Accretion</td>
<td>59,500</td>
</tr>
<tr>
<td><strong>Costs and Expenses (per Boe):</strong></td>
<td></td>
</tr>
<tr>
<td>Production Expenses</td>
<td>$9.21</td>
</tr>
<tr>
<td>Production Taxes</td>
<td>3.81</td>
</tr>
<tr>
<td>General and Administrative Expense</td>
<td>3.51</td>
</tr>
<tr>
<td>Depletion, Depreciation, Amortization and Accretion</td>
<td>11.01</td>
</tr>
<tr>
<td><strong>Net Producing Wells at Period End</strong></td>
<td>229.0</td>
</tr>
</tbody>
</table>

*Oil and Natural Gas Sales*

Our revenues vary from year to year primarily as a result of changes in realized commodity prices and production volumes. In 2017, our oil, natural gas and NGL sales, excluding the effect of settled derivatives, increased 40% from 2016, driven primarily by an 8% increase in production levels and a 28% increase in our average oil sales price. The higher average realized price per Boe, excluding the effect of settled derivatives, in 2017 as compared to 2016 was primarily driven by higher average NYMEX oil and gas prices, as well as a lower oil price differential. Oil price differential during 2017 averaged $5.87 per barrel, as compared to $8.25 per barrel in 2016.
In 2016, oil, natural gas and NGL sales decreased 21% from 2015, driven primarily by a 16% decrease in production and a 7% decrease in our average oil sales price. The lower average realized price per Boe, excluding the effect of settled derivatives, in 2016 as compared to 2015 was primarily driven by lower average NYMEX oil and gas prices, which were partially offset by a lower oil price differential. Oil price differential during 2016 averaged $8.25 per barrel, as compared to $9.42 per barrel in 2015.

We add production through drilling success as we place new wells into production and through additions from acquisitions, which is offset by the natural decline of our oil and natural gas production from existing wells. Improved commodity prices coupled with increased development activity in the Williston Basin caused our 2017 annual capital expenditure spending to increase by 85% as compared to the prior year and increase the number of new wells placed into production. During 2017, the number of net wells that we added to production increased by 58% as compared to 2016 and reached 16.9 net wells. Our acquisition program, including wellbore-only acquisitions, is a significant driver of our net well additions. The higher number of net well completions and per well productivity improvements drove the 8% increase in production as compared to 2016. In 2016, low commodity prices, reduced development activity and a 34% decrease in our capital expenditure spending reduced the number of new wells placed into production. In addition, during 2016 certain of our operators curtailed or shut-in production due to their desire to produce the wells at higher prices than currently existed. Fewer new well additions coupled with these production curtailments and shut-in wells resulted in a production volume decrease of 16% in 2016 compared to 2015. The number of net wells that we added to production in 2017, 2016 and 2015 was 16.9, 10.7 and 18.6, respectively. Our production for each of the last three years is set forth in the following table:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil (Bbl)</td>
<td>4,537,295</td>
<td>4,325,919</td>
<td>5,168,687</td>
</tr>
<tr>
<td>Natural Gas and NGL (Mcf)</td>
<td>5,187,886</td>
<td>4,026,899</td>
<td>4,651,583</td>
</tr>
<tr>
<td>Total (Boe)¹</td>
<td>9,725,181</td>
<td>8,352,818</td>
<td>9,820,260</td>
</tr>
<tr>
<td>Average Daily Production</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil (Bbl)</td>
<td>12,431</td>
<td>11,819</td>
<td>14,161</td>
</tr>
<tr>
<td>Natural Gas and NGL (Mcf)</td>
<td>14,213</td>
<td>11,002</td>
<td>12,744</td>
</tr>
<tr>
<td>Total (Boe)¹</td>
<td>14,800</td>
<td>13,653</td>
<td>16,285</td>
</tr>
</tbody>
</table>

(1) Natural gas and NGLs are converted to Boe at the rate of one barrel equals six Mcf based upon the approximate relative energy content of oil and natural gas, which is not necessarily indicative of the relationship of oil and natural gas prices.

Derivative Instruments

We enter into derivative instruments to manage the price risk attributable to future oil production. Our gain (loss) on derivative instruments, net was a loss of $14.7 million in 2017, compared to a loss of $14.8 million in 2016, and a gain of $72.4 million in 2015. Gain (loss) on derivative instruments, net is comprised of (i) cash gains and losses we recognize on settled derivatives during the period, and (ii) non-cash mark-to-market gains and losses we incur on derivative instruments outstanding at period-end.

For 2017, we realized a gain on settled derivatives of $3.8 million, compared to a $61.5 million gain in 2016 and a $161.1 million gain in 2015. The percentage of oil production hedged under our derivative contracts was 62%, 42%, and 77% in 2017, 2016, and 2015, respectively. The weighted average oil price on our settled derivative contracts in 2017, 2016, and 2015 was $52.61, $77.50, and $89.44, respectively. Our average realized price (including all cash derivative settlements) in 2017 was $42.16 per Boe compared to $44.27 per Boe in 2016, and $61.19 per Boe in 2015. The gain (loss) on settled derivatives increased our average realized price per Boe by $0.70 in 2017, increased our average realized price per Boe by $12.31 in 2016 and increased our average realized price per Boe by $27.10 in 2015.
Mark-to-market derivative gains and losses was a loss of $18.4 million in 2017 compared to a loss of $76.3 million in 2016 and a loss of $88.7 million in 2015. Our derivatives are not designated for hedge accounting and are accounted for using the mark-to-market accounting method whereby gains and losses from changes in the fair value of derivative instruments are recognized immediately into earnings. Mark-to-market accounting treatment creates volatility in our revenues as gains and losses from unsettled derivatives are included in total revenues and are not included in accumulated other comprehensive income in the accompanying balance sheets. As commodity prices increase or decrease, such changes will have an opposite effect on the mark-to-market value of our derivatives. Any gains on our derivatives will be offset by lower wellhead revenues in the future or any losses will be offset by higher future wellhead revenues based on the value at the settlement date. At December 31, 2017, all of our derivative contracts are recorded at their fair value, which was a net liability of $30.2 million, an increase of $18.4 million from the $11.7 million net liability recorded as of December 31, 2016. The increase in the net liability at December 31, 2017 as compared to December 31, 2016 was primarily due to changes in oil prices on the open oil derivative contracts. Our open oil derivative contracts are summarized in “Item 7A. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk.”

Production Expenses

Production expenses were $49.7 million in 2017 compared to $45.7 million in 2016 and $52.1 million in 2015. On a per unit basis, production expenses were relatively flat from $9.14 per Boe in 2016 to $9.21 per Boe in 2017. On an absolute dollar basis, our production expenses in 2017 were 9% higher when compared to 2016 due primarily to higher processing and maintenance costs, as well as a 7% increase in the total number of net wells. On a per unit basis, our production expenses increased 4% from $8.77 per Boe in 2015 to $9.14 per Boe in 2016. On an absolute dollar basis, our production expenses in 2016 were 12% lower when compared to 2015 due primarily to lower contract labor and maintenance costs and reduced variable costs on lower production levels which was partially offset by a 4% increase in the total number of net wells.

Production Taxes

We pay production taxes based on realized oil and natural gas sales. Higher production levels and commodity prices in 2017 as compared to 2016 increased the taxable base that is used to calculate production taxes. Lower commodity prices in 2016 as compared to 2015 lowered the taxable base that is used to calculate production taxes. Production taxes were $20.6 million in 2017 compared to $15.5 million in 2016 and $21.6 million in 2015. As a percentage of oil and natural gas sales, our average production tax rates were 9.2%, 9.7% and 10.6% in 2017, 2016 and 2015, respectively. In 2017 and 2016, the decrease in production tax rates as a percentage of oil and gas sales is due to a lower oil production tax rate in North Dakota, which dropped to 10% beginning in 2016.

General and Administrative Expense

General and administrative expense was $19.0 million for 2017 compared to $14.8 million for 2016 and $19.0 million for 2015. The increase in 2017 compared to 2016 was due in part to a $3.6 million charge in the third quarter of 2017 in connection with a settlement agreement with our former chief executive officer, pursuant to which we agreed to pay him $750,000 in cash and issue him 3,000,000 shares of our common stock (see Note 8). In addition, legal and professional expense was $1.3 million higher in 2017 compared to 2016, partially offset by a $0.2 million decrease in cash compensation expense due primarily to reduced incentive compensation.

General and administrative expense in 2016 as compared to 2015 was lower due primarily to a $5.9 million decrease in compensation expenses due in large part to the termination of the employment of the Company’s chief executive officer during 2016, which resulted in the reversal of $3.2 million in compensation expenses. Additionally, compensation expenses in 2016 were lower as compared to 2015 due to workforce reductions in the fourth quarter of 2015 and $1.9 million of stock-based compensation costs incurred in 2015 in connection with a new employment agreement with our former chief executive officer. Partially offsetting the lower compensation expenses in 2016 was a $1.4 million increase in legal expenses and $0.5 million in other professional fees.
Depletion, Depreciation, Amortization and Accretion

Depletion, depreciation, amortization and accretion (“DD&A”) was $59.5 million in 2017 compared to $61.2 million in 2016 and $137.8 million in 2015. Depletion expense, the largest component of DD&A, was $10.89 per Boe in 2017 compared to $12.13 per Boe in 2016 and $23.07 per Boe in 2015. The aggregate decrease in depletion expense for 2017 compared to 2016 was driven by a 10% decrease in the depletion rate per Boe, as well as a 8% decrease in production levels. The 2017 depletion rate per Boe was lower due to the impairment of oil and gas properties throughout 2016, which lowered the depletible base. The aggregate decrease in depletion expense for 2016 compared to 2015 was driven by a 47% decrease in the depletion rate per Boe, as well as a 16% decrease in production levels. The 2016 depletion rate per Boe was lower due to the impairment of oil and gas properties, which lowered the depletible base. The following table summarizes DD&A expense per Boe for 2017, 2016 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
<th>2016</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depletion</td>
<td>$10.89</td>
<td>$12.13</td>
<td>$(1.24)</td>
<td>$(10)%</td>
<td>$12.13</td>
<td>$23.07</td>
</tr>
<tr>
<td>Depreciation, Amortization, and Accretion</td>
<td>0.12</td>
<td>0.13</td>
<td>(0.01)</td>
<td>(8)%</td>
<td>0.13</td>
<td>0.11</td>
</tr>
<tr>
<td>Total DD&amp;A expense</td>
<td>$11.01</td>
<td>$12.26</td>
<td>$(1.25)</td>
<td>(10)%</td>
<td>$12.26</td>
<td>$23.18</td>
</tr>
</tbody>
</table>

Impairment of Oil and Natural Gas Properties

We did not have any impairment of our proved oil and gas properties in 2017. As a result of low prevailing commodity prices during 2016 and 2015, and their effect on the proved reserve values of our properties, we recorded a non-cash ceiling test impairment of $237.0 million in 2016 and $1.2 billion in 2015. The impairment charge affected our reported net income but did not reduce our cash flow.

Depending on future commodity price levels, the trailing twelve-month average price used in the ceiling calculation may decline, which could cause additional future write downs of our oil and natural gas properties. In addition to commodity prices, our production rates, levels of proved reserves, future development costs, transfers of unevaluated properties and other factors will determine our actual ceiling test calculation and impairment analysis in future periods.

Interest Expense

Interest expense, net of capitalized interest, was $70.3 million in 2017 compared to $64.5 million in 2016 and $58.4 million in 2015. The increase in interest expense for 2017 as compared to 2016 was primarily due to an increase in average borrowings outstanding between periods, a lower amount of capitalized interest cost and a higher interest rate on the new term loan credit agreement that was completed in November 2017 as compared to borrowings under our prior revolving credit facility (which was repaid with proceeds from the term loan credit agreement). The increase in interest expense for 2016 as compared to 2015 was primarily due to an increase in average borrowings outstanding between periods and a lower amount of capitalized interest cost. In May 2015, we issued $200 million of 8% senior unsecured notes.

Income Tax

The income tax benefit recognized during 2017 was $1.6 million as compared to an income tax benefit of $1.4 million in 2016. The effective tax rate in 2017 was 14.6% compared to an effective tax rate of 0.5% in 2016. In 2017 and 2016, the tax benefits recognized related to the utilization of our alternative minimum tax credit as a result of favorable tax incentives. We have recorded a full valuation allowance against our net deferred tax assets due to uncertainty regarding their realization in 2017 and 2016. For further discussion of our valuation allowance, see Note 10 to our financial statements. The $1.4 million income tax benefit recognized in 2016 compared to an income tax benefit of $202.4 million in 2015. The effective tax rate in 2016 was 0.5% compared to an effective tax rate of 17.2% in 2015. The lower effective tax rate in 2016 relates to the $341.3 million valuation allowance placed on the net deferred tax assets in 2016 due to uncertainty regarding their realization, in addition to state income taxes and estimated permanent differences.
Non-GAAP Financial Measures

Adjusted Net Income and Adjusted EBITDA are non-GAAP measures. Net income (loss) is the most directly comparable GAAP measure for both Adjusted Net Income and Adjusted EBITDA, and tabular reconciliations for these measures are included below. We recorded a net loss of $9.2 million (representing $0.15 per diluted share) for 2017, compared to a net loss of $293.5 million (representing $4.80 per diluted share) for 2016 and a net loss of $975.4 million (representing $16.08 per diluted share) for 2015.

We define Adjusted Net Income as net income (loss) excluding (i) (gain) loss on the mark-to-market of derivative instruments, net of tax, (ii) restructuring costs, net of tax, (iii) impairment of oil and natural gas properties, net of tax, (iv) write-off of debt issuance costs, net of tax, (v) loss on the extinguishment of debt, net of tax, and (vi) certain legal settlements, net of tax. Our Adjusted Net Income for 2017 was $8.5 million (representing $0.14 per diluted share) as compared to Adjusted Net Income for 2016 of $12.2 million (representing $0.20 per diluted share) and $47.6 million (representing $0.78 per diluted share) for 2015. The decrease in Adjusted Net Income in 2017 compared to 2016 was primarily due to lower realized commodity prices, and higher general and administrative expenses, production expenses and interest costs, which were partially offset by lower depletion expense and higher production volumes. The decrease in Adjusted Net Income in 2016 compared to 2015 was primarily due to lower realized commodity prices and production volumes, as well as higher interest costs, which were partially offset by lower depletion expense and other operating expenses.

We define Adjusted EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation, depletion, amortization, and accretion, (iv) (gain) loss on the mark-to-market of derivative instruments, (v) non-cash share based compensation expense, (vi) write-off of debt issuance costs, (vii) loss on the extinguishment of debt, and (viii) impairment of oil and natural gas properties. Adjusted EBITDA for 2017 was $144.7 million, compared to Adjusted EBITDA of $148.5 million in 2016 and $277.3 million in 2015. The decrease in Adjusted EBITDA in 2017 as compared to 2016 is primarily due to lower realized commodity prices and increased general and administrative expenses, partially offset by higher production volumes. The decrease in Adjusted EBITDA in 2016 as compared to 2015 was primarily due to lower realized commodity prices and lower production volumes.

Management believes the use of these non-GAAP financial measures provides useful information to investors to gain an overall understanding of our current financial performance. Specifically, management believes the non-GAAP financial measures included herein provide useful information to both management and investors by excluding certain expenses and unrealized commodity gains and losses that our management believes are not indicative of our core operating results. In addition, these non-GAAP financial measures are used by management for budgeting and forecasting as well as subsequently measuring our performance, and we believe that we are providing investors with financial measures that most closely align to our internal measurement processes. We consider these non-GAAP measures to be useful in evaluating our core operating results as they more closely reflect our essential revenue generating activities and direct operating expenses (resulting in cash expenditures) needed to perform these revenue generating activities. Our management also believes, based on feedback provided by the investment community, that the non-GAAP financial measures are necessary to allow the investment community to construct its valuation models to better compare our results with our competitors and market sector.

These measures should be considered in addition to results prepared in accordance with GAAP. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. We believe that non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP financial measures.

Adjusted Net Income and Adjusted EBITDA are non-GAAP measures. A reconciliation of these measures to GAAP is included below:


### Reconciliation of Adjusted Net Income

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands, except share and per common share data)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Loss</td>
<td>$ (9,194)</td>
<td>$ (293,494)</td>
<td>$ (975,355)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of Selected Items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Gain) Loss on the Mark-to-Market of Derivative Instruments</td>
<td>18,443</td>
<td>76,347</td>
<td>88,716</td>
</tr>
<tr>
<td>Restructuring Costs</td>
<td>—</td>
<td>—</td>
<td>523</td>
</tr>
<tr>
<td>Impairment of Oil and Natural Gas Properties</td>
<td>—</td>
<td>237,013</td>
<td>1,163,959</td>
</tr>
<tr>
<td>Write-off of Debt Issuance Costs</td>
<td>95</td>
<td>1,090</td>
<td>—</td>
</tr>
<tr>
<td>Loss on the Extinguishment of Debt</td>
<td>993</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Legal Settlements</td>
<td>3,589</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Selected Items, Before Income Taxes (Benefit)</td>
<td>23,121</td>
<td>314,450</td>
<td>1,253,198</td>
</tr>
<tr>
<td>Income Tax (Benefit) of Selected Items(^{(1)})</td>
<td>(5,388)</td>
<td>(8,723)</td>
<td>(230,259)</td>
</tr>
<tr>
<td>Selected Items, Net of Income Taxes (Benefit)</td>
<td>17,733</td>
<td>305,727</td>
<td>1,022,939</td>
</tr>
<tr>
<td>Adjusted Net Income</td>
<td>$ 8,539</td>
<td>$ 12,233</td>
<td>$ 47,584</td>
</tr>
<tr>
<td>Weighted Average Shares Outstanding – Basic</td>
<td>62,408,855</td>
<td>61,173,547</td>
<td>60,652,447</td>
</tr>
<tr>
<td>Weighted Average Shares Outstanding – Diluted</td>
<td>62,769,234</td>
<td>61,824,749</td>
<td>60,887,698</td>
</tr>
<tr>
<td>Net Loss Per Common Share – Basic</td>
<td>$ (0.15)</td>
<td>$ (4.80)</td>
<td>$ (16.08)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of Selected Items, Net of Income Taxes (Benefit)</td>
<td>0.29</td>
<td>5.00</td>
<td>16.86</td>
</tr>
<tr>
<td>Adjusted Net Income Per Common Share – Basic</td>
<td>$ 0.14</td>
<td>$ 0.20</td>
<td>$ 0.78</td>
</tr>
<tr>
<td>Net Loss Per Common Share – Diluted</td>
<td>$ (0.15)</td>
<td>$ (4.75)</td>
<td>$ (16.02)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of Selected Items, Net of Income Taxes (Benefit)</td>
<td>0.29</td>
<td>4.95</td>
<td>16.80</td>
</tr>
<tr>
<td>Adjusted Net Income Per Common Share – Diluted</td>
<td>$ 0.14</td>
<td>$ 0.20</td>
<td>$ 0.78</td>
</tr>
</tbody>
</table>

\(^{(1)}\) For the 2017 columns, this represents the tax impact using an estimated tax rate of 39.1% and includes adjustments for changes in our valuation allowance of $3.7 million, excluding the impact for the Tax Cuts and Jobs Act that was enacted on December 22, 2017. For 2016 and 2015 columns, this represents the tax impact using an estimated tax rate of 37.4% for 2016 and 36.9% for 2015, and includes adjustments for changes in our valuation allowance of $109.0 million for 2016, and $232.3 million for 2015, respectively.
Reconciliation of Adjusted EBITDA

<table>
<thead>
<tr>
<th>Net Loss</th>
<th>$ (9,194)</th>
<th>$ (293,494)</th>
<th>$ (975,355)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>70,286</td>
<td>64,486</td>
<td>58,360</td>
</tr>
<tr>
<td>Income Tax Benefit</td>
<td>(1,570)</td>
<td>(1,402)</td>
<td>(202,424)</td>
</tr>
<tr>
<td>Depreciation, Depletion, Amortization and Accretion</td>
<td>59,500</td>
<td>61,244</td>
<td>137,770</td>
</tr>
<tr>
<td>Impairment of Oil and Natural Gas Properties</td>
<td>—</td>
<td>237,013</td>
<td>1,163,959</td>
</tr>
<tr>
<td>Non-Cash Share Based Compensation</td>
<td>6,107</td>
<td>3,182</td>
<td>6,273</td>
</tr>
<tr>
<td>Write-off of Debt Issuance Costs</td>
<td>95</td>
<td>1,090</td>
<td>—</td>
</tr>
<tr>
<td>Loss on the Extinguishment of Debt</td>
<td>993</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Loss on the Mark-to-Market of Derivative Instruments</td>
<td>18,443</td>
<td>76,347</td>
<td>88,716</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>$ 144,660</strong></td>
<td><strong>$ 148,466</strong></td>
<td><strong>$ 277,299</strong></td>
</tr>
</tbody>
</table>

Liquidity and Capital Resources

Overview

Our main sources of liquidity and capital resources as of the date of this report have been internally generated cash flow from operations, proceeds from senior unsecured notes, credit facility borrowings and cash settlements of derivative contracts. Our primary uses of capital have been for the acquisition and development of our oil and gas properties. We continually monitor potential capital sources for opportunities to enhance liquidity or otherwise improve our financial position.

One of the primary sources of variability in our cash flows from operating activities is commodity price volatility. On a Boe basis, oil accounted for 84% and 87% of our total production volumes in 2017 and 2016, respectively. As a result, our operating cash flows are more sensitive to fluctuations in oil prices than they are to fluctuations in natural gas and NGL prices. We partially mitigate volatility in the price of crude oil by entering into hedging arrangements with respect to a portion of our expected oil production.

Due to the significant drop in crude oil prices in the futures market, we were unable to replace our maturing higher dollar hedges with new derivative instruments at similar pricing levels. As a result, the effect of the gain from our settled derivatives on our average price per barrel declined from $14.22 per barrel in 2016 to $0.83 per barrel in 2017. In addition, the percentage of our oil production hedged at these lower price levels increased from 42% in 2016 to 62% in 2017. Partially offsetting the decrease in realized price per barrel was an 8% increase in production volumes in 2017 as compared to 2016. The combination of these factors reduced our cash flow from operations in 2017 as compared to 2016.

As of December 31, 2017, we had derivative swap contracts hedging approximately 3.1 million, 1.9 million and 1.2 million barrels of oil in 2018, 2019 and 2020, respectively at an average price per barrel of $53.26, $51.80 and $50.41, respectively (see Note 11 to our financial statements).

On November 1, 2017 (the “Effective Date”), we entered into a term loan credit agreement with TPG Specialty Lending, Inc., as administrative agent and collateral agent (in such capacities, the “Agent”), and the lenders from time to time party thereto. The term loan credit agreement provides for the issuance of an aggregate principal amount of up to $500 million in term loans to us, consisting of (i) $300 million in initial term loans that were made on the Effective Date (the “Initial Loans”), (ii) $100 million in delayed draw term loans available to us, subject to satisfaction of certain conditions precedent described therein, for a period of 18 months after the Effective Date (the “Delayed Draw Loans”), and (iii) up to $100 million in incremental term loans on an uncommitted basis and subject, among other things, to one or more lenders agreeing in the future to make such loans (the “Incremental Loans”) (the Initial Loans, Delayed Draw Loans and the Incremental Loans, collectively, the “Loans”). Amounts borrowed and repaid under the term loan credit agreement may not be reborrowed. The term loan facility provided by the term loan credit agreement matures on November 1, 2022.
Proceeds from the Initial Loans were used on the Effective Date to repay in its entirety borrowings outstanding under our prior revolving credit facility.

Borrowings under the term loan credit agreement bear interest at a rate per annum equal to the “Adjusted LIBO Rate” (subject to a 1.00% floor) plus a 7.75% per annum margin. The “Adjusted LIBO Rate” is equal to the product of: (i) 3 month LIBOR multiplied by (ii) the statutory reserve rate. Upon the occurrence and continuance of an event of default all outstanding Loans shall bear interest at a rate equal to 3.00% per annum plus the then-effective rate of interest. Interest is payable on the last business day of each March, June, September and December.

With cash flow from operations coupled with our term loan credit agreement we believe that we will have sufficient cash flow and liquidity to fund our budgeted capital expenditures and operating expenses for at least the next twelve months. Any significant acquisition of additional properties or significant increase in drilling activity may require us to seek additional capital. We may also choose to seek additional financing from the capital markets rather than utilize our term loan credit agreement to fund such activities. We cannot assure you, however, that any additional capital will be available to us on favorable terms or at all.

We continually seek to maintain a financial profile that provides operational flexibility. However, a decline in our realized commodity prices could have a negative impact on our ability to raise additional capital and/or maintain our desired levels of liquidity. At December 31, 2017, we had $979.3 million of total debt outstanding, $490.8 million of stockholders' deficit, and $102.2 million of cash on hand. Additionally, at December 31, 2017, there was $100 million of committed borrowing availability under our term loan credit agreement. At December 31, 2016, we had $832.6 million of debt outstanding, $487.4 million of stockholders' deficit and $6.5 million of cash on hand.

The significant decline in oil prices that we've experienced since late 2014 has substantially decreased our cash flows from operating activities. Sustained low oil prices could significantly reduce or eliminate our planned capital expenditures. If production is not replaced through the acquisition or drilling of new wells our production levels will lower due to the natural decline of production from existing wells. Reduced production levels combined with low commodity prices would lower cash flow from operations and could adversely affect our ability to meet our term loan credit agreement covenant requirements. While we are currently in compliance with our financial covenants under the term loan credit agreement at December 31, 2017, there is no assurance we will be able to maintain compliance in the future. See additional discussion in Item 1A. Risk Factors, including under the headings “Our future success depends on our ability to replace reserves that our operators produce” and “Our term loan credit agreement contains operating and financial restrictions that may restrict our business and financing activities.”

Improving commodity prices and increased development activity in the Williston Basin led to a rise in our 2017 annual capital expenditure spending by 85% as compared to the prior year and increased the number of new wells placed into production. In 2016, low commodity prices and reduced activity led to our significantly lower capital expenditure spending. Our recent capital commitments have been to fund drilling in the Williston Basin and, to a lesser extent, fund acreage acquisitions. We expect to fund our near term capital requirements and working capital needs with cash on hand, cash flows from operations and available borrowing capacity under our term loan credit agreement. Our capital expenditures could be curtailed if our cash flows decline from expected levels. Because production from existing oil and natural gas wells declines over time, reductions of capital expenditures used to drill and complete new oil and natural gas wells would likely result in lower levels of oil and natural gas production in the future.

**Working Capital**

Our working capital balance fluctuates as a result of changes in commodity pricing and production volumes, collection of receivables, expenditures related to our development and production operations and the impact of our outstanding derivative instruments.

At December 31, 2017, we had a working capital surplus of $29.2 million, compared to a deficit of $30.5 million at December 31, 2016. Current assets increased by $105.9 million and current liabilities increased by $46.1 million at December 31, 2017, compared to December 31, 2016. The increase in current assets in 2017 as compared to 2016 is primarily due to higher cash balance as a result of the term loan credit agreement, higher accounts receivable due to higher commodity prices and an 8% increase in production levels. The change in current liabilities is primarily due to an increase of $37.0 million in accounts payable primarily as a result of increased development activity and an $8.7 million increase in derivative instruments due to lower forward oil price projections.
Cash Flows

Cash flows from operations are primarily affected by production volumes and commodity prices, net of the effects of settlements of our derivative contracts. Our cash flows from operations also are impacted by changes in working capital. Any payments due to counterparties under our derivative contracts are generally funded by proceeds received from the sale of our production. Production receipts, however, lag payments to the counterparties. Any interim cash needs are funded by cash from operations or borrowings under the term loan credit agreement. As of December 31, 2017, we had entered into derivative swap contracts hedging approximately 3.1 million, 1.9 million and 1.2 million barrels of oil in 2018, 2019 and 2020, respectively, at an average price per barrel of $53.26, $51.80 and $50.41, respectively. See “Item 7A. Quantitative and Qualitative Disclosures about Market Risk.”

Our cash flows for the years ended December 31, 2017, 2016 and 2015 are presented below:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash Provided by Operating Activities</td>
<td>$72,967</td>
<td>$101,892</td>
<td>$247,016</td>
</tr>
<tr>
<td>Net Cash Used for Investing Activities</td>
<td>(119,240)</td>
<td>(90,964)</td>
<td>(288,936)</td>
</tr>
<tr>
<td>Net Cash Provided by (Used for) Financing Activities</td>
<td>141,970</td>
<td>(7,832)</td>
<td>35,973</td>
</tr>
<tr>
<td>Net Change in Cash</td>
<td>$95,697</td>
<td>$3,096</td>
<td>$(5,947)</td>
</tr>
</tbody>
</table>

Cash flows provided by operating activities

The decrease in net cash provided by operating activities in 2017 was caused by a $57.8 million reduction in the gain on settled derivatives, which was partially offset by improving commodity prices and an 8% year-over-year increase in production. The decline in net cash provided by operating activities in 2016 was caused by lower oil prices, a 16% year-over-year decrease in production and a $99.6 million reduction in the gain on settled derivatives.

Cash flows used in investing activities

We had cash flows used in investing activities of $119.2 million, $91.0 million and $288.9 million during the years ended December 31, 2017, 2016 and 2015, respectively, primarily as a result of our capital expenditures for drilling, development and acquisition costs. The year-over-year increase in cash used in investing activities in 2017 was attributable to increased oil and gas development activities. In light of the lower price environment, oil and gas development activities were significantly lower in 2016 when compared to 2015. During 2017, 2016 and 2015 we added 16.9, 10.7 and 18.6 net wells to production, respectively.

Our cash flows used in investing activities reflects actual cash spending, which can lag several months from when the related costs were incurred. As a result, our actual cash spending is not always reflective of current levels of development activity. For instance, during the year ended December 31, 2017, our capitalized costs incurred for oil and natural gas properties (e.g. drilling and completion costs and other capital expenditures) amounted to $156.0 million, while the actual cash spend in this regard amounted to $119.4 million. Our cash spend for development and acquisition activities for the years ended December 31, 2017, 2016 and 2015 are summarized in the following table:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling and Completion Costs</td>
<td>$113.7</td>
<td>$75.3</td>
<td>$279.2</td>
</tr>
<tr>
<td>Acreage and Other Related Activities</td>
<td>5.2</td>
<td>16.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Other Capital Expenditures</td>
<td>0.7</td>
<td>1.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>$119.6</td>
<td>$92.9</td>
<td>$289.1</td>
</tr>
</tbody>
</table>

Development and acquisition activities are discretionary. We monitor our capital expenditures on a regular basis, adjusting the amount up or down, and between projects, depending on projected commodity prices, cash flows and returns.
Cash flows (used for) provided by financing activities

Net cash provided by (used for) financing activities was $142.0 million, $(7.8) million and $36.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The cash provided by financing activities in 2017 as compared to 2016 was primarily related to repayments of $144.0 million on our prior revolving credit facility that was refinanced with $300.0 million from the term loan credit agreement completed in November 2017. In 2016, net cash used for financing activities was attributable to repayments of $6.0 million under the revolving credit facility for the year ended December 31, 2016. In 2015, cash sourced through financing activities was primarily provided by the $200 million Notes issuance in May 2015, which was partially offset by repayments of $148.0 million on the revolving credit facility. Our long-term debt at December 31, 2017 was $979.3 million, which was comprised of $692.0 million in senior unsecured notes and $287.4 million of borrowings under our term loan credit agreement. At December 31, 2017, we had $100.0 million of available borrowing capacity under our term loan credit facility.

Term Loan Credit Facility

On November 1, 2017 (the “Effective Date”), we entered into a term loan credit agreement with TPG Specialty Lending, Inc., as administrative agent and collateral agent (in such capacities, the “Agent”), and the lenders from time to time party thereto. The term loan credit agreement provides for the issuance of an aggregate principal amount of up to $500 million in term loans to us, consisting of (i) $300 million in initial term loans that were made on the Effective Date (the “Initial Loans”), (ii) $100 million in delayed draw term loans available to us, subject to satisfaction of certain conditions precedent described therein, for a period of 18 months after the Effective Date (the “Delayed Draw Loans”), and (iii) up to $100 million in incremental term loans on an uncommitted basis and subject, among other things, to one or more lenders agreeing in the future to make such loans (the “Incremental Loans”) (the Initial Loans, Delayed Draw Loans and the Incremental Loans, collectively, the “Loans”). Amounts borrowed and repaid under the term loan credit agreement may not be reborrowed. The term loan facility provided by the term loan credit agreement matures on November 1, 2022.

Proceeds from the Initial Loans were used on the Effective Date to repay in its entirety borrowings outstanding under the Company’s prior revolving credit facility.

Borrowings under the term loan credit agreement bear interest at a rate per annum equal to the “Adjusted LIBO Rate” (subject to a 1.00% floor) plus a 7.75% per annum margin. The “Adjusted LIBO Rate” is equal to the product of: (i) 3 month LIBOR multiplied by (ii) the statutory reserve rate. Upon the occurrence and continuance of an event of default all outstanding Loans shall bear interest at a rate equal to 3.00% per annum plus the then-effective rate of interest. Interest is payable on the last business day of each March, June, September and December.

A commitment fee is paid on the unused amount of the delayed draw commitments based on an annual rate of 2.00% (the “Commitment Fee”). The term loan credit agreement also requires us to prepay the loans with 100.00% of the net cash proceeds received from certain asset sales, swap terminations, incurrences of borrowed money indebtedness, equity issuances, casualty events and extraordinary receipts, subject to certain exceptions and specified reinvestment rights. Prepayments (including mandatory prepayments), terminations, refinancing, reductions and accelerations under the term loan credit agreement are subject to the payment of a yield maintenance amount for any such prepayment, termination, refinancing, reduction or acceleration occurring within one year of the funding of the applicable Loan that allows the lenders to attain approximately the same yield as if such Loan remained outstanding for the entire 1-year period plus a call protection amount equal to the product of the principal amount of Loans so prepaid, terminated, refinanced, reduced or accelerated multiplied by 7.00%; for any such prepayment, termination, refinancing, reduction or acceleration occurring on or after the one-year anniversary of the funding of the applicable Loan, a call protection amount equal to the product of the principal amount of Loans so prepaid, terminated, refinanced, reduced or accelerated multiplied by (i) 7.00% if occurring within 18 months of the funding of such Loan, (ii) 3.00% if occurring after the 18-month anniversary but on or prior to the 30-month anniversary of the funding of such Loan, or (iii) 1.00% if occurring after the 30-month anniversary but on or prior to the 42-month anniversary of the funding of such Loan, will be due, in each case, as set forth in the term loan credit agreement. Additionally, to the extent that the Loans are refinanced in full or the delayed draw commitments are terminated or reduced prior to the date that is 18 months after the Effective Date, we will be required to pay a yield maintenance amount in respect of the Commitment Fee that would have accrued on the delayed draw commitments as set forth in the term loan credit agreement.
The term loan credit agreement contains negative covenants that limit our ability, among other things, to pay cash dividends, incur additional indebtedness, sell assets, enter into certain derivatives contracts, change the nature of our business or operations, merge, consolidate, or make certain types of investments and require the outstanding principal amount of our 8.00% senior unsecured notes due 2020 to be no more than $30 million by March 1, 2020. In addition, the term loan credit agreement requires that we comply with the following financial covenants: (i) as of any date of determination, the ratio of Total PDP PV-10 (as defined in the term loan credit agreement) plus the aggregate amount of all unrestricted cash and cash equivalents (in accounts subject to control agreements) to the amount of Senior Secured Debt (as defined in the term loan credit agreement) shall not be less than 1.30 to 1.00, (ii) as of the last day of any fiscal quarter, the ratio of Net Senior Secured Debt (as defined in the term loan credit agreement) to EBITDAX (as defined in the term loan credit agreement) for the period of four fiscal quarters then ending on such day will not be greater than 3.75 to 1.00 and (iii) as of any date of determination our unrestricted cash and cash equivalents (in accounts subject to control agreements) plus the aggregate undrawn delayed draw commitments available to us shall not be less than $20.0 million.

Our obligations under the term loan credit agreement may be accelerated upon the occurrence of an Event of Default (as defined in the term loan credit agreement). Events of Default include customary events for a financing agreement of this type, including, without limitation, payment defaults, the inaccuracy of representations and warranties, defaults in the performance of affirmative or negative covenants, defaults on other indebtedness on us or our subsidiaries, bankruptcy or related defaults, defaults related to judgments and the occurrence of a Change in Control (as defined in the term loan credit agreement).

Our obligations under the term loan credit agreement are secured by mortgages on substantially all of our oil and gas properties subject to the limitations set forth in the Credit Agreement. In connection with the term loan credit agreement, we entered into a guaranty and collateral agreement in favor of the Agent for the secured parties, pursuant to which our obligations under the term loan credit agreement and any swap agreements entered into with swap counterparties are secured by a first-priority security interest in substantially all of our assets.

**8.000% Senior Notes due 2020**

On May 18, 2012, we issued at par value $300 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “Original Notes”). On May 13, 2013, we issued at a price of 105.25% of par an additional $200 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “2013 Follow-on Notes”). On May 18, 2015, we issued at a price of 95.000% of par an additional $200 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “2015 Mirror Notes” and, together with the Original Notes and the 2013 Follow-on Notes, the “Notes”). Interest is payable on the Notes semi-annually in arrears on each of June 1 and December 1. The issuance of the Original Notes resulted in net proceeds to us of approximately $291.2 million, the issuance of the 2013 Follow-on Notes resulted in net proceeds to us of approximately $200.1 million, and the issuance of the 2015 Mirror Notes resulted in net proceeds to us of approximately $184.9 million. Collectively, the net proceeds are in use to fund our exploration, development and acquisition program and for general corporate purposes (including repayment of borrowings that were outstanding under our prior revolving credit facility at the time the Notes were issued).

On and after June 1, 2016, we may redeem some or all of the Notes at redemption prices (expressed as percentages of principal amount) equal to 104% for the twelve-month period beginning on June 1, 2016, 102% for the twelve-month period beginning June 1, 2017 and 100% beginning on June 1, 2018, plus accrued and unpaid interest to the redemption date.

The Original Notes and the 2013 Follow-on Notes are governed by an Indenture, dated as of May 18, 2012, by and among the Company and Wilmington Trust, National Association (the “Original Indenture”). The 2015 Mirror Notes are governed by an Indenture, dated as of May 18, 2015, by and among the Company and Wilmington Trust, National Association (the “Mirror Indenture”). The terms and conditions of the Mirror Indenture conform, in all material respects, to the terms and conditions set forth in the Original Indenture. As such, the Mirror Indenture, together with the Original Indenture, are referred to herein as the “Indenture”.

The Indenture restricts our ability to: (i) incur additional debt or enter into sale and leaseback transactions; (ii) pay distributions on, redeem or repurchase, equity interests; (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets. These covenants are subject to a number of important exceptions and qualifications. If at any time when the Notes are rated investment grade by both Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will terminate and we and our subsidiaries (if any) will cease to be subject to such covenants.

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The Indenture contains customary events of default, including:

- default in any payment of interest on any Note when due, continued for 30 days;
- default in the payment of principal of or premium, if any, on any Note when due;
- failure by us to comply with our other obligations under the Indenture, in certain cases subject to notice and grace periods;
- payment defaults and accelerations with respect to our other indebtedness and certain of our subsidiaries, if any, in the aggregate principal amount of $25 million or more;
- certain events of bankruptcy, insolvency or reorganization of our company or a significant subsidiary or group of restricted subsidiaries that, taken together, would constitute a significant subsidiary;
- failure by us or any significant subsidiary or group of restricted subsidiaries that, taken together, would constitute a significant subsidiary to pay certain final judgments aggregating in excess of $25 million within 60 days; and
- any guarantee of the Notes by a guarantor ceases to be in full force and effect, is declared null and void in a judicial proceeding or is denied or disaffirmed by its maker.

2018 Capital Expenditure Budget

Our board of directors has approved a capital expenditure budget of up to $176.6 million for calendar year 2018. However, the amount, timing and allocation of capital expenditures are largely discretionary and subject to change based on a variety of factors. If oil, NGL and natural gas prices decline below our acceptable levels, or costs increase above our acceptable levels, we may choose to defer a portion of our budgeted capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. Subject to financing alternatives, we may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We will carefully monitor and may adjust our projected capital expenditures in response to success or lack of success in drilling activities, changes in prices, availability of financing and joint venture opportunities, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, reduction of service costs, contractual obligations, internally generated cash flow and other factors both within and outside our control. For additional information on the impact of changing prices on our financial position, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

Capital Requirements

Our primary needs for cash are for exploration, development and acquisition of oil and natural gas properties and payment of interest on outstanding indebtedness. During 2017, our development and other capitalized expenditures included approximately $148.8 million of drilling, capitalized workover costs and producing property acquisitions, $1.2 million related to asset retirement obligations, $0.9 million of capitalized internal costs and $0.2 million of capitalized interest. Also in 2017, approximately $4.9 million was expended on acreage and other expenditures in the Williston Basin. Our 2017 capital program was funded by cash on hand, net cash flow from operations and borrowings under our term loan credit facility and the Notes. Our capital expenditure budget for 2018 is discussed above under the heading “2018 Capital Expenditure Budget.”

Development and acreage activities are discretionary, and, for the near term, we expect such activities to be maintained at levels we can fund through cash on hand, internal cash flow and borrowings under our term loan credit facility. To the extent capital requirements exceed internal cash flow and borrowing capacity under our term loan credit facility, additional financings from the capital markets may be pursued to fund these requirements. We monitor our capital expenditures on a regular basis, adjusting the amount up or down and also between our projects, depending on commodity prices, cash flow and projected returns. Also, our obligations may change due to acquisitions, divestitures and continued growth. Our future success in growing proved reserves and production may be dependent on our ability to access outside sources of capital. If internally generated cash flow and borrowing capacity is not available under our term loan credit facility, we may issue additional shares of stock, subordinated notes or other debt securities to fund capital expenditures, acquisitions, extend maturities or to repay debt.
Satisfaction of Our Cash Obligations for the Next 12 Months

With our term loan credit agreement and our cash flows from operations, we believe we will have sufficient capital to meet our drilling commitments and expected general and administrative expenses for the next twelve months. Nonetheless, any strategic acquisition of assets or increase in drilling activity may require us to seek additional capital. We may also choose to seek additional capital rather than utilize our credit facility or other debt instruments to fund accelerated or continued drilling at the discretion of management and depending on prevailing market conditions. We will evaluate any potential opportunities for acquisitions as they arise. However, there can be no assurance that any additional capital will be available to us on favorable terms or at all.

Over the next 24 months it is possible that our existing capital, our term loan credit agreement and anticipated funds from operations may not be sufficient to sustain continued acreage acquisitions and drilling activities. Consequently, we may seek additional capital in the future to fund growth and expansion through additional debt or equity financing or credit facilities. No assurance can be made that such financing would be available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our shareholders.

Effects of Inflation and Pricing

The oil and natural gas industry is very cyclical and the demand for goods and services of oil field companies, suppliers and others associated with the industry put extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Conversely, in a period of declining prices, associated cost declines are likely to lag and may not adjust downward in proportion. Material changes in prices also impact our current revenue stream, estimates of future reserves, borrowing base calculations of bank loans, impairment assessments of oil and natural gas properties, and values of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain personnel. While we do not currently expect business costs to materially increase, higher prices for oil and natural gas could result in increases in the costs of materials, services and personnel. The improving commodity price environment in 2017 has increased development activities which has increased service costs. If the Williston Basin development activities remain at the current levels, we expect business costs will increase 5-10% in 2018 due to increased demand for materials, services and personnel.

Contractual Obligations and Commitments

The following table summarizes our obligations and commitments at December 31, 2017 to make future payments under certain contracts, aggregated by category of contractual obligation, for specified time periods:

<table>
<thead>
<tr>
<th>Contractual Obligations</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Leases(1)</td>
<td>$342</td>
<td>$1,053</td>
<td>$-</td>
<td>$-</td>
<td>$1,395</td>
</tr>
<tr>
<td>Long Term Debt(2)</td>
<td>$700,000</td>
<td>$300,000</td>
<td>$-</td>
<td>$-</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Cash Interest Expense on Debt(3)</td>
<td>$84,500</td>
<td>$164,833</td>
<td>$54,625</td>
<td>$-</td>
<td>$303,958</td>
</tr>
<tr>
<td>Total</td>
<td>$84,842</td>
<td>$865,886</td>
<td>$354,625</td>
<td>$-</td>
<td>$1,305,353</td>
</tr>
</tbody>
</table>

(1) Office leases through 2021
(2) Term Loan Credit Agreement and 8.000% Senior Notes due 2020 (see Note 4 to Financial Statements)
(3) Cash interest on our Term Loan Credit Agreement and 8.000% Senior Notes due 2020 are estimated assuming no principal repayment until the due date

The above contractual obligations schedule does not include future anticipated settlement of derivative contracts or estimated amounts expected to be incurred in the future associated with the abandonment of our oil and gas properties, as we cannot determine with accuracy the amount and/or timing of such payments.
Critical Accounting Policies

The establishment and consistent application of accounting policies is a vital component of accurately and fairly presenting our financial statements in accordance with generally accepted accounting principles in the United States (GAAP), as well as ensuring compliance with applicable laws and regulations governing financial reporting. While there are rarely alternative methods or rules from which to select in establishing accounting and financial reporting policies, proper application often involves significant judgment regarding a given set of facts and circumstances and a complex series of decisions.

Use of Estimates

The preparation of financial statements under GAAP requires management to make estimates and assumptions that affect our reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates of our proved oil and natural gas reserves, future development costs, estimates relating to certain oil and natural gas revenues and expenses and fair value of derivative instruments are the most critical to our financial statements.

Oil and Natural Gas Reserves

The determination of depreciation, depletion and amortization expense as well as impairments that are recognized on our oil and natural gas properties are highly dependent on the estimates of the proved oil and natural gas reserves attributable to our properties. Our estimate of proved reserves is based on the quantities of oil and natural gas which geological and engineering data demonstrate, with reasonable certainty, to be recoverable in the future years from known reservoirs under existing economic and operating conditions. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation, and judgment. For example, we must estimate the amount and timing of future operating costs, production taxes and development costs, all of which may in fact vary considerably from actual results. In addition, as the prices of oil and natural gas and cost levels change from year to year, the economics of producing our reserves may change and therefore the estimate of proved reserves may also change. Approximately 39% of our proved oil and gas reserve volumes are categorized as proved undeveloped reserves. Oil and natural gas prices have fallen significantly since the second half of 2014. An extended decline in oil and gas prices may adversely affect our ability to fund planned expenditures. Any significant variance in these assumptions could materially affect the estimated quantity and value of our reserves.

The information regarding present value of the future net cash flows attributable to our proved oil and natural gas reserves are estimates only and should not be construed as the current market value of the estimated oil and natural gas reserves attributable to our properties. Such information includes revisions of certain reserve estimates attributable to our properties included in the prior year’s estimates. These revisions reflect additional information from subsequent activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in oil and natural gas prices. Any future downward revisions could adversely affect our financial condition, our borrowing ability, our future prospects and the value of our common stock.

The estimates of our proved oil and natural gas reserves used in the preparation of our financial statements were prepared by Ryder Scott Company, our registered independent petroleum consultants, and were prepared in accordance with the rules promulgated by the SEC.

Oil and Natural Gas Properties

The method of accounting we use to account for our oil and natural gas investments determines what costs are capitalized and how these costs are ultimately matched with revenues and expensed.

We utilize the full cost method of accounting to account for our oil and natural gas investments instead of the successful efforts method because we believe it more accurately reflects the underlying economics of our programs to explore and develop oil and natural gas reserves. The full cost method embraces the concept that dry holes and other expenditures that fail to add reserves are intrinsic to the oil and natural gas exploration business. Thus, under the full cost method, all costs incurred in connection with the acquisition, development and exploration of oil and natural gas reserves are capitalized. These capitalized amounts include the costs of unproved properties, internal costs directly related to acquisitions, development and exploration activities, asset retirement costs, geological and geophysical costs that are directly attributable to the properties and capitalized interest. Although some of these costs will ultimately result in no additional reserves, they are part of a program from which we expect the benefits of successful wells to more than offset the costs of any unsuccessful ones. The full cost method differs from the successful efforts method of accounting for oil and natural gas investments. The primary difference between these two methods is the treatment of exploratory dry hole costs. These costs are generally expensed under the successful efforts method when it is determined that
measurable reserves do not exist. Geological and geophysical costs are also expensed under the successful efforts method. Under the full cost method, both dry hole costs and geological and geophysical costs are initially capitalized and classified as unproved properties pending determination of proved reserves. If no proved reserves are discovered, these costs are then amortized with all the costs in the full cost pool.

Capitalized amounts except unproved costs are depleted using the units of production method. The depletion expense per unit of production is the ratio of the sum of our unamortized historical costs and estimated future development costs to our proved reserve volumes. Estimation of hydrocarbon reserves relies on professional judgment and use of factors that cannot be precisely determined. Subsequent reserve estimates materially different from those reported would change the depletion expense recognized during the future reporting periods. For the year ended December 31, 2017, our average depletion expense per unit of production was $10.89 per Boe. A 10% decrease in our estimated net proved reserves at December 31, 2017 would result in a $1.58 per Boe increase in our 12-month per unit depletion rate.

To the extent the capitalized costs in our full cost pool (net of depreciation, depletion and amortization and related deferred taxes) exceed the sum of the present value (using a 10% discount rate and based on 12-month/SEC oil and natural gas prices) of the estimated future net cash flows from our proved oil and natural gas reserves and the capitalized cost associated with our unproved properties, we would have a capitalized ceiling impairment. Such costs would be charged to operations as a reduction of the carrying value of oil and natural gas properties. The risk that we will be required to write down the carrying value of our oil and natural gas properties increases when oil and natural gas prices are depressed, even if the low prices are temporary. In addition, capitalized ceiling impairment charges may occur if we experience poor drilling results or if estimations of our proved reserves are substantially reduced. A capitalized ceiling impairment is a reduction in earnings that does not impact cash flows, but does impact operating income and stockholders’ equity. Once recognized, a capitalized ceiling impairment charge to oil and natural gas properties cannot be reversed at a later date. The risk that we will experience a ceiling test writedown increases when oil and natural gas prices are depressed or if we have substantial downward revisions in our estimated proved reserves.

At December 31, 2017, we performed an impairment review using prices that reflect an average of 2017’s monthly prices as prescribed pursuant to the SEC’s guidelines. For the years ended December 31, 2017, 2016 and 2015, we recorded a full cost impairment expense of zero, $0.2 billion and $1.2 billion, respectively. If a low price environment reoccurs, we might be required to further write down the value of our oil and gas properties. In addition, capitalized ceiling impairment charges may occur if estimates of proved reserves are substantially reduced or estimates of future development costs increase significantly. See “Item 2. Properties” for a discussion of our reserve estimation assumptions.

Revenue Recognition

We derive revenue primarily from the sale of the crude oil and natural gas from our interests in producing wells, hence our revenue recognition policy for these sales is significant.

We recognize revenue from the sale of crude oil and natural gas when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable.

We use the sales method of accounting for natural gas balancing of natural gas production and would recognize a liability if the existing proved reserves were not adequate to cover the current imbalance situation. As of December 31, 2017, our natural gas production was in balance, meaning our cumulative portion of natural gas production taken and sold from wells in which we have an interest equaled our entitled interest in natural gas production from those wells.

In general, settlements for hydrocarbon sales occur around two months after the end of the month in which the oil, natural gas or other hydrocarbon products were produced. We estimate and accrue for the value of these sales using information available to us at the time our financial statements are generated. Differences are reflected in the accounting period that payments are received from the operator.

Derivative Instrument Activities

We use derivative instruments from time to time to manage market risks resulting from fluctuations in the prices of oil and natural gas. We may periodically enter into derivative contracts, including price swaps, caps and floors, which require payments to (or receipts from) counterparties based on the differential between a fixed price and a variable price for a fixed quantity of oil or natural gas without the exchange of underlying volumes. The notional amounts of these financial instruments are based on expected production from existing wells. We may also use exchange traded futures contracts and option contracts to hedge the delivery price of oil at a future date.
All derivative positions are carried at their fair value on the balance sheet and are marked-to-market at the end of each period. Any realized gains and losses on settled derivatives, as well as mark-to-market gains or losses, are aggregated and recorded to gain (loss) on derivative instruments, net on the statements of operations rather than as a component of accumulated other comprehensive income or other income (expense). See Note 13 for a description of the derivative contracts.

The resulting cash flows from derivatives are reported as cash flows from operating activities.

**Income Taxes**

As of December 31, 2017 and 2016, we had recorded $0.8 million and zero net deferred tax assets, respectively.

As part of the process of preparing the financial statements, we are required to estimate the federal and state income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items such as derivative instruments, depletion, depreciation and amortization, and certain accrued liabilities for tax and financial accounting purposes. These differences and our net operating loss carry-forwards result in deferred tax assets and liabilities, which are included in our balance sheet. We must then assess, using all available negative and positive evidence, the likelihood that the deferred tax assets will be recovered from future taxable income. If we believe that recovery is not likely, we must establish a valuation allowance. Generally, to the extent we establish a valuation allowance or increase or decrease this allowance in a period, we must include an expense or reduction of expense within the tax provision in the statement of operations.

Under accounting guidance for income taxes, an enterprise must use judgment in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. The more negative evidence that exists (i) the more positive evidence is necessary and (ii) the more difficult it is to support a conclusion that a valuation allowance is not needed for all or a portion of the deferred tax asset. Among the more significant types of evidence that we consider are:

- our earnings history exclusive of the loss that created the future deductible amount coupled with evidence indicating that the loss is an aberration rather than a continuing condition;
- the ability to recover our net operating loss carry-forward deferred tax assets in future years;
- the existence of significant proved oil and natural gas reserves;
- our ability to use tax planning strategies, such as electing to capitalize intangible drilling costs as opposed to expensing such costs;
- current price protection utilizing oil and natural gas hedges;
- current market prices for oil, NGL and natural gas; and
- future revenue and operating cost projections that indicate we will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures.

During 2017 and 2016, in evaluating whether it was more-likely-than-not that our deferred tax asset was recoverable from future net income, we considered our earnings history for the current and most recent two years.

In performing our analysis, we used inputs from third-party sources, which came primarily from our reserve reports that were independently estimated by Ryder Scott. Based on our forecasted results from multiple analyses, during the years ended December 31, 2017 and 2016, we determined it is more likely than not that we will not realize our net deferred tax assets. Therefore, as of December 31, 2017 and 2016, a valuation allowance of $227.0 million and $341.3 million, respectively, was recorded.

We will continue to assess the need for a valuation allowance against deferred tax assets considering all available evidence obtained in future reporting periods.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“the Act”) which made significant changes that affect the Company. The Act is a comprehensive tax reform bill containing a number of other provisions that either currently or in the future could impact the Company. The Company has completed the analysis of the Act and does not expect a material change due to the transition impacts. Any changes that do arise due to changes in interpretations of the Act, legislative action to
address questions that arise because of the Act, changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts will be disclosed in future periods as they arise. The effect of certain limitations effective for the tax year 2018 and forward, specifically related to the deductibility of executive compensation and interest expense, have been evaluated.

Asset Retirement Obligations (“ARO”)

We record the fair value of a liability for a legal obligation to retire an asset in the period in which the liability is incurred with the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. For oil and natural gas properties, this is the period in which the well is drilled or acquired. For midstream service assets, this is the period in which the asset is placed in service. The ARO represents the estimated amount we will incur to plug, abandon and remediate the properties at the end of their productive lives, in accordance with applicable state laws. The liability is accreted to its present value each period and for oil and natural gas properties the capitalized cost is depreciated on the unit of production method or for midstream service assets depreciated over its useful life. The accretion expense is recorded in the line item “Accretion of asset retirement obligations” in our statement of operations.

We determine the ARO by calculating the present value of estimated cash flows related to the liability. Estimating the future ARO requires management to make estimates and judgments regarding timing and existence of a liability, as well as what constitutes adequate restoration. Included in the fair value calculation are assumptions and judgments including the ultimate costs, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing ARO liability, a corresponding adjustment is made to the related asset.

Stock-Based Compensation

We measure stock-based compensation expense at the grant date based on the fair value of an award and recognize the compensation expense on a straight-line basis over the service period, which is usually the vesting period. The fair value of the awards is based on the value of our common stock on the grant date. We capitalize a portion of stock-based compensation for employees who are directly involved in the acquisition, exploration and development of our properties into the full cost pool. Capitalized stock-based compensation is included as an addition to “Oil and Natural Gas Properties” in the balance sheets.

Performance Equity Awards

For performance equity awards issued to management, we utilized a Monte Carlo simulation prepared by an independent third party to determine the fair value of the awards at the grant date and to re-measure the fair value at the end of each reporting period in accordance with GAAP. The volatility criteria utilized in the Monte Carlo simulation is based on the stock prices’ expected volatility. The performance equity awards are classified as liability awards. The liability and related compensation expense for each period for these awards is recognized by dividing the fair value of the total liability by the requisite service period and recording the pro rata share for the period for which service has already been provided. Compensation expense for the performance equity awards is included in “General and Administrative” expense in our statements of operations with the corresponding liabilities recorded in the “Accrued Expenses” line item of our balance sheets.

New Accounting Pronouncements

Recently Issued

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on our financial statements upon adoption. See Notes to Financial Statements—Note 2. Significant Accounting Policies.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and industry-specific guidance in Subtopic 932-605, Extractive Activities-Oil and Gas—Revenue Recognition. The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring those goods or services. The new standard also requires significantly expanded disclosure regarding the qualitative and quantitative information of an entity’s nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition
Off-Balance Sheet Arrangements

The Company is subject to a number of financial accounting and reporting standards that are currently pending. Because these standards have not yet been finalized, at this time we are not able to determine the potential future impact that these standards will have, if any, on our financial position, results of operations or cash flows.

Accounting Standards Board. There are a large number of pending accounting standards that are being targeted for completion in 2018 and beyond, including, but not limited to, standards relating to revenue recognition, accounting for leases, fair value measurements, accounting for financial instruments, disclosure of loss contingencies and financial statement presentation. Because these pending standards have not yet been finalized, at this time we are not able to determine the potential future impact that these standards will have, if any, on our financial position, results of operations or cash flows.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the new guidance on its financial statements, however, based on its current operating leases, it is not expected to have a material impact.

In December 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business to provide guidance in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 provides a screen to determine when a set of assets is not a business, requiring that when substantially all fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set of assets is not a business. A framework is provided to assist in evaluating whether both an input and a substantive process are present for the set to be a business. ASU 2017-01 is effective for periods beginning after December 15, 2017, including interim periods within those annual periods. No disclosures are required at transition and early adoption is permitted. The Company adopted this standard on January 1, 2018 and will apply this guidance to its next business combination.

Recent Accounting Pronouncements Not Yet Adopted

For a description of the accounting standards that we adopted in 2017, see Notes to Financial Statements—Note 2. Significant Accounting Policies.

Various accounting standards and interpretations were issued in 2017 with effective dates subsequent to December 31, 2017. We have evaluated the recently issued accounting pronouncements that are effective in 2018 and believe that none of them will have a material effect on our financial position, results of operations or cash flows when adopted.

Further, we are monitoring the joint standard-setting efforts of the Financial Accounting Standards Board and the International Accounting Standards Board. There are a large number of pending accounting standards that are being targeted for completion in 2018 and beyond, including, but not limited to, standards relating to revenue recognition, accounting for leases, fair value measurements, accounting for financial instruments, disclosure of loss contingencies and financial statement presentation. Because these pending standards have not yet been finalized, at this time we are not able to determine the potential future impact that these standards will have, if any, on our financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements
We currently do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.
Commodity Price Risk

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand and other factors. Historically, the markets for oil and natural gas have been volatile, and our management believes these markets will likely continue to be volatile in the future. The prices we receive for our production depend on numerous factors beyond our control. Our revenue generally would have increased or decreased along with any increases or decreases in oil or natural gas prices, but the exact impact on our income is indeterminable given the variety of expenses associated with producing and selling oil that also increase and decrease along with oil prices.

We enter into derivative contracts to achieve a more predictable cash flow by reducing our exposure to oil price volatility. All derivative positions are carried at their fair value on the balance sheet and are marked-to-market at the end of each period. Any realized gains and losses on settled derivatives, as well as mark-to-market gains or losses, are aggregated and recorded to gain (loss) on derivative instruments, net on the statements of operations rather than as a component of other comprehensive income or other income (expense).

We generally use derivatives to economically hedge a significant, but varying portion of our anticipated future production. Any payments due to counterparties under our derivative contracts are funded by proceeds received from the sale of our production. Production receipts, however, lag payments to the counterparties. Any interim cash needs are funded by cash from operations or borrowings under our term loan credit agreement.

The following table reflects open commodity swap contracts as of December 31, 2017, the associated volumes and the corresponding fixed price.
<table>
<thead>
<tr>
<th>Settlement Period</th>
<th>Oil (Barrels)</th>
<th>Fixed Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>49.99</td>
</tr>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>50.04</td>
</tr>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>49.99</td>
</tr>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>50.17</td>
</tr>
<tr>
<td>01/01/18 – 09/30/18</td>
<td>270,000</td>
<td>53.99</td>
</tr>
<tr>
<td>01/01/18 – 09/30/18</td>
<td>270,000</td>
<td>53.99</td>
</tr>
<tr>
<td>01/01/18 – 09/30/18</td>
<td>273,000</td>
<td>55.19</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>180,000</td>
<td>53.30</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.80</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.09</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.42</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>92,000</td>
<td>52.50</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>92,000</td>
<td>52.55</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>46,000</td>
<td>54.50</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>92,000</td>
<td>52.50</td>
</tr>
<tr>
<td>01/01/19 – 03/31/19</td>
<td>45,000</td>
<td>54.22</td>
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<tr>
<td>01/01/19 – 03/31/19</td>
<td>63,000</td>
<td>53.65</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
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<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
<td>52.70</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
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<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
<td>52.15</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
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<tr>
<td>04/01/19 – 06/30/19</td>
<td>45,500</td>
<td>53.59</td>
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<td>04/01/19 – 06/30/19</td>
<td>36,400</td>
<td>53.10</td>
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<td>07/01/19 – 09/30/19</td>
<td>46,000</td>
<td>53.07</td>
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<tr>
<td>07/01/19 – 09/30/19</td>
<td>9,200</td>
<td>52.65</td>
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<td>01/01/20 – 03/31/20</td>
<td>27,300</td>
<td>51.81</td>
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<tr>
<td>01/01/20 – 12/31/20</td>
<td>366,000</td>
<td>49.77</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>183,000</td>
<td>51.30</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>109,800</td>
<td>51.70</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>366,000</td>
<td>49.75</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>183,000</td>
<td>51.10</td>
</tr>
<tr>
<td>04/01/20 – 06/30/20</td>
<td>9,100</td>
<td>51.50</td>
</tr>
</tbody>
</table>

As of December 31, 2017, we had a total volume on open commodity swaps of 3.1 million, 1.9 million and 1.2 million barrels of oil in 2018, 2019 and 2020, respectively, at an average price per barrel of $53.26, $51.80 and $50.41, respectively. The counterparties to our open commodity swaps include BP Energy Company, Macquarie Bank Limited, and Fifth Third Bank.
The following table reflects the weighted average price of open commodity swap derivative contracts as of December 31, 2017, by year with associated volumes.

### Weighted Average Price Of Open Commodity Swap Contracts

<table>
<thead>
<tr>
<th>Year</th>
<th>Volumes (Bbl)</th>
<th>Weighted Average Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,050,000</td>
<td>53.26</td>
</tr>
<tr>
<td>2019</td>
<td>1,887,600</td>
<td>51.80</td>
</tr>
<tr>
<td>2020</td>
<td>1,244,200</td>
<td>50.41</td>
</tr>
</tbody>
</table>

**Interest Rate Risk**

Our long-term debt is comprised of borrowings that contain fixed and floating interest rates. The Notes bear interest at an annual fixed rate of 8% and our term loan credit agreement interest rate is an Adjusted LIBO Rate (subject to a 1% floor) plus 7.75% per annum margin. During the year ended December 31, 2017, we had $174.1 million in average outstanding borrowings under our prior revolving credit facility and term loan credit agreement at a weighted average rate of 5.0%. Interest payments are due under the term loan credit agreement in arrears on the last day of each March, June, September and December. All outstanding principal is due and payable upon termination of the term loan credit agreement.

As a result, changes in interest rates can impact results of operations and cash flows. A 1% increase in short-term interest rates on our floating-rate debt outstanding at December 31, 2017 would cost us approximately $3.0 million in additional annual interest expense.

**Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary financial information required by this item are included on the pages immediately following the Index to Financial Statements appearing on page F-1.

**Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.
We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

As of December 31, 2017, our management, including our principal executive officer and principal financial officer, had evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) pursuant to Rule 13a-15(b) under the Exchange Act. Based upon and as of the date of the evaluation, our principal executive officer and principal financial officer concluded that information required to be disclosed is recorded, processed, summarized and reported within the specified periods and is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic SEC reports. Based on the foregoing, our management determined that our disclosure controls and procedures were effective as of December 31, 2017.

No change in our company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended December 31, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting

The management of Northern Oil and Gas, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company’s internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our Company’s financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our evaluation under the framework in Internal Control-Integrated Framework, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our Company’s internal control over financial reporting as of December 31, 2017, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report.
Board of Directors and Stockholders
Northern Oil and Gas, Inc.

Opinion on internal control over financial reporting
We have audited the internal control over financial reporting of Northern Oil and Gas, Inc. (a Minnesota corporation) (the “Company”) as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the financial statements of the Company as of and for the year ended December 31, 2017, and our report dated February 23, 2018 expressed an unqualified opinion on those financial statements.

Basis for opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting
A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota
February 23, 2018

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Item 9B. Other Information

   None.
PART III

Certain information required by this Part III is incorporated by reference from our definitive Proxy Statement for the Annual Meeting of Shareholders to be held in 2018 (the “Proxy Statement”), which we intend to file with the SEC pursuant to Regulation 14A within 120 days after December 31, 2017. Except for those portions specifically incorporated into this Annual Report on Form 10-K by reference to the Proxy Statement, no other portions of the Proxy Statement are deemed to be filed as part of this Annual Report on Form 10-K.

Item 10. Directors, Executive Officers and Corporate Governance

The information appearing under the headings “Proposal 1: Election of Directors,” “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to our chief executive officer, chief financial officer and persons performing similar functions. A copy is available on our website at www.northernoil.com. We intend to post on our website any amendments to, or waivers from, our Code of Business Conduct and Ethics pursuant to the rules of the SEC and NYSE American.

Executive Officers of the Registrant

Our executive officers, their ages and offices held are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brandon Elliott</td>
<td>46</td>
<td>Interim President; Executive Vice President, Corporate Development and Strategy</td>
</tr>
<tr>
<td>Chad Allen</td>
<td>36</td>
<td>Interim Chief Financial Officer; Chief Accounting Officer</td>
</tr>
<tr>
<td>Erik Romslo</td>
<td>40</td>
<td>Executive Vice President, General Counsel and Secretary</td>
</tr>
</tbody>
</table>

Brandon Elliott has served as our Executive Vice President, Corporate Development and Strategy since January 2013 and as our Interim President since January 2018. Prior to joining our company, Mr. Elliott served as Vice President of Investor Relations of CONSOL Energy Inc., a Fortune 500 coal and natural gas company, from 2010 until 2012. Prior to CONSOL, Mr. Elliott worked from 2000 until 2010 at Friess Associates LLC, managers of The Brandywine Funds, most recently as a portfolio manager. Mr. Elliott holds a bachelor’s degree from Dartmouth College, is a Chartered Financial Analyst (CFA) and is a member of the National Investor Relations Institute.

Chad Allen has served as our Interim Chief Financial Officer since January 2018 and our Chief Accounting Officer since August 2016, prior to which he served as our Corporate Controller starting in August 2013. Prior to joining the Company, Mr. Allen was in the audit practice with Grant Thornton LLP from 2010 to 2013, and in the audit practice at McGladrey & Pullen, LLP from 2004 to 2010. Mr. Allen holds a bachelor’s degree from Minnesota State University, Mankato and is a Certified Public Accountant.

Erik Romslo has served as our General Counsel and Secretary since October 2011 and as an Executive Vice President since January 2013. Prior to joining our company, Mr. Romslo practiced law in the Minneapolis office of our outside counsel, Faegre Baker Daniels LLP (formerly Faegre & Benson LLP), from 2005 until 2011, where he was a member of the Corporate group. Prior to joining Faegre, Mr. Romslo practiced law in the New York City office of Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Romslo holds a bachelor’s degree from St. Olaf College and a law degree from the New York University School of Law.

Item 11. Executive Compensation

The information appearing under the headings “Executive Compensation” and “Compensation Committee Report,” and the information regarding compensation committee interlocks and insider participation under the heading “Corporate Governance,” in the Proxy Statement is incorporated herein by reference.
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Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information with respect to our common shares issuable under our equity compensation plans as of December 31, 2017:

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options, warrants and rights</th>
<th>Weighted-average exercise price of outstanding options, warrants and rights</th>
<th>Number of securities remaining available for future issuance under equity compensation plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by security holders</td>
<td>250,000</td>
<td>2.79</td>
<td>2,888,347</td>
</tr>
<tr>
<td>2013 Equity Incentive Plan</td>
<td>250,000</td>
<td>2.79</td>
<td>2,888,347</td>
</tr>
<tr>
<td>Equity compensation plans not approved by security holders</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>250,000</td>
<td>2.79</td>
<td>2,888,347</td>
</tr>
</tbody>
</table>

The information appearing under the heading “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information appearing under the headings “Certain Relationships and Related Transactions” and “Corporate Governance” in the Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information appearing under the headings “Registered Public Accountant Fees” and “Pre-Approval Policies and Procedures of Audit Committee” in the Proxy Statement is incorporated herein by reference.
### Item 15. Exhibits and Financial Statement Schedules

#### (a) Documents filed as part of this Report:

1. **Financial Statements**
   - See Index to Financial Statements on page F-1.

2. **Financial Statement Schedules**
   - Supplemental Oil and Gas Information

   *All other schedules are omitted because they are either not applicable or required information is shown in the financial statements or notes thereto.*

#### (b) Exhibits:

Unless otherwise indicated, all documents incorporated by reference into this report are filed with the SEC pursuant to the Securities and Exchange Act of 1934, as amended, under file number 001-33999.

<table>
<thead>
<tr>
<th>Exhibit No.</th>
<th>Description</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Amended and Restated Articles of Incorporation of Northern Oil and Gas, Inc. dated June 1, 2016</td>
<td>Incorporated by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on August 5, 2016</td>
</tr>
<tr>
<td>3.2</td>
<td>By-Laws of Northern Oil and Gas, Inc.</td>
<td>Incorporated by reference to Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on July 2, 2010</td>
</tr>
<tr>
<td>4.1</td>
<td>Specimen Stock Certificate of Northern Oil and Gas, Inc.</td>
<td>Incorporated by reference to Exhibit 4.1 to the Registrant’s Annual Report on Form 10-K filed with the SEC on February 29, 2012</td>
</tr>
<tr>
<td>4.2</td>
<td>Indenture, dated May 18, 2012, between Northern Oil and Gas, Inc. and Wilmington Trust, National Association, as trustee (including Form of 8.000% Senior Note due 2020)</td>
<td>Incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 18, 2012</td>
</tr>
<tr>
<td>4.3</td>
<td>Indenture, dated May 18, 2015, between Northern Oil and Gas, Inc. and Wilmington Trust, National Association, as trustee (including Form of 8.000% Senior Note due 2020)</td>
<td>Incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 18, 2015</td>
</tr>
<tr>
<td>10.1</td>
<td>Purchase Agreement, dated May 13, 2015, between Northern Oil and Gas, Inc. and RBC Capital Markets, LLC, as representative of the Initial Purchasers, identified therein</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 18, 2015</td>
</tr>
<tr>
<td>10.2*</td>
<td>Amended and Restated Employment Agreement by and between Northern Oil and Gas, Inc. and Thomas W. Stoelk, dated April 8, 2016</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 8, 2016</td>
</tr>
<tr>
<td>10.3*</td>
<td>Performance-Based Restricted Stock Award Agreement by and between Northern Oil and Gas, Inc. and Thomas W. Stoelk, dated April 8, 2016</td>
<td>Incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q filed with the SEC on May 10, 2016</td>
</tr>
<tr>
<td>10.4*</td>
<td>Amended and Restated Employment Agreement by and between Northern Oil and Gas, Inc. and Erik J. Romslo, dated April 8, 2016</td>
<td>Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 8, 2016</td>
</tr>
<tr>
<td>10.5*</td>
<td>Northern Oil and Gas, Inc. 2013 Incentive Plan (as amended May 26, 2016)</td>
<td>Incorporated by reference to Appendix B to the Registrant’s Definitive Proxy Statement filed with the SEC on April 22, 2016</td>
</tr>
<tr>
<td>10.6*</td>
<td>Form of Restricted Stock Award Agreement (Single Trigger) under the Northern Oil and Gas, Inc. 2013 Incentive Plan</td>
<td>Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 10-Q filed with the SEC on August 9, 2013</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
<td>Reference</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>10.7*</td>
<td>Form of Restricted Stock Award Agreement (Double Trigger) under the Northern Oil and Gas, Inc. 2013 Incentive Plan</td>
<td>Incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 10-Q filed with the SEC on August 9, 2013</td>
</tr>
<tr>
<td>10.8*</td>
<td>Form of Non-Qualified Stock Option Agreement for Non-Employee Director under the Northern Oil and Gas, Inc. 2013 Incentive Plan</td>
<td>Incorporated by reference to Exhibit 10.18 to the Registrant’s Annual Report on Form 10-K filed with the SEC on March 3, 2016</td>
</tr>
<tr>
<td>10.9</td>
<td>Third Amended and Restated Credit Agreement, dated as of February 28, 2012, among Northern Oil and Gas, Inc., as Borrower, Royal Bank of Canada, as Administrative Agent, SunTrust Bank, as Syndication Agent, Bank of Montreal, KeyBank, N.A. and U.S. Bank N.A., as Co-Documentation Agents, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on March 2, 2012</td>
</tr>
<tr>
<td>10.10</td>
<td>First Amendment to Third Amended and Restated Credit Agreement, dated June 29, 2012, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders Party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on July 2, 2012</td>
</tr>
<tr>
<td>10.11</td>
<td>Second Amendment to Third Amended and Restated Credit Agreement, dated September 28, 2012, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders Party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on October 2, 2012</td>
</tr>
<tr>
<td>10.12</td>
<td>Third Amendment to Third Amended and Restated Credit Agreement, dated March 28, 2013, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders Party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 1, 2013</td>
</tr>
<tr>
<td>10.13</td>
<td>Fourth Amendment to Third Amended and Restated Credit Agreement and Second Amendment to Third Amended and Restated Guaranty and Collateral Agreement, dated September 30, 2013, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders Party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on October 1, 2013</td>
</tr>
<tr>
<td>10.14</td>
<td>Fifth Amendment to the Third Amended and Restated Credit Agreement, dated April 7, 2015, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on April 13, 2015</td>
</tr>
<tr>
<td>10.15</td>
<td>Sixth Amendment to the Third Amended and Restated Credit Agreement, dated May 13, 2015, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 18, 2015</td>
</tr>
<tr>
<td>10.16</td>
<td>Seventh Amendment to the Third Amended and Restated Credit Agreement, dated October 21, 2015, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on October 22, 2015</td>
</tr>
<tr>
<td>10.17</td>
<td>Eighth Amendment to Third Amended and Restated Credit Agreement, dated May 6, 2016, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 10, 2016</td>
</tr>
<tr>
<td>10.18</td>
<td>Ninth Amendment to Third Amended and Restated Credit Agreement, dated May 4, 2017, by and among Northern Oil and Gas, Inc., Royal Bank of Canada, and the Lenders party thereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on May 8, 2017</td>
</tr>
<tr>
<td>10.20</td>
<td>Agreement, dated January 25, 2017 by and among TRT Holdings, Inc., Cresta Investments, LLC, Cresta Greenwood, LLC, Robert Rowling, Michael Popejoy, Michael Frantz and Northern Oil and Gas, Inc.</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 27, 2017</td>
</tr>
<tr>
<td>Exhibit No.</td>
<td>Description</td>
<td>Reference</td>
</tr>
<tr>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>10.21</td>
<td>Letter Agreement, dated July 21, 2017, by and between Northern Oil and Gas, Inc. and Bahram Akradi</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on July 24, 2017</td>
</tr>
<tr>
<td>10.22</td>
<td>Settlement Agreement and General Release, dated September 25, 2017, by and between Northern Oil and Gas, Inc. and Michael L. Reger</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on September 26, 2017</td>
</tr>
<tr>
<td>10.23</td>
<td>Term Loan Credit Agreement, dated November 1, 2017, among Northern Oil and Gas, Inc., TPG Specialty Lending, Inc. and the Lenders party hereto</td>
<td>Incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on November 2, 2017</td>
</tr>
<tr>
<td>10.24</td>
<td>Exchange Agreement, dated January 31, 2018, by and among Northern Oil and Gas, Inc. and the Noteholders party thereto</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>12</td>
<td>Calculation of Ratio of Earnings to Fixed Charges</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Independent Registered Public Accounting Firm Grant Thornton LLP</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>23.2</td>
<td>Consent of Ryder Scott Company, LP</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>24.1</td>
<td>Powers of Attorney</td>
<td>Filed herewith (included on signature page)</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of the principal executive officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of the principal financial officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of the principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>99.1</td>
<td>Report of Ryder Scott Company, LP</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Label Linkbase Document</td>
<td>Filed herewith</td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
<td>Filed herewith</td>
</tr>
</tbody>
</table>

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.
Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTHERN OIL AND GAS, INC.

Date: February 23, 2018 By: /s/ Chad Allen

Chad Allen, Interim Chief Financial Officer; Chief Accounting Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints, Brandon Elliott and Chad Allen, or either of them, his/her true and lawful attorney-in-fact and agent, acting alone, with full power of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorney-in-fact and agent, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all said attorney-in-fact and agent, acting alone, or his/her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacity and on the dates indicated:

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Brandon Elliott</td>
<td>Interim President, Principal Executive Officer</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Brandon Elliott</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Chad Allen</td>
<td>Interim Chief Financial Officer, Chief Accounting Officer, Principal Financial Officer, Principal Accounting Officer</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Chad Allen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Bahram Akradi</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Bahram Akradi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Jack King</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Jack King</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Robert Grabb</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Robert Grabb</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Lisa Bromiley</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Lisa Bromiley</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Delos Cy Jamison</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Delos Cy Jamison</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Michael Frantz</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Michael Frantz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Michael Popejoy</td>
<td>Director</td>
<td>February 23, 2018</td>
</tr>
<tr>
<td>Michael Popejoy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## NORTHERN OIL AND GAS, INC.

### INDEX TO FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report of Grant Thornton LLP, Independent Registered Public Accounting Firm</td>
<td>F- 2</td>
</tr>
<tr>
<td>Balance Sheets as of December 31, 2017 and 2016</td>
<td>F- 3</td>
</tr>
<tr>
<td>Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015</td>
<td>F- 4</td>
</tr>
<tr>
<td>Statements of Stockholders’ Equity (Deficit) for the Years Ended December 31, 2017, 2016 and 2015</td>
<td>F- 6</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>F- 7</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Northern Oil and Gas, Inc.

Opinion on the financial statements
We have audited the accompanying balance sheets of Northern Oil and Gas, Inc. (a Minnesota corporation) (the “Company”) as of December 31, 2017 and 2016, the related statements of operations, stockholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 23, 2018 expressed an unqualified opinion.

Basis for opinion
These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2015.

Minneapolis, Minnesota
February 23, 2018

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## NORTHERN OIL AND GAS, INC.
### BALANCE SHEETS

#### December 31, 2017 | December 31, 2016

#### ASSETS

**Current Assets:**

- **Cash and Cash Equivalents** $102,183,191 | $6,486,098
- **Accounts Receivable, Net** $46,851,682 | $35,840,042
- **Advances to Operators** $604,977 | $1,577,204
- **Prepaid and Other Expenses** $2,333,288 | $1,584,129
- **Derivative Instruments** — | $4,517
- **Income Tax Receivable** $785,016 | $1,402,179

**Total Current Assets** $152,758,154 | $46,894,169

**Property and Equipment:**

- **Oil and Natural Gas Properties, Full Cost Method of Accounting**
  - **Proved** $2,585,490,133 | $2,428,595,048
  - **Unproved** $1,699,344 | $2,623,802
  - **Other Property and Equipment** $981,303 | $977,349

**Total Property and Equipment** $2,588,170,780 | $2,432,196,199

**Less – Accumulated Depreciation, Depletion and Impairment**

(2,114,951,189 | (2,055,987,766)

**Total Property and Equipment, Net** $473,219,591 | $376,208,433

**Deferred Income Taxes**

$785,000 | —

**Other Noncurrent Assets, Net** $5,490,934 | $8,430,359

**Total Assets** $632,253,679 | $431,532,961

#### LIABILITIES AND STOCKHOLDERS’ DEFICIT

**Current Liabilities:**

- **Accounts Payable** $93,152,297 | $56,146,847
- **Accrued Expenses** $6,339,425 | $6,094,938
- **Accrued Interest** $4,836,112 | $4,682,894
- **Derivative Instruments** $18,681,891 | $10,001,564
- **Asset Retirement Obligations** $565,521 | $517,423

**Total Current Liabilities** $123,575,246 | $77,443,666

**Long-term Debt, Net**

$979,324,222 | $832,625,125

**Derivative Instruments** $11,496,929 | $1,738,329

**Asset Retirement Obligations** $8,562,607 | $6,990,877

**Other Noncurrent Liabilities** $135,225 | $156,632

**TOTAL LIABILITIES** $1,123,094,229 | $918,954,629

#### COMMITMENTS AND CONTINGENCIES (NOTE 8)

**STOCKHOLDERS’ DEFICIT**

- **Preferred Stock, Par Value $.001; 5,000,000 Authorized, No Shares Outstanding** — | —
- **Common Stock, Par Value $.001; 142,500,000 Authorized (12/31/2017 – 66,791,633 Shares Outstanding and 12/31/2016 – 63,259,781 Shares Outstanding)** $66,792 | $63,260
- **Additional Paid-In Capital**
  - Shares Outstanding and 12/31/2016 – $63,259,781 Shares Outstanding) $440,666,390 | $443,895,032
- **Retained Deficit**
  - (940,573,732 ) | (931,379,960)

**Total Stockholders’ Deficit**

(490,840,550 ) | (487,421,668)

**TOTAL LIABILITIES AND STOCKHOLDERS’ DEFICIT**

$632,253,679 | $431,532,961

The accompanying notes are an integral part of these financial statements.
NORTHERN OIL AND GAS, INC.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED  

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
</tr>
<tr>
<td>Oil and Gas Sales</td>
<td>$223,963,010</td>
</tr>
<tr>
<td>Gain (Loss) on Derivative Instruments, Net</td>
<td>$(14,666,655)</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>23,314</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>209,319,669</td>
</tr>
</tbody>
</table>

| **OPERATING EXPENSES** |                           |                           |                           |
| Production Expenses   | 49,732,861                | 45,680,110                | 52,107,984                |
| Production Taxes      | 20,604,256                | 15,513,608                | 21,566,634                |
| General and Administrative Expense | 18,987,801 | 14,757,641 | 19,042,004 |
| Depletion, Depreciation, Amortization and Accretion | 59,500,155 | 61,244,158 | 137,769,812 |
| Impairment of Oil and Natural Gas Properties | — | 237,012,834 | 1,163,959,246 |
| **Total Expenses**    | 148,825,073               | 374,208,351               | 1,394,445,680             |

| **INCOME (LOSS) FROM OPERATIONS** |                           |                           |                           |
|                                  | 60,494,596                | (229,304,855)             | (1,119,388,267)            |

| **OTHER INCOME (EXPENSE)**       |                           |                           |                           |
| Interest Expense, Net of Capitalization | (70,286,341) | (64,485,623) | (58,360,387) |
| Write-off of Debt Issuance Costs  | (95,135)                  | (1,089,507)               | —                         |
| Loss on the Extinguishment of Debt | (992,950)                     | —                         | —                         |
| Other Income (Expense)           | 116,042                   | (15,902)                  | (30,091)                  |
| **Total Other Income (Expense)** | (71,258,384)              | (65,591,032)              | (58,390,478)              |

| **LOSS BEFORE INCOME TAXES**     |                           |                           |                           |
|                                  | (10,763,788)              | (294,895,887)             | (1,177,778,745)            |

| **INCOME TAX BENEFIT**           |                           |                           |                           |
|                                  | (1,570,016)               | (1,402,179)               | (202,424,204)             |

| **NET LOSS**                     |                           |                           |                           |
|                                  | $ (9,193,772)             | $ (293,493,708)            | $ (975,354,541)            |

| Net Loss Per Common Share – Basic | $ (0.15)               | $ (4.80)                  | $ (16.08)                 |
| Net Loss Per Common Share – Diluted | $ (0.15)               | $ (4.80)                  | $ (16.08)                 |
| Weighted Average Shares Outstanding – Basic | 62,408,855 | 61,173,547 | 60,652,447 |
| Weighted Average Shares Outstanding – Diluted | 62,408,855 | 61,173,547 | 60,652,447 |

The accompanying notes are an integral part of these financial statements.
## NORTHERN OIL AND GAS, INC.
### STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$(9,193,772)</td>
<td>$(293,493,708)</td>
<td>$(975,354,541)</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depletion, Depreciation, Amortization and Accretion</td>
<td>59,500,155</td>
<td>61,244,158</td>
<td>137,769,812</td>
</tr>
<tr>
<td>Amortization of Debt Issuance Costs</td>
<td>4,122,226</td>
<td>3,822,967</td>
<td>3,696,532</td>
</tr>
<tr>
<td>Write-off of Debt Issuance Costs</td>
<td>95,135</td>
<td>1,089,507</td>
<td>—</td>
</tr>
<tr>
<td>Loss on Extinguishment of Debt</td>
<td>992,950</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Amortization of 8% Senior Notes Premium/Discount</td>
<td>495,892</td>
<td>501,324</td>
<td>(248,268)</td>
</tr>
<tr>
<td>(Gain) Loss on the Sale of Other Property &amp; Equipment</td>
<td>—</td>
<td>30,356</td>
<td>(61,787)</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>(785,000)</td>
<td>—</td>
<td>(202,350,555)</td>
</tr>
<tr>
<td>Loss (Gain) on the Mark-to-Market of Derivative Instruments</td>
<td>18,443,443</td>
<td>76,346,935</td>
<td>88,715,603</td>
</tr>
<tr>
<td>Legal Settlement</td>
<td>2,820,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share-Based Compensation Expense</td>
<td>3,286,566</td>
<td>3,464,040</td>
<td>5,234,115</td>
</tr>
<tr>
<td>Impairment of Oil and Natural Gas Properties</td>
<td>—</td>
<td>237,012,834</td>
<td>1,163,959,246</td>
</tr>
<tr>
<td>Other</td>
<td>31,623</td>
<td>373,983</td>
<td>1,696,114</td>
</tr>
<tr>
<td>Changes in Working Capital and Other Items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>(9,717,487)</td>
<td>15,604,984</td>
<td>27,701,606</td>
</tr>
<tr>
<td>Prepaid Expenses and Other</td>
<td>(749,159)</td>
<td>(691,261)</td>
<td>2,220</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>2,611,492</td>
<td>(365,103)</td>
<td>(4,545,304)</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>142,318</td>
<td>(90,593)</td>
<td>590,630</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>253,517</td>
<td>(1,556,673)</td>
<td>210,295</td>
</tr>
<tr>
<td>Income Tax Payable/(Receivable)</td>
<td>617,163</td>
<td>(1,402,179)</td>
<td>—</td>
</tr>
<tr>
<td>Net Cash Provided By Operating Activities</td>
<td>72,967,062</td>
<td>101,891,571</td>
<td>247,015,718</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of Oil and Natural Gas Properties and Development Capital Expenditures, Net</td>
<td>(119,407,244)</td>
<td>(92,935,905)</td>
<td>(289,055,440)</td>
</tr>
<tr>
<td>Proceeds from Sale of Oil and Natural Gas Properties</td>
<td>171,451</td>
<td>2,172,003</td>
<td>138,524</td>
</tr>
<tr>
<td>Proceeds from Sale of Other Property and Equipment</td>
<td>—</td>
<td>14,500</td>
<td>72,000</td>
</tr>
<tr>
<td>Purchases of Other Property and Equipment</td>
<td>(3,954)</td>
<td>(214,685)</td>
<td>(90,751)</td>
</tr>
<tr>
<td>Net Cash Used For Investing Activities</td>
<td>(119,239,747)</td>
<td>(90,964,087)</td>
<td>(288,935,667)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances on Revolving Credit Facility</td>
<td>36,000,000</td>
<td>63,000,000</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Repayments on Revolving Credit Facility</td>
<td>(180,000,000)</td>
<td>(69,000,000)</td>
<td>(298,000,000)</td>
</tr>
<tr>
<td>Borrowings Under Term Loan Credit Agreement</td>
<td>300,000,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of Senior Unsecured Notes</td>
<td>—</td>
<td>—</td>
<td>190,000,000</td>
</tr>
<tr>
<td>Debt Issuance Costs Paid</td>
<td>(13,361,833)</td>
<td>(428,515)</td>
<td>(5,687,596)</td>
</tr>
<tr>
<td>Restricted Stock Surrenders - Tax Obligations</td>
<td>(668,389)</td>
<td>(1,403,260)</td>
<td>(339,578)</td>
</tr>
<tr>
<td>Net Cash Provided By (Used For) Financing Activities</td>
<td>141,969,778</td>
<td>(7,831,775)</td>
<td>35,972,826</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>95,697,093</td>
<td>3,095,709</td>
<td>(5,947,123)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</strong></td>
<td>6,486,098</td>
<td>3,390,389</td>
<td>9,337,512</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS – END OF PERIOD</strong></td>
<td>$ 102,183,191</td>
<td>$ 6,486,098</td>
<td>$ 3,390,389</td>
</tr>
<tr>
<td><strong>Supplemental Disclosure of Cash Flow Information</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Paid During the Period for Interest</td>
<td>$ 65,565,698</td>
<td>$ 60,480,783</td>
<td>$ 55,209,662</td>
</tr>
<tr>
<td>Cash Paid During the Period for Income Taxes</td>
<td>$ —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Non-Cash Financing and Investing Activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and Natural Gas Properties Included in Accounts Payable</td>
<td>$ 85,002,458</td>
<td>$ 50,713,195</td>
<td>$ 59,520,415</td>
</tr>
<tr>
<td>Capitalized Asset Retirement Obligations</td>
<td>$ 1,187,791</td>
<td>$ 1,353,307</td>
<td>$ 421,394</td>
</tr>
<tr>
<td>Non-Cash Compensation Capitalized in Oil and Gas Properties</td>
<td>$ 274,653</td>
<td>$ 971,313</td>
<td>$ 1,330,693</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NORTHERN OIL AND GAS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

<table>
<thead>
<tr>
<th></th>
<th>Common Stock Shares</th>
<th>Common Stock Amount</th>
<th>Additional Paid-In Capital</th>
<th>Retained Earnings (Deficit)</th>
<th>Total Stockholders' Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2014</td>
<td>61,066,712</td>
<td>$61,067</td>
<td>$433,332,285</td>
<td>$337,468,289</td>
<td>$770,861,641</td>
</tr>
<tr>
<td>Issuance of Common Stock</td>
<td>2,112,998</td>
<td>2,113</td>
<td>—</td>
<td>—</td>
<td>2,113</td>
</tr>
<tr>
<td>Share Based Compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>7,228,252</td>
</tr>
<tr>
<td>Restricted Stock Surrenders - Tax Obligations</td>
<td>(59,326)</td>
<td>(59)</td>
<td>(339,519)</td>
<td>(339,578)</td>
<td>(975,354,541)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(975,354,541)</td>
</tr>
<tr>
<td>December 31, 2015</td>
<td>63,120,384</td>
<td>63,121</td>
<td>440,221,018</td>
<td>(637,886,252)</td>
<td>(197,602,113)</td>
</tr>
<tr>
<td>Issuance of Common Stock</td>
<td>2,109,814</td>
<td>2,110</td>
<td>—</td>
<td>—</td>
<td>2,110</td>
</tr>
<tr>
<td>Restricted Stock Forfeitures</td>
<td>(1,594,542)</td>
<td>(1,595)</td>
<td>(2,154,277)</td>
<td>—</td>
<td>(2,155,872)</td>
</tr>
<tr>
<td>Share Based Compensation</td>
<td>—</td>
<td>—</td>
<td>7,231,175</td>
<td>—</td>
<td>7,231,175</td>
</tr>
<tr>
<td>Restricted Stock Surrenders - Tax Obligations</td>
<td>(375,875)</td>
<td>(376)</td>
<td>(1,402,884)</td>
<td>(1,403,260)</td>
<td>(293,493,708)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(293,493,708)</td>
</tr>
<tr>
<td>December 31, 2016</td>
<td>63,259,781</td>
<td>63,260</td>
<td>443,895,032</td>
<td>(931,379,960)</td>
<td>(487,421,668)</td>
</tr>
<tr>
<td>Issuance of Common Stock</td>
<td>3,911,355</td>
<td>3,911</td>
<td>2,817,000</td>
<td>—</td>
<td>2,820,911</td>
</tr>
<tr>
<td>Restricted Stock Forfeitures</td>
<td>(108,993)</td>
<td>(109)</td>
<td>(23,588)</td>
<td>—</td>
<td>(23,697)</td>
</tr>
<tr>
<td>Share Based Compensation</td>
<td>—</td>
<td>—</td>
<td>3,646,065</td>
<td>—</td>
<td>3,646,065</td>
</tr>
<tr>
<td>Restricted Stock Surrenders - Tax Obligations</td>
<td>(270,510)</td>
<td>(270)</td>
<td>(668,119)</td>
<td>—</td>
<td>(668,389)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9,193,772)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Northern Oil and Gas, Inc. (the “Company,” “Northern,” “our” and words of similar import), a Minnesota corporation, is an independent energy company engaged in the acquisition, exploration, exploitation, development and production of crude oil and natural gas properties. The Company’s common stock trades on the NYSE American market under the symbol “NOG”.

Northern’s principal business is crude oil and natural gas exploration, development, and production with operations in North Dakota and Montana that primarily target the Bakken and Three Forks formations in the Williston Basin of the United States. The Company acquires leasehold interests that comprise of non-operated working interests in wells and in drilling projects within its area of operations. As of December 31, 2017, approximately 87% of Northern’s 143,253 total net acres were developed.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In connection with preparing the financial statements for the year ended December 31, 2017, the Company has evaluated subsequent events for potential recognition and disclosure through the date of this filing and determined that there were no subsequent events which required recognition or disclosure in the financial statements through the date of this filing.

Use of Estimates

The preparation of financial statements under GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to proved crude oil and natural gas reserve volumes, future development costs, estimates relating to certain crude oil and natural gas revenues and expenses, fair value of derivative instruments, impairment of oil and natural gas properties, and deferred income taxes. Actual results may differ from those estimates.

Reclassifications

Certain prior period balances in the balance sheets have been reclassified to conform to the current year presentation. Such reclassifications had no impact on net loss, cash flows or stockholders’ deficit previously reported.

Cash and Cash Equivalents

Northern considers highly liquid investments with insignificant interest rate risk and original maturities to the Company of three months or less to be cash equivalents. Cash equivalents consist primarily of interest-bearing bank accounts and money market funds. The Company’s cash positions represent assets held in checking and money market accounts. These assets are generally available on a daily or weekly basis and are highly liquid in nature. Due to the balances being greater than $250,000, the Company does not have FDIC coverage on the entire amount of bank deposits. The Company believes this risk is minimal. In addition, the Company is subject to Security Investor Protection Corporation (“SIPC”) protection on a vast majority of its financial assets.

Accounts Receivable

Accounts receivable are carried on a gross basis, with no discounting. The Company regularly reviews all aged accounts receivable for collectability and establishes an allowance as necessary for individual customer balances. Accounts receivable not expected to be collected within the next twelve months are included within Other Noncurrent Assets, Net on the balance sheets.

As of December 31, 2017 and 2016, the allowance for doubtful accounts was $5.6 million and $4.9 million, respectively. The amount charged to operations for doubtful accounts was $0.7 million, $0.8 million and $6.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, the amount charged against the allowance for doubtful accounts was zero and $0.4 million, respectively.

As of December 31, 2017 and 2016, the Company included accounts receivable of $5.5 million and $6.8 million, respectively, in Other Noncurrent Assets, Net due to their long-term nature.
Advances to Operators

The Company participates in the drilling of crude oil and natural gas wells with other working interest partners. Due to the capital intensive nature of crude oil and natural gas drilling activities, the working interest partner responsible for conducting the drilling operations may request advance payments from other working interest partners for their share of the costs. The Company expects such advances to be applied by working interest partners against joint interest billings for its share of drilling operations within 90 days from when the advance is paid.

Other Property and Equipment

Property and equipment that are not crude oil and natural gas properties are recorded at cost and depreciated using the straight-line method over their estimated useful lives of three to seven years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Long-lived assets, other than crude oil and natural gas properties, are evaluated for impairment to determine if current circumstances and market conditions indicate the carrying amount may not be recoverable. The Company has not recognized any impairment losses on non-crude oil and natural gas long-lived assets. Depreciation expense was $0.2 million, $0.2 million, and $0.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Oil and Gas Properties

Northern follows the full cost method of accounting for crude oil and natural gas operations whereby all costs related to the exploration and development of crude oil and natural gas properties are capitalized into a single cost center ("full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to the production, general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred. Capitalized costs are summarized as follows for the years ended December 31, 2017, 2016 and 2015, respectively:

<table>
<thead>
<tr>
<th>Capitalized Costs</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized Certain Payroll and Other Internal Costs</td>
<td>$930,289</td>
<td>$1,890,480</td>
<td>$2,717,913</td>
</tr>
<tr>
<td>Capitalized Interest Costs</td>
<td>147,775</td>
<td>356,196</td>
<td>1,506,172</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,078,064</strong></td>
<td><strong>$2,246,676</strong></td>
<td><strong>$4,224,085</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2017, the Company held leasehold interests in the Williston Basin on acreage located in North Dakota and Montana targeting the Bakken and Three Forks formations.

Proceeds from property sales will generally be credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of the proved reserves related to a single full cost pool. In the years ended December 31, 2017, 2016 and 2015, there were no property sales that resulted in a significant alteration.

Under the full cost method of accounting, the Company is required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the proved oil and gas properties. Net capitalized costs are limited to the lower of unamortized cost net of deferred income taxes, or the cost center ceiling. The cost center ceiling is defined as the sum of (a) estimated future net revenues, discounted at 10% per annum, from proved reserves, based on the trailing twelve-month unweighted average of the first-day-of-the-month price, adjusted for any contract provisions or financial derivatives designated as hedges for accounting purposes, if any, that hedge the Company’s oil and natural gas revenue, and excluding the estimated abandonment costs for properties with asset retirement obligations recorded on the balance sheet, (b) the cost of properties not being amortized, if any, and (c) the lower of cost or market value of unproved properties included in the cost being amortized, including related deferred taxes for differences between the book and tax basis of the oil and natural gas properties. If the net book value, including related deferred taxes, exceeds the ceiling, an impairment or non-cash writedown is required.
The Company did not have any ceiling test impairment for the year ended December 31, 2017. As a result of low commodity prices and their effect on the proved reserve values of properties, the Company recorded non-cash ceiling test impairments for the years ended December 31, 2016 and 2015 of $237.0 million, and $1.2 billion, respectively. The impairment charges affected the Company’s reported net income but did not reduce the Company’s cash flow. If a significantly lower pricing environment reoccurs, the Company expects it could be required to further writedown the value of its oil and natural gas properties. In addition to commodity prices, the Company’s production rates, levels of proved reserves, future development costs, transfers of unevaluated properties and other factors will determine the Company’s actual ceiling test calculation and impairment analyses in future periods.

Capitalized costs associated with impaired properties and capitalized costs related to properties having proved reserves, plus the estimated future development costs and asset retirement costs, are depleted and amortized on the unit-of-production method. Under this method, depletion is calculated at the end of each period by multiplying total production for the period by a depletion rate. The depletion rate is determined by dividing the total unamortized cost base plus future development costs by net equivalent proved reserves at the beginning of the period. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or abandoned. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion and full cost ceiling calculations. For the years ended December 31, 2017, 2016 and 2015, the Company expired leases of $18.7 million, $13.4 million, and $19.0 million, respectively.

At December 31, 2017, the Company performed an impairment review using prices that reflect an average of 2017’s monthly prices as prescribed pursuant to the SEC’s guidelines. If lower average monthly pricing is reflected in the trailing twelve-month average pricing calculation, the present value of the Company’s future net revenues could decline and further impairment could be recognized. SEC defined prices for each quarter-end in 2017 were as follows:

<table>
<thead>
<tr>
<th>SEC Defined Prices for 12-Months Ended</th>
<th>NYMEX Oil Price (per Bbl)</th>
<th>Henry Hub Gas Price (per MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2017</td>
<td>$51.34</td>
<td>$2.98</td>
</tr>
<tr>
<td>September 30, 2017</td>
<td>49.81</td>
<td>3.01</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>48.95</td>
<td>3.01</td>
</tr>
<tr>
<td>March 31, 2017</td>
<td>47.61</td>
<td>2.74</td>
</tr>
</tbody>
</table>

**Asset Retirement Obligations**

The Company accounts for its abandonment and restoration liabilities under Financial Accounting Standards Board (“FASB”) ASC Topic 410, “Asset Retirement and Environmental Obligations” (“FASB ASC 410”), which requires the Company to record a liability equal to the fair value of the estimated cost to retire an asset. The asset retirement liability is recorded in the period in which the obligation meets the definition of a liability, which is generally when the asset is placed into service. When the liability is initially recorded, the Company increases the carrying amount of oil and natural gas properties by an amount equal to the original liability. The liability is accreted to its present value each period, and the capitalized cost is depreciated consistent with depletion of reserves. Upon settlement of the liability or the sale of the well, the liability is reversed. These liability amounts may change because of changes in asset lives, estimated costs of abandonment or legal or statutory remediation requirements.

**Business Combinations**

The Company accounts for its acquisitions that qualify as a business using the acquisition method under FASB ASC Topic 805, “Business Combinations.” Under the acquisition method, assets acquired and liabilities assumed are recognized and measured at their fair values. The use of fair value accounting requires the use of significant judgment since some transaction components do not have fair values that are readily determinable. The excess, if any, of the purchase price over the net fair value amounts assigned to assets acquired and liabilities assumed is recognized as goodwill. Conversely, if the fair value of assets acquired exceeds the purchase price, including liabilities assumed, the excess is immediately recognized in earnings as a bargain purchase gain.

**Debt Issuance Costs**

Debt issuance costs include origination, legal and other fees to issue debt in connection with the Company’s term loan credit agreement, senior unsecured notes and prior Revolving Credit Facility. These debt issuance costs are amortized over the term of the related financing using the straight-line method, which approximates the effective interest method (see Note 4). The amortization of debt issuance costs for the years ended December 31, 2017, 2016 and 2015 was $4.1 million, $3.8 million and $3.7 million, respectively.
During the year ended December 31, 2017 and 2016, $0.1 million and $1.1 million of debt issuance costs were written-off as a result of a reduction in the borrowing base of the Revolving Credit Facility, which was repaid using the proceeds from the term loan credit agreement entered into on November 1, 2017. As a result of the repayment of the Revolving Credit Facility, the Company incurred a loss on the extinguishment of debt of $1.0 million during 2017.

Bond Premium/Discount on Senior Notes

On May 13, 2013, the Company recorded a bond premium of $10.5 million in connection with the “8.000% Senior Notes Due 2020” (see Note 4). This bond premium is being amortized over the term of the related financing using the straight-line method, which approximates the effective interest method. The amortization of the bond premium was $1.5 million for each of the years ended December 31, 2017, 2016 and 2015.

On May 18, 2015, the Company recorded a bond discount of $10.0 million in connection with the “8.000% Senior Notes Due 2020” (see Note 4). This bond discount is being amortized over the term of the related financing using the straight-line method, which approximates the effective interest method. The amortization of the bond discount for the years ended December 31, 2017, 2016 and 2015 was $2.0 million, $2.0 million and $1.2 million, respectively.

Revenue Recognition

The Company recognizes crude oil and natural gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable. The Company uses the sales method of accounting for natural gas balancing of natural gas production and would recognize a liability if the existing proven reserves were not adequate to cover the current imbalance situation. As of December 31, 2017, 2016 and 2015, the Company’s natural gas production was in balance, meaning its cumulative portion of natural gas production taken and sold from wells in which it has an interest equaled its entitled interest in natural gas production from those wells.

Concentrations of Market and Credit Risk

The future results of the Company’s crude oil and natural gas operations will be affected by the market prices of crude oil and natural gas. The availability of a ready market for crude oil and natural gas products in the future will depend on numerous factors beyond the control of the Company, including weather, imports, marketing of competitive fuels, proximity and capacity of crude oil and natural gas pipelines and other transportation facilities, any oversupply or undersupply of crude oil, natural gas and liquid products, the regulatory environment, the economic environment, and other regional and political events, none of which can be predicted with certainty.

The Company operates in the exploration, development and production sector of the crude oil and natural gas industry. The Company’s receivables include amounts due from purchasers of its crude oil and natural gas production. While certain of these customers are affected by periodic downturns in the economy in general or in their specific segment of the crude oil or natural gas industry, the Company believes that its level of credit-related losses due to such economic fluctuations has been and will continue to be immaterial to the Company’s results of operations over the long-term.

The Company manages and controls market and counterparty credit risk. In the normal course of business, collateral is not required for financial instruments with credit risk. Financial instruments which potentially subject the Company to credit risk consist principally of temporary cash balances and derivative financial instruments. The Company maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits. The Company has not experienced any significant losses from such investments. The Company attempts to limit the amount of credit exposure to any one financial institution or company. The Company believes the credit quality of its counterparties is generally high. In the normal course of business, letters of credit or parent guarantees may be required for counterparties which management perceives to have a higher credit risk.
Restructuring Costs

The Company accounts for restructuring costs in accordance with FASB ASC Topic 420, “Exit or Disposal Cost Obligations.” Under these standards, the costs associated with restructuring are recorded during the period in which the liability is incurred. During the year ended December 31, 2015, the Company recognized $0.5 million in restructuring costs for employee severance and related benefit costs incurred as part of a reduction in workforce and the closing of its Denver office, which included $0.1 million of non-cash expense related to acceleration of certain equity awards previously granted under the Company’s 2013 Incentive Plan. There were no restructuring costs incurred for the years ended December 31, 2017 and 2016, respectively.

Stock-Based Compensation

The Company records expense associated with the fair value of stock-based compensation. For fully vested stock and restricted stock grants, the Company calculates the stock-based compensation expense based upon estimated fair value on the date of grant. In determining the fair value of performance-based share awards subject to market conditions, the Company utilizes a Monte Carlo simulation prepared by an independent third party. For stock options, the Company uses the Black-Scholes option valuation model to calculate stock-based compensation at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Stock Issuance

The Company records any stock-based compensation awards issued to non-employees and other external entities for goods and services at either the fair market value of the goods received or services rendered or the instruments issued in exchange for such services, whichever is more readily determinable.

Income Taxes

The Company’s income tax expense, deferred tax assets and deferred tax liabilities reflect management’s best assessment of estimated current and future taxes to be paid. The Company estimates for each interim reporting period the effective tax rate expected for the full fiscal year and uses that estimated rate in providing for income taxes on a current year-to-date basis. The Company’s only taxing jurisdiction is the United States (federal and state).

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. In evaluating the Company’s ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the Company begins with historical results and incorporates assumptions about the amount of future state and federal pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates the Company is using to manage the underlying businesses.

Accounting standards require the consideration of a valuation allowance for deferred tax assets if it is “more likely than not” that some component or all of the benefits of deferred tax assets will not be realized. In assessing the need for a valuation allowance for the Company’s deferred tax assets, a significant item of negative evidence considered was the cumulative book loss over the three-year period ended December 31, 2017, driven primarily by the full cost ceiling impairments over that period. Additionally, the Company’s revenue, profitability and future growth are substantially dependent upon prevailing and future prices for oil and natural gas. The markets for these commodities continue to be volatile. Changes in oil and natural gas prices have a significant impact on the value of the Company’s reserves and on its cash flows. Prices for oil and natural gas may fluctuate widely in response to relatively minor changes in the supply of and demand for oil and natural gas and a variety of additional factors that are beyond the Company’s control. Due to these factors, management has placed a lower weight on the prospect of future earnings in its overall analysis of the valuation allowance.

In determining whether to establish a valuation allowance on the Company’s deferred tax assets, management concluded that the objectively verifiable evidence of cumulative negative earnings for the three-year period ended December 31, 2017, is difficult to overcome with any forms of positive evidence that may exist. Accordingly, the valuation allowance against the Company’s deferred tax asset at December 31, 2017 and 2016 was $227.0 million and $341.3 million, respectively.
Net Income Per Common Share

Basic earnings per share (“EPS”) are computed by dividing net income (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted EPS is computed by dividing net income by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include stock options and restricted stock. The number of potential common shares outstanding relating to stock options and restricted stock is computed using the treasury stock method.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the years ended December 31, 2017, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Weighted Average Common Shares Outstanding – Basic</td>
<td>62,408,855</td>
</tr>
<tr>
<td>Plus: Potentially Dilutive Common Shares Including Stock Options and Restricted Stock</td>
<td>—</td>
</tr>
<tr>
<td>Weighted Average Common Shares Outstanding – Diluted</td>
<td>62,408,855</td>
</tr>
<tr>
<td>Restricted Stock and Stock Options Excluded From EPS Due To The Anti-Dilutive Effect</td>
<td>1,109,511</td>
</tr>
</tbody>
</table>

As of December 31, 2017, 2016 and 2015, potentially dilutive shares from stock option awards were 250,000, 391,872, and 141,872, respectively. There options were all exercisable at December 31, 2017, 2016 and 2015. The Company also has potentially dilutive shares from restricted stock awards outstanding of 1,721,533, 1,905,104, and 2,365,396 at December 31, 2017, 2016 and 2015, respectively.

Derivative Instruments and Price Risk Management

The Company uses derivative instruments to manage market risks resulting from fluctuations in the prices of crude oil. The Company enters into derivative contracts, including price swaps, caps and floors, which require payments to (or receipts from) counterparties based on the differential between a fixed price and a variable price for a fixed quantity of crude oil without the exchange of underlying volumes. The notional amounts of these financial instruments are based on expected production from existing wells. The Company may also use exchange traded futures contracts and option contracts to hedge the delivery price of crude oil at a future date.

The Company follows the provisions of FASB ASC 815, “Derivatives and Hedging” as amended. It requires that all derivative instruments be recognized as assets or liabilities in the balance sheet, measured at fair value and marked-to-market at the end of each period. Any realized gains and losses on settled derivatives, as well as mark-to-market gains or losses, are aggregated and recorded to gain (loss) on derivative instruments, net on the statements of operations. See Note 13 for a description of the derivative contracts into which the Company has entered.

Impairment

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Crude oil and natural gas properties accounted for using the full cost method of accounting are excluded from this requirement but continue to be subject to the full cost method’s impairment rules. There was no impairment in 2017 related to crude oil and natural gas properties. In 2016 and 2015, the Company recorded $237.0 million and $1.2 billion, respectively, in impairment related to crude oil and natural gas properties. There was no impairment of other long-lived assets recorded for the years ended December 31, 2017, 2016 and 2015.
New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company’s financial statements upon adoption.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and industry-specific guidance in Subtopic 932-605, Extractive Activities-Oil and Gas-Revenue Recognition. The core principle of the new guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring those goods or services. The new standard also requires significantly expanded disclosure regarding the qualitative and quantitative information of an entity's nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard creates a five-step model that requires companies to exercise judgment when considering the terms of a contract and all relevant facts and circumstances. The standard allows for several transition methods: (a) a full retrospective adoption in which the standard is applied to all of the periods presented, or (b) a modified retrospective adoption in which the standard is applied only to the most current period presented in the financial statements, including additional disclosures of the standard's application impact to individual financial statement line items. In March, April, May and December 2016, the FASB issued new guidance in Topic 606, Revenue from Contracts with Customers, to address the following potential implementation issues of the new revenue standard: (a) to clarify the implementation guidance on principal versus agent considerations, (b) to clarify the identification of performance obligations and the licensing implementation guidance and (c) to address certain issues in the guidance on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. This standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company follows the sales method of accounting for oil, NGL and natural gas production, which is generally consistent with the revenue recognition provision of the new standard.

The Company has completed the process of evaluating the effect of the adoption and determined there were no changes required to our reported revenues as a result of the adoption. The majority of our revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on our evaluation process and review of our contracts with customers, the timing and amount of revenue recognized based on the standard is consistent with our revenue recognition policy under previous guidance. The Company adopted the new standard effective January 1, 2018, using the modified retrospective approach, and will expand our financial statement disclosures in order to comply with the standard. We have determined the adoption of the standard will not have a material impact on our results of operations, cash flows, or financial position.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the new guidance on its financial statements, however, based on its current operating leases, it is not expected to have a material impact.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. This guidance provides guidance of eight specific cash flow issues. This amendment is effective for periods beginning after December 15, 2017, with early adoption permitted. The Company adopted this standard on January 1, 2018 and anticipates it will not have a material impact on its financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which clarifies the definition of a business to provide guidance in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 provides a screen to determine when a set of assets is not a business, requiring that when substantially all fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or group of similar identifiable assets, the set of assets is not a business. A framework is provided to assist in evaluating whether both an input and a substantive process are present for the set to be a business. ASU 2017-01 is effective for periods beginning after December 15, 2017, including interim periods within those annual periods. No disclosures are required at transition and early adoption is permitted. The Company adopted this standard on January 1, 2018 and will apply this guidance to its next business combination.
NOTE 3     CRUDE OIL AND NATURAL GAS PROPERTIES

The value of the Company’s crude oil and natural gas properties consists of all acquisition costs (including cash expenditures and the value of stock consideration), drilling costs and other associated capitalized costs. Acquisitions are accounted for as purchases and, accordingly, the results of operations are included in the accompanying statements of operations from the closing date of the acquisition. Purchase prices are allocated to acquired assets based on their estimated fair value at the time of the acquisition. Acquisitions have been funded with internal cash flow, bank borrowings and the issuance of debt and equity securities. Development capital expenditures and purchases of properties that were in accounts payable and not yet paid in cash at December 31, 2017 and 2016 were approximately $85.0 million and $50.7 million, respectively.

2017 Acquisitions

During 2017, the Company acquired approximately 1,934 net acres, for an average cost of approximately $2,352 per net acre, in its key prospect areas in the form of effective leases.

2016 Acquisitions

During 2016, the Company acquired approximately 3,399 net acres, for an average cost of approximately $1,515 per net acre, in its key prospect areas in the form of effective leases.

On October 6, 2016, the Company entered into a definitive purchase and sale agreement with a third party, for their interests in 144 gross (3.8 net) producing oil and gas wells and associated acreage. The motivation for the acquisition was the expectation that it was accretive to cash flow and earnings per share. On October 26, 2016, the Company closed the transaction for cash consideration of $9.4 million which is comprised of $8.9 million related to producing properties and a $0.5 million reimbursement of drilling costs on in process wells. The results of operations from the October 26, 2016 closing date through December 31, 2016, represented approximately $1.2 million of revenue and $0.5 million of direct operating expenses. The combined pro forma information has not been presented due to its immateriality. No material transaction costs were incurred in connection with this purchase and there was no goodwill recorded from this acquisition.

2015 Acquisitions

During 2015, the Company acquired approximately 4,355 net acres, for an average cost of approximately $1,314 per net acre, in its key prospect areas in the form of effective leases.

Divestitures

From time-to-time the Company may divest assets. In addition, the Company may trade leasehold interests with operators to balance working interests in spacing units to facilitate and encourage a more expedited development of the Company’s acreage.

Unproved Properties

Unproved properties not being amortized comprise approximately 14,377 net acres and 26,432 net acres of undeveloped leasehold interests at December 31, 2017 and 2016, respectively. The Company believes that the majority of its unproved costs will become subject to depletion within the next five years by proving up reserves relating to the acreage through exploration and development activities, by impairing the acreage that will expire before the Company can explore or develop it further or by determining that further exploration and development activity will not occur. The timing by which all other properties will become subject to depletion will be dependent upon the timing of future drilling activities and delineation of its reserves.

Excluded costs for unproved properties are accumulated by year. Costs are reflected in the full cost pool as the drilling costs are incurred or as costs are evaluated and deemed impaired. The Company anticipates these excluded costs will be included in the depletion computation over the next five years. The Company is unable to predict the future impact on depletion rates. The following is a summary of capitalized costs excluded from depletion at December 31, 2017 by year incurred.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>Prior Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition</td>
<td>$565,352</td>
<td>$509,877</td>
<td>$502,794</td>
<td>$121,321</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$565,352</td>
<td>$509,877</td>
<td>$502,794</td>
<td>$121,321</td>
</tr>
</tbody>
</table>

F- 14
All properties that are not classified as proved properties are considered unproved properties and, thus, the costs associated with such properties are not subject to depletion. Once a property is classified as proved, all associated acreage and drilling costs are subject to depletion.

The Company historically has acquired its properties by purchasing individual or small groups of leases directly from mineral owners or from landmen or lease brokers, which leases historically have not been subject to specified drilling projects, and by purchasing lease packages in identified project areas controlled by specific operators. The Company generally participates in drilling activities on a heads up basis by electing whether to participate in each well on a well-by-well basis at the time wells are proposed for drilling.

The Company assesses all items classified as unproved property on an annual basis, or if certain circumstances exist, more frequently, for possible impairment or reduction in value. The assessment includes consideration of the following factors, among others: intent to drill, remaining lease term, geological and geophysical evaluations, drilling results and activity, the assignment of proved reserves, and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to depletion and amortization. For the years ended December 31, 2017, 2016 and 2015, the Company included $0.6 million, $7.0 million and $37.6 million, respectively, related to expiring leases within costs subject to the depletion calculation.

**NOTE 4  LONG TERM DEBT**

The Company’s long-term debt consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Balance</td>
<td>Unamortized Net Discount</td>
<td>Debt Issuance Costs, Net</td>
<td>Long-term Debt, Net</td>
</tr>
<tr>
<td>8% Senior Notes</td>
<td>$700,000,000</td>
<td>$(1,197,954)</td>
<td>$(6,847,557)</td>
<td>$691,954,489</td>
</tr>
<tr>
<td>Term Loan Credit Agreement</td>
<td>$300,000,000</td>
<td>—</td>
<td>$(12,630,267)</td>
<td>$287,369,733</td>
</tr>
<tr>
<td>Total</td>
<td>$1,000,000,000</td>
<td>$(1,197,954)</td>
<td>$(19,477,824)</td>
<td>$979,324,222</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2016</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Balance</td>
<td>Unamortized Net Discount</td>
<td>Debt Issuance Costs, Net</td>
<td>Long-term Debt, Net</td>
</tr>
<tr>
<td>8% Senior Notes</td>
<td>$700,000,000</td>
<td>$(1,693,847)</td>
<td>$(9,681,028)</td>
<td>$688,625,125</td>
</tr>
<tr>
<td>Revolving Credit Facility(1)</td>
<td>$144,000,000</td>
<td>—</td>
<td>—</td>
<td>$144,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>$844,000,000</td>
<td>$(1,693,847)</td>
<td>$(9,681,028)</td>
<td>$832,625,125</td>
</tr>
</tbody>
</table>

(1) Debt issuance costs related to our revolving credit facility were $1.6 million and are recorded in “Other Noncurrent Assets, Net” on the balance sheet as of December 31, 2016

**Term Loan Credit Agreement**

On November 1, 2017 (the “Effective Date”), the Company entered into a term loan credit agreement with TPG Specialty Lending, Inc., as administrative agent and collateral agent (in such capacities, the “Agent”), and the lenders from time to time party thereto. The term loan credit agreement provides for the issuance of an aggregate principal amount of up to $500 million in term loans to the Company, consisting of (i) $300 million in initial term loans that were made on the Effective Date (the “Initial Loans”), (ii) $100 million in delayed draw term loans available to the Company, subject to satisfaction of certain conditions precedent described therein, for a period of 18 months after the Effective Date (the “Delayed Draw Loans”), and (iii) up to $100 million in incremental term loans on an uncommitted basis and subject, among other things, to one or more lenders agreeing in the future to make such loans (the “Incremental Loans”) (the Initial Loans, Delayed Draw Loans and the Incremental Loans, collectively, the “Loans”). Amounts borrowed and repaid under the term loan credit agreement may not be reborrowed. The term loan facility provided by the term loan credit agreement matures on November 1, 2022.

Proceeds from the Initial Loans were used on the Effective Date to repay in its entirety borrowings outstanding under the Company’s prior Revolving Credit Facility.
The Company's Revolving Credit Facility, described in the paragraphs that follow, was retired and repaid in full on November 1, 2017.

Revolving Credit Facility

priority security interest in substantially all of the assets of the Company.

The obligations of the Company under the term loan credit agreement may be accelerated upon the occurrence of an Event of Default (as defined in the term loan credit agreement). Events of Default include customary events for a financing agreement of this type, including, without limitation, payment defaults, the inaccuracy of representations and warranties, defaults in the performance of affirmative or negative covenants, defaults on other indebtedness of the Company or its subsidiaries, bankruptcy or related defaults, defaults related to judgments and the occurrence of a Change in Control (as defined in the term loan credit agreement).

The Company's obligations under the term loan credit agreement are secured by mortgages on substantially all of the oil and gas properties of the Company subject to the limitations set forth in the Credit Agreement. In connection with the term loan credit agreement, the Company entered into a guaranty and collateral agreement in favor of the Agent for the secured parties, pursuant to which the obligations of the Company under the term loan credit agreement and any swap agreements entered into with swap counterparties are secured by a first-priority security interest in substantially all of the assets of the Company.

Revolving Credit Facility

The Company’s Revolving Credit Facility, described in the paragraphs that follow, was retired and repaid in full on November 1, 2017.
In February 2012, the Company entered into an amended and restated credit agreement providing for a revolving credit facility (the “Revolving Credit Facility”), which replaced its previous revolving credit facility with a syndicated facility. The Revolving Credit Facility, was secured by substantially all of the Company’s assets and provided for a commitment equal to the lesser of the facility amount or the borrowing base.

Borrowings under the Revolving Credit Facility could either be at the Alternate Base Rate (as defined in the credit agreement) plus a spread ranging from 1.00% to 2.00% or LIBOR borrowings at the Adjusted LIBOR Rate (as defined in the credit agreement) plus a spread ranging from 2.00% to 3.00%. The applicable spread at any time was dependent upon the amount of borrowings relative to the borrowing base at such time. The Company could elect, from time to time, to convert all or any part of its LIBOR loans to base rate loans or to convert all or any of the base rate loans to LIBOR loans. A commitment fee was paid on the undrawn balance based on an annual rate of either 0.375% or 0.50%.

All of the Company’s obligations under the Revolving Credit Facility were secured by a first priority security interest in any and all assets of the Company.

8.000% Senior Notes Due 2020

On May 18, 2012, the Company issued at par value $300 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “Original Notes”). On May 13, 2013, the Company issued at a price of 105.25% of par an additional $200 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “2013 Follow-on Notes”). On May 18, 2015, the Company issued at a price of 95.00% of par an additional $200 million aggregate principal amount of 8.000% senior unsecured notes due June 1, 2020 (the “2015 Mirror Notes” and, together with the Original Notes and the 2013 Follow-on Notes, the “Notes”). Interest is payable on the Notes semi-annually in arrears on each of June 1 and December 1. The Company currently does not have any subsidiaries and, as a result, the Notes are not currently guaranteed. Any subsidiaries the Company forms in the future may be required to unconditionally guarantee, jointly and severally, payment obligation under the Notes on a senior unsecured basis. The issuance of the Original Notes resulted in net proceeds to the Company of approximately $291.2 million, the issuance of the 2013 Follow-on Notes resulted in net proceeds to the Company of approximately $200.1 million, and the issuance of the 2015 Mirror Notes resulted in net proceeds to the Company of approximately $184.9 million. Collectively, the net proceeds are in use to fund the Company’s exploration, development and acquisition program and for general corporate purposes (including repayment of borrowings that were outstanding under the Revolving Credit Facility at the time the Notes were issued).

On and after June 1, 2016, the Company may redeem some or all of the Notes at redemption prices (expressed as percentages of principal amount) equal to 104% for the twelve-month period beginning on June 1, 2016, 102% for the twelve-month period beginning June 1, 2017 and 100% beginning on June 1, 2018, plus accrued and unpaid interest to the redemption date.

The Original Notes and the 2013 Follow-on Notes are governed by an Indenture, dated as of May 18, 2012, by and among the Company and Wilmington Trust, National Association (the “Original Indenture”). The 2015 Mirror Notes are governed by an Indenture, dated as of May 18, 2015, by and among the Company and Wilmington Trust, National Association (the “Mirror Indenture”). The terms and conditions of the Mirror Indenture conform, in all material respects, to the terms and conditions set forth in the Original Indenture. As such, the Mirror Indenture, together with the Original Indenture, are referred to herein as the “Indenture.”

The Indenture restricts the Company’s ability to: (i) incur additional debt or enter into sale and leaseback transactions; (ii) pay distributions on, redeem or, repurchase equity interests; (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; and (vii) transfer and sell assets. These covenants are subject to a number of exceptions and qualifications. If at any time when the Notes are rated investment grade by both Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services and no Default (as defined in the Indenture) has occurred and is continuing, many of such covenants will terminate and the Company and its subsidiaries (if any) will cease to be subject to such covenants.

The Indenture contains customary events of default, including:

- default in any payment of interest on any Note when due, continued for 30 days;
- default in the payment of principal of or premium, if any, on any Note when due;
- failure by the Company to comply with its other obligations under the Indenture, in certain cases subject to notice and grace periods;
• payment defaults and accelerations with respect to other indebtedness of the Company and certain of its subsidiaries, if any, in the aggregate principal amount of $25.0 million or more;

• certain events of bankruptcy, insolvency or reorganization of the Company or a significant subsidiary or group of restricted subsidiaries that, taken together, would constitute a significant subsidiary;

• failure by the Company or any significant subsidiary or group of restricted subsidiaries that, taken together, would constitute a significant subsidiary to pay certain final judgments aggregating in excess of $25.0 million within 60 days; and

• any guarantee of the Notes by a guarantor ceases to be in full force and effect, is declared null and void in a judicial proceeding or is denied or disaffirmed by its maker.

NOTE 5 COMMON AND PREFERRED STOCK

The Company’s Amended and Restated Articles of Incorporation authorize the issuance of up to 147,500,000 shares. The shares are classified in two classes, consisting of 142,500,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share. The board of directors is authorized to establish one or more series of preferred stock, setting forth the designation of each such series, and fixing the relative rights and preferences of each such series. The Company has neither designated nor issued any shares of preferred stock.

Common Stock

The following is a schedule of changes in the number of shares of common stock outstanding since the beginning of 2015:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Beginning Balance</td>
</tr>
<tr>
<td>Restricted Stock Grants (Note 6)</td>
</tr>
<tr>
<td>Legal Settlement</td>
</tr>
<tr>
<td>Surrenders - Tax Obligations</td>
</tr>
<tr>
<td>Other Forfeitures</td>
</tr>
<tr>
<td>Ending Balance</td>
</tr>
</tbody>
</table>

2017 Activity

In 2017, 0.3 million shares of common stock were surrendered by certain employees of the Company to cover tax obligations in connection with their restricted stock awards. The total value of these shares was approximately $0.7 million, which is based on the market prices on the dates the shares were surrendered.

In 2017, 3.0 million shares of common stock were issued in connection with a legal settlement with the Company’s former chief executive officer. See Note 8 for further information.

In 2017, 0.1 million shares of common stock were forfeited by our interim chief executive officer and chief financial officer in connection with a performance-based vesting metric that was not achieved under a restricted stock award.

2016 Activity

In 2016, 0.4 million shares of common stock were surrendered by certain employees of the Company to cover tax obligations in connection with their restricted stock awards. The total value of these shares was approximately $1.4 million, which is based on the market prices on the dates the shares were surrendered.

In 2016, 1.5 million restricted shares of common stock were forfeited in connection with the termination of the employment of the Company’s former chief executive officer. The total amount of share-based compensation expense that was reversed in connection with the termination was approximately $1.8 million.
In 2015, the Company’s former chief executive officer received 1.4 million restricted shares of common stock in connection with a new employment agreement.

In 2015, 0.1 million shares of common stock were surrendered by certain employees of the Company to cover tax obligations in connection with their restricted stock awards. The total value of these shares was approximately $0.3 million, which is based on the market prices on the dates the shares were surrendered.

**Stock Repurchase Program**

In May 2011, the Company’s board of directors approved a stock repurchase program to acquire up to $150 million of the Company’s outstanding common stock. The stock repurchase program allows the Company to repurchase its shares from time to time in the open market, block transactions and in negotiated transactions.

In 2017, 2016 and 2015, the Company did not repurchase shares of its common stock under the stock repurchase program. The Company’s accounting policy upon the repurchase of shares is to deduct its par value from Common Stock and to reflect any excess of cost over par value as a deduction from Additional Paid-in Capital.

**NOTE 6  STOCK OPTIONS/STOCK-BASED COMPENSATION AND WARRANTS**

The Company maintains its 2013 Incentive Plan (the “2013 Plan”) to provide a means whereby the Company may be able, by granting equity and other types of awards, to attract, retain and motivate capable and loyal employees, non-employee directors, consultants and advisors of the Company, for the benefit of the Company and its shareholders. As of December 31, 2017, there were 2.9 million shares available for future awards under the 2013 Plan.

**Restricted Stock Awards**

During the years ended December 31, 2017, 2016 and 2015, the Company issued 911,355, 2,109,814 and 2,112,998, respectively, restricted shares of common stock under the 2013 Plan as compensation to officers, employees and directors of the Company. Unvested restricted shares vest over various terms with all restricted shares vesting no later than April 2020. As of December 31, 2017, there was approximately $3.1 million of total unrecognized compensation expense related to unvested restricted stock that will be recognized over a weighted-average period of approximately 1.8 years. The Company has historically assumed a zero percent forfeiture rate, thus recognizing forfeitures as they occur, for restricted stock due to the small number of officers, employees and directors that have received restricted stock awards.

The following table reflects the outstanding restricted stock awards and activity related thereto for the years ended December 31, 2017, 2016 and 2015:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Weighted-Average Price</td>
<td>Number of Shares</td>
</tr>
<tr>
<td>Restricted Shares Outstanding at the Beginning of the Year</td>
<td>1,905,104</td>
<td>$4.59</td>
<td>2,365,396</td>
</tr>
<tr>
<td>Shares Granted</td>
<td>911,355</td>
<td>2.10</td>
<td>2,109,814</td>
</tr>
<tr>
<td>Shares Forfeited</td>
<td>(108,993)</td>
<td>3.59</td>
<td>(1,594,542)</td>
</tr>
<tr>
<td>Lapse of Restrictions</td>
<td>(985,933)</td>
<td>4.05</td>
<td>(975,564)</td>
</tr>
<tr>
<td>Restricted Shares Outstanding at the End of the Year</td>
<td>1,721,533</td>
<td>$3.65</td>
<td>1,905,104</td>
</tr>
</tbody>
</table>

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Stock Option Awards

On November 1, 2007, the board of directors granted options to purchase 560,000 shares of the Company’s common stock under the Company’s 2006 Incentive Stock Option Plan. The Company granted options to purchase 500,000 shares of the Company’s common stock to members of the board and options to purchase 60,000 shares of the Company’s common stock to one employee pursuant to an employment agreement. These options were granted at a price of $5.18 per share and the optionees were fully vested on the grant date. On November 1, 2017, the remaining options expired. The board of directors previously determined that no future grants will be made pursuant to the 2006 Incentive Stock Option Plan.

On February 12, 2016, the board of directors granted options to purchase 250,000 shares of the Company’s common stock under the Company’s 2013 Plan. The Company granted options to purchase 250,000 shares of the Company’s common stock to one of its board members in connection with his appointment as chairman of the board of directors in January 2016. These options were granted with an exercise price of $2.79 per share and were fully vested on the grant date. As a result of the options being fully vested on the grant date, the Company recorded share-based compensation expense of $0.4 million for the year ended December 31, 2016.

Changes in stock option awards for the years ended December 31, 2017, 2016, and 2015 were as follows:

<table>
<thead>
<tr>
<th>Stock Option Awards</th>
<th>Weighted-Average Price</th>
<th>Weighted Average Contractual Term</th>
<th>Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2014(1)</td>
<td>141,872</td>
<td>$ 5.18</td>
<td>2.8</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired or canceled</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2015(1)</td>
<td>141,872</td>
<td>$ 5.18</td>
<td>1.8</td>
</tr>
<tr>
<td>Granted</td>
<td>250,000</td>
<td>$ 2.79</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired or canceled</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2016(1)</td>
<td>391,872</td>
<td>$ 3.66</td>
<td>2.9</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired or canceled</td>
<td>141,872</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2017(1)</td>
<td>250,000</td>
<td>$ 2.79</td>
<td>1.0</td>
</tr>
</tbody>
</table>

(1) All of the stock options outstanding were vested and exercisable at the end of the period.

Performance Equity Awards

The Company has granted performance equity awards under its 2017 Long Term Incentive Program to certain officers. The awards are subject to market conditions that are based on the Company’s 2017 total shareholder return on both an absolute and relative basis. Depending on the Company’s stock price performance, on both an absolute basis and on a relative basis compared to the defined peer group, the award recipients may earn between 0% and 150% of their 2017 base salaries, with any such amounts expected to be settled in restricted shares of the Company’s common stock that will vest over a three-year service-based period beginning in 2018.

The Company used a Monte Carlo simulation model to estimate the fair value of the awards based on the expected outcome of the Company’s stock price performance, on both an absolute basis and on a relative basis compared to the defined peer group, using key valuation assumptions. The assumptions used for the Monte Carlo model to determine the fair value of the awards and associated compensation expense included a forecast period for the relevant stock price period in 2017, a risk-free interest rate of 0.97% and 80% for the Company’s stock price volatility.
The maximum value of the performance shares issuable if all participants earned the maximum award would total $1.3 million. For the year ended December 31, 2017, the Company recorded $0.1 million of compensation expense related to these performance equity awards.

**NOTE 7 RELATED PARTY TRANSACTIONS**

Michael Frantz, a member of the Company’s board of directors since August 2016, is the Vice President, Investments of TRT Holdings, Inc. Michael Popejoy, a member of the Company’s board of directors since January 2017, is the Senior Vice President of Energy for TRT Holdings, Inc. TRT Holdings and its affiliates (collectively, “TRT”) are significant common stockholders of the Company and also a holder of the Company’s 8% senior unsecured notes, due 2020 (the “Notes”). The Company believes TRT owned in excess of $200 million aggregate principal amount of the Notes at December 31, 2017. The principal amounts of any Notes held by TRT are included in the Company’s long-term debt balances, and the Company’s interest expense includes interest attributable to any Notes held by TRT.

All transactions involving related parties are approved or ratified by the Company’s Audit Committee.

**NOTE 8 COMMITMENTS & CONTINGENCIES**

**Litigation**

The Company is engaged in various proceedings incidental to the normal course of business. Due to their nature, such legal proceedings involve inherent uncertainties, including but not limited to, court rulings, negotiations between affected parties and governmental intervention. Based upon the information available to the Company and discussions with legal counsel, it is the Company’s opinion that the outcome of the various legal actions and claims that are incidental to its business will not have a material impact on the Company’s financial position, results of operations or cash flows. Such matters, however, are subject to many uncertainties, and the outcome of any matter is not predictable with assurance.

The Company’s interests in certain crude oil and natural gas leases from the State of North Dakota are subject to an ongoing dispute over the ownership of minerals underlying the bed of the Missouri River within the boundaries of the Fort Berthold Reservation. The ongoing dispute is between the State of North Dakota and three affiliated tribes, both of whom have purported to lease mineral rights in tracts of riverbed within the reservation boundaries. In the event the ongoing dispute results in a final judgment that is adverse to the Company’s interests, the Company would be required to reverse approximately $5.5 million in revenue (net of accrued taxes) that has been accrued since the first quarter of 2013 based on the Company’s purported interest in the crude oil and natural gas leases at issue. Due to the long-term nature of this title dispute, the $5.5 million in accounts receivable is included in “Other Noncurrent Assets, Net” on the balance sheets. The Company fully maintains the validity of its interests in the crude oil and natural gas leases.

On August 16, 2016, Michael Reger filed a complaint against the Company in the State of Minnesota, Fourth Judicial District, alleging breach of contract and defamation in connection with the Company’s termination of Mr. Reger’s employment as chief executive officer on August 15, 2016. On September 25, 2017, the Company entered into a settlement agreement and general release with Mr. Reger pursuant to which, among other things, Mr. Reger agreed to dismiss his lawsuit against the Company and the Company agreed to pay him $750,000 in cash and issue him 3,000,000 shares of the Company’s common stock.

On August 18, 2016, plaintiff Jeffrey Fries, individually and on behalf of all others similarly situated, filed a class action complaint in the United States District Court for the Southern District of New York against the Company, Michael Reger (our former chief executive officer), and Thomas Stoelk (our former chief financial officer and interim chief executive officer) as defendants. An amended complaint was filed by plaintiffs in July 2017. Defendants (including the Company) filed a motion to dismiss the amended complaint in August 2017. The court granted the Company’s motion to dismiss in January 2018, but permitted plaintiff the opportunity to further amend the complaint. A second amended complaint was filed by plaintiffs in January 2018. The complaint purports to bring a federal securities class action on behalf of a class of persons who acquired the Company’s securities between March 1, 2013 and August 15, 2016, and seeks to recover damages caused by defendants’ alleged violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The Company intends to continue to vigorously defend itself in this matter.

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NOTE 9  ASSET RETIREMENT OBLIGATION

The Company has asset retirement obligations (“ARO”) associated with the future plugging and abandonment of proved properties and related facilities. Initially, the fair value of a liability for an ARO is recorded in the period in which it is incurred and a corresponding increase in the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. The Company has no assets that are legally restricted for purposes of settling asset retirement obligations.

Inherent in the fair value calculation are numerous assumptions and judgments including the ultimate retirement costs, inflation factors, credit-adjusted discount rates, timing of retirement, and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the present value of the existing ARO, a corresponding adjustment is made to the oil and gas property balance. For example, as the Company analyzes actual plugging and abandonment information, the Company may revise its estimate of current costs, the assumed annual inflation of the costs and/or the assumed productive lives of its wells. During 2017 and 2016, the Company increased its existing ARO by $0.6 million and $0.8 million, respectively, due to an increase in the estimated costs to plug and abandon the Company’s wells.

The following table summarizes the Company’s asset retirement obligation transactions recorded during the year ended December 31, 2017 and 2016.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Asset Retirement Obligation</td>
<td>$7,508,300</td>
<td>$5,816,356</td>
</tr>
<tr>
<td>Liabilities Acquired or Incurred During the Period</td>
<td>578,441</td>
<td>585,729</td>
</tr>
<tr>
<td>Liabilities Removed Due to Divestitures</td>
<td>—</td>
<td>(21,426)</td>
</tr>
<tr>
<td>Revision of Estimates</td>
<td>609,351</td>
<td>789,003</td>
</tr>
<tr>
<td>Accretion of Discount on Asset Retirement Obligations</td>
<td>536,732</td>
<td>405,991</td>
</tr>
<tr>
<td>Liabilities Settled During the Period</td>
<td>(104,696)</td>
<td>(67,353)</td>
</tr>
<tr>
<td>Ending Asset Retirement Obligation</td>
<td>$9,128,128</td>
<td>$7,508,300</td>
</tr>
</tbody>
</table>

NOTE 10  INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses and tax credit carry-forwards. Under this method, deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that includes the enactment date.

The income tax provision (benefit) for the year ended December 31, 2017, 2016, and 2015 consists of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>(785,016)</td>
<td>(1,402,179)</td>
<td>(73,649)</td>
</tr>
<tr>
<td>State</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>126,501,000</td>
<td>99,298,900</td>
<td>(398,002,555)</td>
</tr>
<tr>
<td>State</td>
<td>(12,983,000)</td>
<td>(9,707,000)</td>
<td>(36,608,000)</td>
</tr>
<tr>
<td>Valuation Allowance</td>
<td>(114,303,000)</td>
<td>109,005,900</td>
<td>232,260,000</td>
</tr>
<tr>
<td>Total Expense (Benefit)</td>
<td>(1,570,016)</td>
<td>(1,402,179)</td>
<td>(202,424,204)</td>
</tr>
</tbody>
</table>

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The following is a reconciliation of the reported amount of income tax benefit for the years ended December 31, 2017, 2016, and 2015 to the amount of income tax expenses that would result from applying the statutory rate to pretax loss.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (Loss) Before Taxes and NOL</td>
<td>$(10,763,788)</td>
<td>$(294,895,887)</td>
<td>$(1,177,778,745)</td>
</tr>
<tr>
<td>Federal Statutory Rate</td>
<td>35.00%</td>
<td>35.00%</td>
<td>35.00%</td>
</tr>
<tr>
<td>Taxes Computed at Federal Statutory Rates</td>
<td>$(3,767,000)</td>
<td>$(103,214,000)</td>
<td>$(412,223,000)</td>
</tr>
<tr>
<td>State Taxes, Net of Federal Taxes</td>
<td>$(8,476,000)</td>
<td>$(6,306,000)</td>
<td>$(23,825,000)</td>
</tr>
<tr>
<td>Non-Deductible Compensation</td>
<td>22,000</td>
<td>82,000</td>
<td>470,000</td>
</tr>
<tr>
<td>Share Based Compensation Tax Deficiency</td>
<td>—</td>
<td>$(834,900)</td>
<td>307,000</td>
</tr>
<tr>
<td>Federal Rate Reduction</td>
<td>124,493,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>460,984</td>
<td>135,179</td>
<td>586,796</td>
</tr>
<tr>
<td>Valuation Allowance</td>
<td>(114,303,000)</td>
<td>109,005,900</td>
<td>232,260,000</td>
</tr>
<tr>
<td>Reported Provision (Benefit)</td>
<td>$ (1,570,016)</td>
<td>$ (1,402,179)</td>
<td>$ (202,424,204)</td>
</tr>
</tbody>
</table>

A valuation allowance is established to reduce deferred tax assets if it is determined that it is more likely than not that the related tax benefit will not be realized. On a quarterly basis, management evaluates the need for and adequacy of valuation allowances based on the expected realizability of the deferred tax assets and adjusts the amount of such allowances, if necessary. During 2017, in evaluating whether it was more likely than not that the Company’s net deferred tax assets were realized through future net income, management considered all available positive and negative evidence, including (i) its earnings history, (ii) its ability to recover net operating loss carryforwards, (iii) the existence of significant proved oil and natural gas reserves, (iv) its ability to use tax planning strategies, (v) its current price protection utilizing oil hedges, (vi) its future revenue and operating cost projections and (vii) the current market prices for oil and natural gas. Based on all the evidence available, management determined it was more likely than not that the net deferred tax assets, other than the deferred tax asset related to the Company’s alternative minimum tax credit, were not realizable, therefore a valuation allowance of $227.0 million was recorded at December 31, 2017. At December 31, 2017, the Company has an alternative minimum tax credit for federal income tax purposes of $0.8 million. Under the Tax Cuts and Jobs Act, enacted in December 2017, the alternative minimum tax credit will be refundable in future years.

At December 31, 2017, the Company had a net operating loss carryforward for federal income tax purposes of $714.5 million. If unutilized, the federal net operating losses will expire from 2031 to 2037.

The significant components of the Company’s deferred tax assets (liabilities) were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Net Operating Loss (NOLs) and Tax Credit Carryforwards</td>
<td>$174,864,900</td>
<td>$224,679,900</td>
</tr>
<tr>
<td>Share Based Compensation</td>
<td>797,000</td>
<td>1,032,000</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>1,144,000</td>
<td>1,727,000</td>
</tr>
<tr>
<td>Allowance for Doubtful Accounts</td>
<td>1,360,000</td>
<td>1,795,000</td>
</tr>
<tr>
<td>Crude Oil and Natural Gas Properties and Other Properties</td>
<td>42,329,000</td>
<td>107,642,000</td>
</tr>
<tr>
<td>Derivative Instruments</td>
<td>7,393,000</td>
<td>4,341,000</td>
</tr>
<tr>
<td>Other</td>
<td>(140,000)</td>
<td>49,000</td>
</tr>
<tr>
<td>Total Net Deferred Tax Assets (Liabilities) Before Valuation Allowance</td>
<td>$227,747,900</td>
<td>$341,265,900</td>
</tr>
<tr>
<td>Valuation Allowance</td>
<td>(226,962,900)</td>
<td>(341,265,900)</td>
</tr>
<tr>
<td>Total Net Deferred Tax Assets</td>
<td>$ 785,000</td>
<td>—</td>
</tr>
</tbody>
</table>

Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in the Company’s tax returns that do not meet these recognition and measurement standards. The Company has no liabilities for unrecognized tax benefits.
The Company’s policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2017, 2016 and 2015, the Company did not recognize any interest or penalties in its statements of operations, nor did it have any interest or penalties accrued in its balance sheet at December 31, 2017 and 2016 relating to unrecognized benefits.

The tax years 2017, 2016, 2015, 2014, 2013, 2012, 2011 and 2010 remain open to examination for federal income tax purposes and by the other major taxing jurisdictions to which the Company is subject.

The Protecting Americans from Tax Hikes Act of 2015 (PATH) was enacted on December 18, 2015. PATH retroactively extended various temporary individual and business tax incentives for 2015 and in some instances extended certain incentives through 2019. Bonus tax depreciation, a favorable tax incentive for the Company, was extended from 2015 through 2019. In 2017 and 2016, the Company utilized $0.8 million and $1.4 million of its alternative minimum tax credit, respectively, as a result of favorable tax incentives within PATH.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“the Act”) which made significant changes that affect the Company. Beginning January 1, 2018, the Company will be taxed at a 21% federal corporate tax rate. The Company has reflected the impact of this rate enactment on its deferred tax assets and liabilities at December 31, 2017, the Company is required to reflect the change in the period in which the law is enacted. The impact of this change was a net reduction in deferred tax assets of $124.5 million, before valuation allowance. The Company’s valuation allowance was reduced by $125.3 million. Due to the Company’s valuation allowance position the net effect of the Act was a tax benefit of $0.8 million.

The Act also repeals the corporate alternative minimum tax for tax years beginning after December 31, 2017 and provides that prior alternative minimum tax credits will be refundable. The Company has credits that are expected to be refunded between 2018 and 2021 as a result of the Act and monetization opportunities under current tax laws.

The Act is a comprehensive tax reform bill containing a number of other provisions that either currently or in the future could impact the Company. The Company has completed the analysis of the Act and does not expect a material change due to the transition impacts. Any changes that do arise due to changes in interpretations of the Act, legislative action to address questions that arise because of the Act, changes in accounting standards for income taxes or related interpretations in response to the Act, or any updates or changes to estimates the Company has utilized to calculate the transition impacts will be disclosed in future periods as they arise. The effect of certain limitations effective for the tax year 2018 and forward, specifically related to the deductibility of executive compensation and interest expense, have been evaluated.

NOTE 11 OPERATING LEASES

The Company leases office space under operating leases expiring on various dates through 2021. Minimum future annual lease payments for the calendar years presented are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$342,000</td>
</tr>
<tr>
<td>2019</td>
<td>352,000</td>
</tr>
<tr>
<td>2020</td>
<td>361,000</td>
</tr>
<tr>
<td>2021</td>
<td>340,000</td>
</tr>
<tr>
<td>Total</td>
<td>$1,395,000</td>
</tr>
</tbody>
</table>

The following has been recorded to rent expense for the periods presented:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Expense</td>
<td>$369,000</td>
<td>$320,000</td>
<td>$287,000</td>
</tr>
</tbody>
</table>

The Company’s office space lease agreements contain scheduled escalation in lease payment during the term of the lease. In accordance with GAAP, the Company records rent expense on a straight-line basis and a deferred rent liability for the difference between the straight-line amount and the actual amounts of the lease payments. Rent expense is included in the statement of operations in the “General and Administrative Expense” line item.
**NOTE 12  FAIR VALUE**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Financial Assets and Liabilities**

As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following tables set forth by level within the fair value hierarchy the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2017 and 2016.

<table>
<thead>
<tr>
<th>Fair Value Measurements at December 31, 2017 Using</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Derivatives – Current Asset (crude oil swaps)</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Commodity Derivatives – Current Liabilities (crude oil swaps)</td>
<td>—</td>
<td>(18,681,891)</td>
<td>—</td>
</tr>
<tr>
<td>Commodity Derivatives – Non-Current Asset (crude oil swaps)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Commodity Derivatives – Non-Current Liabilities (crude oil swaps)</td>
<td>—</td>
<td>(11,496,929)</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$—</td>
<td>$—</td>
<td>(30,178,820)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value Measurements at December 31, 2016 Using</th>
<th>Quoted Prices In Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Derivatives – Current Asset (crude oil swaps)</td>
<td>$—</td>
<td>—</td>
<td>4,517</td>
</tr>
<tr>
<td>Commodity Derivatives – Current Liabilities (crude oil swaps and collars)</td>
<td>—</td>
<td>(10,001,564)</td>
<td>—</td>
</tr>
<tr>
<td>Commodity Derivatives – Non-Current Asset (crude oil swaps)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Commodity Derivatives – Non-Current Liabilities (crude oil swaps)</td>
<td>—</td>
<td>(1,738,329)</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$—</td>
<td>—</td>
<td>(11,735,376)</td>
</tr>
</tbody>
</table>
The Level 2 instruments presented in the tables above consist of commodity derivative instruments, which include crude oil swaps, collars, and swaptions (see Note 13). The fair value of the Company’s derivative financial instruments is determined based upon future prices, volatility and time to maturity, among other things. Counterparty statements are utilized to determine the value of the commodity derivative instruments and are reviewed and corroborated using various methodologies and significant observable inputs. The Company’s and the counterparties’ nonperformance risk is evaluated. The fair value of all derivative contracts is reflected on the balance sheet. The current derivative asset and liability amounts represent the fair values expected to be settled in the subsequent twelve months.

**Fair Value of Other Financial Instruments**

The Company’s financial instruments, including certain cash and cash equivalents, accounts receivable and accounts payable, are carried at cost, which approximates fair value due to the short-term maturity of these instruments.

The carrying amount of the Company’s long-term debt reported in the balance sheet at December 31, 2017 is $979.3 million, which includes $692.0 million of senior unsecured notes including a net discount of $1.2 million and $287.4 million of borrowings under the Company’s term loan credit agreement (see Note 4). The fair value of the Company’s senior unsecured notes, which are publicly traded, is $528.0 million at December 31, 2017. The Company’s term loan credit agreement approximates its fair value because of its floating rate structure.

**Non-Financial Assets and Liabilities**

The Company estimates asset retirement obligations pursuant to the provisions of FASB ASC 410. The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and natural gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligations liability is deemed to use Level 3 inputs. Asset retirement obligations incurred for the year ended December 31, 2017 were approximately $0.6 million.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. There were no transfers of financial assets or liabilities between Level 1, Level 2 or Level 3 inputs for the years ended December 31, 2017 and 2016.

**NOTE 13     DERIVATIVE INSTRUMENTS AND PRICE RISK MANAGEMENT**

The Company utilizes commodity swap contracts, swaptions and collars (purchased put options and written call options) to (i) reduce the effects of volatility in price changes on the crude oil commodities it produces and sells, (ii) reduce commodity price risk and (iii) provide a base level of cash flow in order to assure it can execute at least a portion of its capital spending.

All derivative instruments are recorded on the Company’s balance sheet as either assets or liabilities measured at their fair value (see Note 12). The Company has not designated any derivative instruments as hedges for accounting purposes and does not enter into such instruments for speculative trading purposes. If a derivative does not qualify as a hedge or is not designated as a hedge, the changes in the fair value are recognized in the revenues section of the Company’s statements of operations as a gain or loss on derivative instruments. Mark-to-market gains and losses represent changes in fair values of derivatives that have not been settled. The Company’s cash flow is only impacted when the actual settlements under the derivative contracts result in making or receiving a payment to or from the counterparty. These cash settlements represent the cumulative gains and losses on the Company’s derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

The following table presents cash settlements on matured or liquidated derivative instruments and non-cash gains and losses on open derivative instruments for the periods presented. Cash receipts and payments below reflect proceeds received upon early liquidation of derivative positions and gains or losses on derivative contracts which matured during the period, calculated as the difference between the contract price and the market settlement price of matured contracts. Non-cash gains and losses below represent the change in fair value of derivative instruments which continue to be held at period-end and the reversal of previously recognized non-cash gains or losses on derivative contracts that matured or were liquidated during the period.

F- 26
Cash Received (Paid) on Derivatives$\textsuperscript{1)} $3,776,788 $61,528,201 $161,098,510
Non-Cash Gain (Loss) on Derivatives (18,443,443) (76,346,935) (88,715,603)
Gain (Loss) on Derivative Instruments, Net $ (14,666,655) $ (14,818,734) $ 72,382,907

(1) Net cash paid for crude oil swaps for the year ended December 31, 2017 include approximately $0.7 million of payments from crude oil derivative contracts that were settled prior to their contractual maturities as a result of the termination of the Company’s revolving credit facility. Net cash receipts for the year ended December 31, 2015 includes approximately $0.2 million of proceeds received from crude oil derivative contracts that were settled prior to their contractual maturities.

The Company has master netting agreements on individual crude oil contracts with certain counterparties and therefore the current asset and liability are netted on the balance sheet and the non-current asset and liability are netted on the balance sheet for contracts with these counterparties.

The following table reflects open commodity swap contracts as of December 31, 2017, the associated volumes and the corresponding fixed price.
<table>
<thead>
<tr>
<th>Settlement Period</th>
<th>Oil (Barrels)</th>
<th>Fixed Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>49.99</td>
</tr>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>50.04</td>
</tr>
<tr>
<td>01/01/18 – 08/31/18</td>
<td>160,000</td>
<td>49.99</td>
</tr>
<tr>
<td>01/01/18 – 09/30/18</td>
<td>270,000</td>
<td>53.99</td>
</tr>
<tr>
<td>01/01/18 – 09/30/18</td>
<td>270,000</td>
<td>53.99</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>273,000</td>
<td>55.19</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>180,000</td>
<td>53.30</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.80</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.09</td>
</tr>
<tr>
<td>01/01/18 – 12/31/18</td>
<td>365,000</td>
<td>54.42</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>92,000</td>
<td>52.50</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>92,000</td>
<td>52.55</td>
</tr>
<tr>
<td>10/01/18 – 12/31/18</td>
<td>46,000</td>
<td>54.50</td>
</tr>
<tr>
<td>01/01/19 – 03/31/19</td>
<td>45,000</td>
<td>54.22</td>
</tr>
<tr>
<td>01/01/19 – 03/31/19</td>
<td>45,000</td>
<td>53.65</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
<td>52.70</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>365,000</td>
<td>51.05</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
<td>52.15</td>
</tr>
<tr>
<td>01/01/19 – 12/31/19</td>
<td>182,500</td>
<td>52.75</td>
</tr>
<tr>
<td>04/01/19 – 06/30/19</td>
<td>45,500</td>
<td>53.59</td>
</tr>
<tr>
<td>04/01/19 – 06/30/19</td>
<td>36,400</td>
<td>53.10</td>
</tr>
<tr>
<td>07/01/19 – 09/30/19</td>
<td>46,000</td>
<td>53.07</td>
</tr>
<tr>
<td>07/01/19 – 09/30/19</td>
<td>9,200</td>
<td>52.65</td>
</tr>
<tr>
<td>01/01/20 – 03/31/20</td>
<td>27,300</td>
<td>51.81</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>366,000</td>
<td>49.77</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>183,000</td>
<td>51.30</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>109,800</td>
<td>51.70</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>366,000</td>
<td>49.75</td>
</tr>
<tr>
<td>01/01/20 – 12/31/20</td>
<td>183,000</td>
<td>51.10</td>
</tr>
<tr>
<td>04/01/20 – 06/30/20</td>
<td>9,100</td>
<td>51.50</td>
</tr>
</tbody>
</table>

As of December 31, 2017, the Company had a total volume on open commodity swaps of 6.2 million barrels at a weighted average price of approximately $52.24 per barrel.

The following table reflects the weighted average price of open commodity swap derivative contracts as of December 31, 2017, by year with associated volumes.
Weighted Average Price  
Of Open Commodity Swap Contracts  

<table>
<thead>
<tr>
<th>Year</th>
<th>Volumes (Bbl)</th>
<th>Weighted Average Price ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>3,050,000</td>
<td>53.26</td>
</tr>
<tr>
<td>2019</td>
<td>1,887,600</td>
<td>51.80</td>
</tr>
<tr>
<td>2020</td>
<td>1,244,200</td>
<td>50.41</td>
</tr>
</tbody>
</table>

The Company determines the estimated fair value of derivative instruments using a market approach based on several factors, including quoted market prices in active markets and quotes from third parties, among other things. The Company also performs an internal valuation to ensure the reasonableness of third party quotes. In consideration of counterparty credit risk, the Company assessed the possibility of whether the counterparty to the derivative would default by failing to make any contractually required payments. Additionally, the Company considers that it is of substantial credit quality and has the financial resources and willingness to meet its potential repayment obligations associated with the derivative transactions. For further details regarding the Company’s derivative contracts see Note 12, Fair Value in the Notes to the Financial Statements.

The following table sets forth the amounts, on a gross basis, and classification of the Company’s outstanding derivative financial instruments at December 31, 2017 and 2016, respectively. Certain amounts may be presented on a net basis on the financial statements when such amounts are with the same counterparty and subject to a master netting arrangement:

<table>
<thead>
<tr>
<th>Type of Crude Oil Contract</th>
<th>Balance Sheet Location</th>
<th>December 31, Estimated Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Derivative Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swap Contracts</td>
<td>Current Assets</td>
<td>$</td>
</tr>
<tr>
<td>Total Derivative Assets</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Derivative Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swap Contracts</td>
<td>Current Liabilities</td>
<td>$ (18,681,891)</td>
</tr>
<tr>
<td>Swap Contracts</td>
<td>Non-Current Liabilities</td>
<td>(11,496,929)</td>
</tr>
<tr>
<td>Swaption Contracts</td>
<td>Current Liabilities</td>
<td>—</td>
</tr>
<tr>
<td>Costless Collars</td>
<td>Current Liabilities</td>
<td>—</td>
</tr>
<tr>
<td>Total Derivative Liabilities</td>
<td></td>
<td>$ (30,178,820)</td>
</tr>
</tbody>
</table>

The use of derivative transactions involves the risk that the counterparties will be unable to meet the financial terms of such transactions. When the Company has netting arrangements with its counterparties that provide for offsetting payables against receivables from separate derivative instruments these assets and liabilities are netted on the balance sheet. The tables presented below provide reconciliation between the gross assets and liabilities and the amounts reflected on the balance sheet. The amounts presented exclude derivative settlement receivables and payables as of the balance sheet dates.
Estimated Fair Value at December 31, 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offsetting of Derivative Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Derivative Assets</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Estimated Fair Value at December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offsetting of Derivative Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Derivative Assets</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

All of the Company’s outstanding derivative instruments are covered by International Swap Dealers Association Master Agreements (“ISDAs”) entered into with BP Energy Company, Macquarie Bank Limited, and Fifth Third Bank. The Company’s obligations under the derivative instruments are secured pursuant to the term loan credit agreement and related agreements, and no additional collateral had been posted by the Company as of December 31, 2017. The ISDAs may provide that as a result of certain circumstances, such as cross-defaults, a counterparty may require all outstanding derivative instruments under an ISDA to be settled immediately. See Note 12 for the aggregate fair value of all derivative instruments that were in a net liability position at December 31, 2017 and 2016.

NOTE 14  EARNINGS PER SHARE

The following is a reconciliation of the numerator and denominator used to calculate basic earnings per share and diluted earnings per share for the years ended December 31, 2017, 2016, and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Loss</td>
<td>Shares</td>
<td>Per Share</td>
</tr>
<tr>
<td>Basic EPS</td>
<td>$ (9,193,772)</td>
<td>62,408,855</td>
<td>$ (0.15)</td>
</tr>
<tr>
<td>Dilutive Effect of Options</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Diluted EPS</td>
<td>$ (9,193,772)</td>
<td>62,408,855</td>
<td>$ (0.15)</td>
</tr>
</tbody>
</table>

F- 30
For the year ended December 31, 2017, 2016 and 2015 restricted stock of 1,109,511, 829,313, and 322,393 shares of common stock were excluded from EPS due to the anti-dilutive effect, respectively.

NOTE 15     EMPLOYEE BENEFIT PLANS

In 2009, the Company adopted a defined contribution 401(k) plan for substantially all of its employees. The plan provides for Company matching of employee contributions to the plan. During 2017, 2016 and 2015, the Company provided a match contribution equal to 100% of an eligible employee's deferral contribution, up to 8% of the employee's earnings up to the maximum allowable amount. The Company contributed approximately $178,000, $238,000 and $279,000 to the 401(k) plan for the years ended December 31, 2017, 2016 and 2015, respectively.

NOTE 16     SUBSEQUENT EVENTS

Exchange Agreement

On January 31, 2018, the Company entered into an agreement (the “Exchange Agreement”) with holders (the “Supporting Noteholders”) of approximately $497 million, or 71%, of the aggregate principal amount of the Company’s outstanding 8.000% senior unsecured notes due 2020 (the “Outstanding Notes”), pursuant to which the Supporting Noteholders have agreed to exchange all of the Outstanding Notes held by each such Supporting Noteholder for approximately $155 million of the Company’s common stock, par value $0.001 (the “Common Stock”), and approximately $344 million in aggregate principal amount of new senior secured second lien notes due 2023 (the “Second Lien Notes”) (such proposed exchange, the “Exchange Transaction”).

For each $1,000 principal amount of Outstanding Notes exchanged pursuant to the Exchange Agreement, (i) TRT Holdings, Inc. and its affiliates will receive $612 in principal amount of Second Lien Notes and approximately 133.3 shares of Common Stock and (ii) all other Supporting Noteholders will receive $750 in principal amount of Second Lien Notes and approximately 83.3 shares of Common Stock. The number of shares of Common Stock issuable to the Supporting Noteholders is subject to adjustment in the event the Company issues or sells Common Stock in connection with the Equity Raise (as defined below) at a price less than $3.00 per share.

The obligations of the Supporting Noteholders under the Exchange Agreement, including their obligation to exchange their Outstanding Notes, are subject to the conditions set forth in the Exchange Agreement, including: (a) the Company raising at least $156.0 million in total value (the “Equity Raise”), comprised of (i) at least 50% in new cash contributions from the sale of Common Stock, including the funding of up to $40.0 million of commitments received under the Subscription Agreements (as defined below); and (ii) no more than 50% from the fair market value of additional assets acquired, which assets will represent non-operating interests in the Williston Basin shale play; (b) reincorporation of the Company in the State of Delaware; (c) the Company having received the requisite shareholder approvals for (i) the issuance of the Common Stock and (ii) the reincorporation; (d) the Company obtaining the requisite consent of the lenders under the Company’s first lien term loan credit agreement; and (e) entry into a customary intercreditor agreement between the agent for the first lien term loan and the trustee for the Second Lien Notes. The Exchange Agreement will terminate upon written notice of termination by the Company or the Supporting Noteholders if the Exchange Transaction has not closed on or before May 31, 2018.

The Exchange Agreement contains certain representations, warranties and other agreements by the Company and the Supporting Noteholders. The Company’s and the Supporting Noteholders’ obligations under the Exchange Agreement are subject to various customary conditions set forth in the Exchange Agreement, including the negotiation, execution and delivery of an indenture for the Second Lien Notes and other definitive documentation for the Exchange Transaction. Accordingly, there can be no assurance if or when the Company will consummate the Exchange Transaction and the other transactions contemplated by the Exchange Agreement. The Company will not receive any cash proceeds from the issuance of the Second Lien Notes or the Common Stock to be issued in the Exchange Transaction.

Subscription Agreements

Also on January 31, 2018, and in connection with the Exchange Transaction, the Company and certain investors entered into subscription agreements (the “Subscription Agreements”) whereby such investors agreed to purchase up to $40.0 million of Common Stock at $3.00 per share (subject to adjustment based on the pricing of the Equity Raise), subject to the closing of the Exchange Transaction.
SUPPLEMENTAL OIL AND GAS INFORMATION
(UNAUDITED)

Oil and Natural Gas Exploration and Production Activities

Oil and gas sales reflect the market prices of net production sold or transferred with appropriate adjustments for royalties, net profits interest, and other contractual provisions. Production expenses include lifting costs incurred to operate and maintain productive wells and related equipment including such costs as operating labor, repairs and maintenance, materials, supplies and fuel consumed. Production taxes include production and severance taxes. Depletion of crude oil and natural gas properties relates to capitalized costs incurred in acquisition, exploration, and development activities. Results of operations do not include interest expense and general corporate amounts. The results of operations for the Company’s crude oil and natural gas production activities are provided in the Company’s related statements of income.

Costs Incurred and Capitalized Costs

The costs incurred in crude oil and natural gas acquisition, exploration and development activities are highlighted in the table below.

<table>
<thead>
<tr>
<th>Costs Incurred for the Year:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved Property Acquisition and Other</td>
<td>$15,722,378</td>
<td>$18,531,518</td>
<td>$ 9,068,139</td>
</tr>
<tr>
<td>Unproved Property Acquisition</td>
<td>716,681</td>
<td>2,301,285</td>
<td>3,346,214</td>
</tr>
<tr>
<td>Development</td>
<td>139,531,567</td>
<td>63,621,429</td>
<td>116,255,535</td>
</tr>
<tr>
<td>Total</td>
<td>$155,970,626</td>
<td>$84,454,232</td>
<td>$128,669,888</td>
</tr>
</tbody>
</table>

Excluded costs for unproved properties are accumulated by year. Costs are reflected in the full cost pool as the drilling costs are incurred or as costs are evaluated and deemed impaired. The Company anticipates these excluded costs will be included in the depletion computation over the next five years. The Company is unable to predict the future impact on depletion rates. The following is a summary of capitalized costs excluded from depletion at December 31, 2017 by year incurred.

<table>
<thead>
<tr>
<th>Costs Incurred for the Year:</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>Prior Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Acquisition</td>
<td>$565,352</td>
<td>$509,877</td>
<td>$502,794</td>
<td>$121,321</td>
</tr>
<tr>
<td>Development</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$565,352</td>
<td>$509,877</td>
<td>$502,794</td>
<td>$121,321</td>
</tr>
</tbody>
</table>

Oil and Natural Gas Reserves and Related Financial Data

Information with respect to the Company’s crude oil and natural gas producing activities is presented in the following tables. Reserve quantities, as well as certain information regarding future production and discounted cash flows, were determined by Ryder Scott Company, independent petroleum consultants based on information provided by the Company.

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The following tables present the Company’s independent petroleum consultants’ estimates of its proved crude oil and natural gas reserves. The Company emphasizes that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment.

<table>
<thead>
<tr>
<th>Natural Gas (MCF)</th>
<th>Oil (BBLS)</th>
<th>BOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved Developed and Undeveloped Reserves at December 31, 2014</td>
<td>70,935,117</td>
<td>88,913,305</td>
</tr>
<tr>
<td>Revisions of Previous Estimates</td>
<td>(23,552,809)</td>
<td>(36,277,018)</td>
</tr>
<tr>
<td>Extensions, Discoveries and Other Additions</td>
<td>8,170,259</td>
<td>9,346,864</td>
</tr>
<tr>
<td>Production</td>
<td>(4,651,583)</td>
<td>(5,168,687)</td>
</tr>
<tr>
<td>Proved Developed and Undeveloped Reserves at December 31, 2015</td>
<td>50,900,984</td>
<td>56,814,464</td>
</tr>
<tr>
<td>Revisions of Previous Estimates</td>
<td>(8,697,825)</td>
<td>(13,995,801)</td>
</tr>
<tr>
<td>Extensions, Discoveries and Other Additions</td>
<td>7,695,309</td>
<td>7,142,439</td>
</tr>
<tr>
<td>Purchases of Minerals in Place</td>
<td>960,758</td>
<td>640,108</td>
</tr>
<tr>
<td>Production</td>
<td>(4,026,899)</td>
<td>(4,325,919)</td>
</tr>
<tr>
<td>Proved Developed and Undeveloped Reserves at December 31, 2016</td>
<td>46,832,327</td>
<td>46,275,291</td>
</tr>
<tr>
<td>Revisions of Previous Estimates</td>
<td>8,838,976</td>
<td>889,814</td>
</tr>
<tr>
<td>Extensions, Discoveries and Other Additions</td>
<td>27,637,350</td>
<td>20,184,388</td>
</tr>
<tr>
<td>Production</td>
<td>(5,187,886)</td>
<td>(4,537,295)</td>
</tr>
<tr>
<td>Proved Developed and Undeveloped Reserves at December 31, 2017</td>
<td>78,120,767</td>
<td>62,812,198</td>
</tr>
</tbody>
</table>

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.
Notable changes in proved reserves for the year ended December 31, 2017 included the following:

- **Extensions and discoveries.** In 2017, total extensions and discoveries of 24.8 MMBOE were primarily attributable to successful drilling in the Williston Basin as well as the addition of proved undeveloped locations. Included in these extensions and discoveries were 5.9 MMBOE as a result of successful drilling in the Williston Basin and 18.9 MMBOE as a result of additional proved undeveloped locations.

- **Revisions to previous estimates.** In 2017, revisions to previous estimates increased proved developed and undeveloped reserves by a net amount of 2.4 MMBOE. Included in these revisions were 1.8 MMBOE of upward adjustments caused by higher crude oil and natural gas prices and a 3.1 MMBOE upward adjustment attributable to well performance when comparing the Company’s reserve estimates at December 31, 2017 to December 31, 2016 which was partially offset by 2.5 MMBOE of downward adjustments related to the removal of undeveloped drilling locations related to the 5 year rule.

Notable changes in proved reserves for the year ended December 31, 2016 included the following:

- **Extensions and discoveries.** In 2016, total extensions and discoveries of 8.4 MMBOE were primarily attributable to successful drilling in the Williston Basin. Both the new wells drilled in these areas as well as the proved undeveloped locations added as a result of drilling increased the Company’s proved reserves.

- **Purchases of minerals in place.** In 2016, total purchases of minerals in place of 0.8 MMBOE were primarily attributable to an acquisition with a third party (See Note 3).

- **Revisions to previous estimates.** In 2016, revisions to previous estimates decreased proved developed and undeveloped reserves by a net amount of 15.4 MMBOE. Included in these revisions were 15.7 MMBOE of downward adjustments caused by lower crude oil and natural gas prices and 3.4 MMBOE of downward adjustments related to the removal of undeveloped drilling locations related to the 5 year rule which was partially offset by a 3.6 MMBOE upward adjustment attributable to well performance when comparing the Company’s reserve estimates at December 31, 2016 to December 31, 2015.

Notable changes in proved reserves for the year ended December 31, 2015 included the following:

- **Extensions and discoveries.** In 2015, total extensions and discoveries of 10.7 MMBOE were primarily attributable to successful drilling in the Williston Basin. Both the new wells drilled in these areas as well as the proved undeveloped locations added as a result of drilling increased the Company’s proved reserves.

- **Revisions to previous estimates.** In 2015, revisions to previous estimates decreased proved developed and undeveloped reserves by a net amount of 40.2 MMBOE. Included in these revisions were 52.6 MMBOE of downward adjustments caused by lower crude oil and natural gas prices and 12.4 MMBOE of net upward adjustments attributable to reservoir analysis and well performance when comparing the Company’s reserve estimates at December 31, 2015 to December 31, 2014.
The following table presents a standardized measure of discounted future net cash flows relating to proved crude oil and natural gas reserves and the changes in standardized measure of discounted future net cash flows relating to proved crude oil and natural gas were prepared in accordance with the provisions of ASC 932 Extractive Activities - Oil and Gas. Future cash inflows were computed by applying average prices of crude oil and natural gas for the last 12 months to estimated future production. Future production and development costs were computed by estimating the expenditures to be incurred in developing and producing the proved crude oil and natural gas reserves at the end of the year, based on year end costs and assuming continuation of existing economic conditions. Future income tax expenses were calculated by applying appropriate year end tax rates to future pretax cash flows relating to proved crude oil and natural gas reserves, less the tax basis of properties involved and tax credits and loss carry forwards relating to crude oil and natural gas producing activities. Future net cash flows are discounted at the rate of 10% annually to derive the standardized measure of discounted future cash flows. Actual future cash inflows may vary considerably, and the standardized measure does not necessarily represent the fair value of the Company’s crude oil and natural gas reserves.

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Cash Inflows</td>
<td>$3,143,603,968</td>
<td>$1,708,870,912</td>
<td>$2,470,707,712</td>
</tr>
<tr>
<td>Future Production Costs</td>
<td>(1,265,524,800)</td>
<td>(775,534,832)</td>
<td>(981,256,096)</td>
</tr>
<tr>
<td>Future Development Costs</td>
<td>(409,360,320)</td>
<td>(220,869,664)</td>
<td>(356,401,888)</td>
</tr>
<tr>
<td>Future Net Cash Inflows</td>
<td>$1,441,242,618</td>
<td>$709,989,063</td>
<td>$1,127,309,105</td>
</tr>
</tbody>
</table>

10% Annual Discount for Estimated Timing of Cash Flows


Standardized Measure of Discounted Future Net Cash Flows

| Standardized Measure of Discounted Future Net Cash Flows | $753,986,097 | $379,026,013 | $574,798,763 |

The expected tax benefits to be realized from utilization of the net operating loss and tax credit carryforwards are used in the computation of future income tax cash flows. As a result of available net operating loss carryforwards and the remaining tax basis of its assets at December 31, 2017, the Company’s future income taxes were significantly reduced.
Changes in the Standardized Measure of Discounted Future Net Cash Flows at 10% per annum follow:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Period</td>
<td>$379,026,013</td>
<td>$574,798,763</td>
<td>$1,405,379,543</td>
</tr>
<tr>
<td>Sales of Oil and Natural Gas Produced, Net of Production Costs</td>
<td>(153,625,893)</td>
<td>(98,497,165)</td>
<td>(128,964,023)</td>
</tr>
<tr>
<td>Extensions and Discoveries</td>
<td>217,145,871</td>
<td>59,542,911</td>
<td>96,770,078</td>
</tr>
<tr>
<td>Previously Estimated Development Cost Incurred During the Period</td>
<td>46,833,826</td>
<td>23,271,960</td>
<td>114,208,095</td>
</tr>
<tr>
<td>Net Change of Prices and Production Costs</td>
<td>216,216,656</td>
<td>(174,656,448)</td>
<td>(1,384,474,928)</td>
</tr>
<tr>
<td>Change in Future Development Costs</td>
<td>(34,753,469)</td>
<td>57,481,060</td>
<td>235,578,690</td>
</tr>
<tr>
<td>Revisions of Quantity and Timing Estimates</td>
<td>28,914,878</td>
<td>(130,664,183)</td>
<td>(363,975,445)</td>
</tr>
<tr>
<td>Accretion of Discount</td>
<td>37,942,243</td>
<td>57,569,313</td>
<td>170,222,344</td>
</tr>
<tr>
<td>Change in Income Taxes</td>
<td>(3,617,100)</td>
<td>497,950</td>
<td>295,949,531</td>
</tr>
<tr>
<td>Purchases of Minerals in Place</td>
<td>—</td>
<td>9,576,760</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>19,903,072</td>
<td>105,092</td>
<td>134,104,878</td>
</tr>
<tr>
<td>End of Period</td>
<td>$753,986,097</td>
<td>$379,026,013</td>
<td>$574,798,763</td>
</tr>
</tbody>
</table>

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly data for the years end December 31, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$65,816,847</td>
<td>$64,901,882</td>
<td>$41,598,659</td>
<td>$37,002,281</td>
</tr>
<tr>
<td>Gains (Losses) on Derivative Instruments, Net</td>
<td>16,960,883</td>
<td>16,513,032</td>
<td>(12,663,253)</td>
<td>(35,477,317)</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>32,572,699</td>
<td>34,576,905</td>
<td>41,013,678</td>
<td>40,661,791</td>
</tr>
<tr>
<td>Income (Loss) from Operations</td>
<td>33,244,148</td>
<td>30,324,977</td>
<td>584,981</td>
<td>(3,659,510)</td>
</tr>
<tr>
<td>Other Income (Expense)</td>
<td>(16,303,805)</td>
<td>(16,523,118)</td>
<td>(16,672,448)</td>
<td>(21,759,013)</td>
</tr>
<tr>
<td>Income Tax Benefit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,570,016)</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>16,940,523</td>
<td>13,801,859</td>
<td>(16,087,467)</td>
<td>(23,848,687)</td>
</tr>
<tr>
<td>Net Income (Loss) Per Common Share – Basic</td>
<td>0.28</td>
<td>0.22</td>
<td>(0.26)</td>
<td>(0.37)</td>
</tr>
<tr>
<td>Net Income (Loss) Per Common Share – Diluted</td>
<td>0.27</td>
<td>0.22</td>
<td>(0.26)</td>
<td>(0.37)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$31,836,236</td>
<td>$32,014,226</td>
<td>$45,109,408</td>
<td>$35,943,626</td>
</tr>
<tr>
<td>Gains (Losses) on Derivative Instruments, Net</td>
<td>3,463,883</td>
<td>(10,522,948)</td>
<td>3,381,564</td>
<td>(11,141,233)</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>141,220,772</td>
<td>124,946,744</td>
<td>74,583,046</td>
<td>33,457,789</td>
</tr>
<tr>
<td>Impairment</td>
<td>104,311,122</td>
<td>88,880,921</td>
<td>43,820,791</td>
<td>—</td>
</tr>
<tr>
<td>Income (Loss) from Operations</td>
<td>(109,384,536)</td>
<td>(92,932,518)</td>
<td>(29,473,638)</td>
<td>2,485,837</td>
</tr>
<tr>
<td>Other Income (Expense)</td>
<td>(17,181,218)</td>
<td>(16,046,144)</td>
<td>(16,145,257)</td>
<td>(16,218,413)</td>
</tr>
<tr>
<td>Income Tax Benefit</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,402,179)</td>
</tr>
<tr>
<td>Net Loss</td>
<td>(126,565,754)</td>
<td>(108,978,662)</td>
<td>(45,618,895)</td>
<td>(12,330,397)</td>
</tr>
<tr>
<td>Net Loss Per Common Share – Basic</td>
<td>(2.08)</td>
<td>(1.78)</td>
<td>(0.74)</td>
<td>(0.20)</td>
</tr>
<tr>
<td>Net Loss Per Common Share – Diluted</td>
<td>(2.08)</td>
<td>(1.78)</td>
<td>(0.74)</td>
<td>(0.20)</td>
</tr>
</tbody>
</table>
EXCHANGE AGREEMENT

This EXCHANGE AGREEMENT (this “Agreement”), is made and entered into as of January 31, 2018, by and among NORTHERN OIL AND GAS, INC., a Minnesota corporation (the “Company”), and each of the holders listed on Schedule A attached hereto (collectively, the “Noteholders” and each, a “Noteholder”). Capitalized terms not defined herein shall have the meaning assigned to them in the Second Lien Notes term sheet set forth on Exhibit A attached hereto (the “Term Sheet”).

RECITALS

WHEREAS, the Company has issued and outstanding (i) $500,000,000 aggregate principal amount of 8.000% Senior Notes due 2020 (the “Notes”), issued pursuant to that certain Indenture, dated as of May 18, 2012 (as supplemented as of the date hereof, the “2012 Indenture”) between the Company and Wilmington Trust, National Association, as Trustee (the “Trustee”), and (ii) $200,000,000 aggregate principal amount of Notes, issued pursuant to that certain Indenture, dated as of May 18, 2015 (together with the 2012 Indenture, the “Indentures”) between the Company and the Trustee;

WHEREAS, each Noteholder is the Beneficial Owner of the aggregate principal amount of Notes set forth opposite its name on Schedule A attached hereto;

WHEREAS, the Parties have determined to enter into this Agreement, pursuant to which, amongst other things, each Noteholder shall transfer to the Company, and the Company shall acquire, directly or indirectly, all of the Notes held by such Noteholder in exchange for, (i) the aggregate principal amount of Senior Secured Second Lien Notes of the Company, issued pursuant to an indenture (the “Second Lien Notes Indenture”) on the terms specified in the Term Sheet (the “Second Lien Notes”), set forth opposite its name on Schedule A attached hereto and (ii) the number of shares of common stock, par value $0.001 per share, of the Company (the “Common Stock”) set forth opposite its name on Schedule A attached hereto, which number of shares of Common Stock is subject to adjustment pursuant to Section 9(h)(i) hereof (the “Exchange Transaction”);

WHEREAS, in connection with the Exchange Transaction, the Company and the Noteholders have entered into this Agreement, and, at the Closing, (i) the Company and the Noteholders desire to enter into the Registration Rights Agreement and (i) the Company and Robert B. Rowling, Cresta Investments, LLC, Cresta Greenwood, LLC and TRT Holdings, Inc. (collectively, “TRT”) desire to enter into an amended and restated letter agreement in substantially the form of Exhibit B attached hereto (the “TRT Governance Agreement” and, collectively with the Second Lien Notes Indenture and the other Note Documents (as defined herein), the “Transaction Documents”) in accordance herewith;

WHEREAS, the Company has received subscription agreements from each of Bahram Akradi, Michael L. Reger, TRT Holdings, Inc., Todd Slawson Trust and Michael L. O’Shaughnessy (the “Investors”), in substantially the form of Exhibit C attached hereto (the “Subscription Agreements”), pursuant to which the Investors have agreed to purchase (subject to the terms and conditions specified therein) an aggregate of $40.0 million of Common Stock; and

WHEREAS, the Company intends to raise at least $156.0 million in total value prior to or contemporaneously with the Closing, which shall be comprised of (A) at least 50% in new cash contributions from the sale of Common Stock, including the up to $40.0 million of commitments received under the Subscription Agreements; and (B) no more than 50% from the fair market value (as determined by an opinion of a reputable valuation or investment bank mutually acceptable to both the Company and the Noteholders) of additional assets acquired by the Company on or prior to the Closing, which assets shall represent non-operating interests in oil and gas properties in the Williston Basin shale play (such transactions (other than pursuant to Incentive Plan Awards), the “Equity Raise”).
NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Exchange and Purchase.** Subject to the terms and conditions set forth in this Agreement, at the Closing each Noteholder will assign, transfer and deliver to the Company all of its right, title and interest in and to all of the Existing Notes set forth opposite its name on Schedule A attached hereto free and clear of all Liens, against issuance and delivery, or payment, to such Noteholder, which shall be in full satisfaction of all obligations of the Company under the Existing Notes, of (i) the aggregate principal amount of Second Lien Notes set forth opposite its name on Schedule A attached hereto, (ii) the number of shares of Common Stock (the "Shares") set forth opposite its name on Schedule A attached hereto (subject to adjustment pursuant to Section 9(i)(i) hereof), and (iii) an amount in U.S. dollars (the "Cash Payment") equal to the accrued (but unpaid) interest, from and including the most recent date to which interest has been paid pursuant to the terms of the Notes and the Indentures to but excluding the date of the Closing, on the aggregate principal amount of Existing Notes set forth opposite its name on Schedule A attached hereto.

2. **Closing and Closing Deliveries.** The closing of the Exchange Transaction (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 609 Main Street, Houston, Texas 77002, at 10:00 a.m., local time, on the third Business Day following the satisfaction or, to the extent permitted by applicable law, waiver of the conditions set forth in Section 6 below (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted by applicable law, waiver of those conditions), unless another date, time or place is agreed to in writing by the parties hereto.

At the Closing:

(a) the Company shall:

   (i) deliver to each Noteholder’s custodian by means of book-entry transfer, which custodian shall be designated in writing by such Noteholder not less than five (5) Business Days prior to the Closing, Second Lien Notes representing the aggregate principal amount of Second Lien Notes issuable to such Noteholder as determined pursuant to Section 1;

   (ii) deliver to each Noteholder’s custodian by means of book-entry transfer, which custodian shall be designated in writing by such Noteholder not less than five (5) Business Days prior to the Closing, Common Stock representing the aggregate number of Shares issuable to such Noteholder as determined pursuant to Section 1;

   (iii) pay to each Noteholder, by wire transfer of immediately available funds to such account or accounts as designated by each Noteholder at least five (5) Business Days prior to the Closing, the Cash Payment payable to such Noteholder as determined pursuant to Section 1;

   (iv) deliver to the Noteholders a counterpart of the registration rights agreement (the "Registration Rights Agreement") in the form attached hereto as Exhibit D duly executed by the Company;

   (v) deliver to TRT a counterpart of the TRT Governance Agreement duly executed by the Company; and

   (vi) deliver to the Noteholders all definitive documentation in respect of the Second Lien Notes in accordance with the Documentation Principles (the "Note Documents"), including, without limitation:

   (A) customary closing and security documentation, including but not limited to: (i) executed copies of each security document that the Obligors are to execute in connection with the Second Lien Notes, in each case in form and substance reasonably satisfactory to the Trustee and the Noteholders and subject to the Documentation Principles (the "Security Documents"), together with (i) subject to the Senior Lien ICA, certificates representing the capital stock pledged pursuant to the Security Documents, accompanied by undated stock powers executed in blank, or evidence that such certificates and related stock powers were delivered to the First Lien Agent, (ii) proper financing statements, duly prepared for filing under the Uniform Commercial Code of all relevant jurisdictions of incorporation, and (iii) completed lien searches, dated on or as of a recent date before the Closing, listing all effective financing statements filed in the relevant jurisdictions of each Obligor’s jurisdiction of incorporation and any other jurisdictions reasonably requested by the Noteholders that name any

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Obligor as debtor, together with copies of such financing statements, and not evidencing any liens not permitted by the Note Documents and (II) executed mortgages and deeds of trust, in each case in form and substance reasonably satisfactory to the Trustee and the Noteholders and subject to the Documentation Principles, covering the value of the oil and gas properties required to be pledged as described under the section entitled “Ranking and Collateral” as set forth in the Term Sheet;

(B) (I) customary certificates from each of the Obligors, including, without limitation, a solvency certificate from the chief financial officer of the Company in the form attached as Exhibit G hereto, (II) a certificate (or certificates) of the due formation, valid existence and good standing of each Obligor in its state of organization, issued by the appropriate authorities of such jurisdiction, (III) customary legal opinions reasonably requested by the transfer agent for the Common Stock (the “Transfer Agent”) or the Trustee (including customary perfection opinions and local counsel opinion forms for mortgages), in each case in form and substance reasonably satisfactory to the Transferring Agent, the Trustee and the Noteholders’ counsel, (IV) certificates or binders evidencing insurance for each of the Obligors in effect on the Closing in form and substance reasonably satisfactory to the Trustee and the Noteholders and (V) all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act, to the extent requested at least five (5) Business Days prior to the Closing;

(C) a consent of the lenders under the Credit Facility (and/or amendment to the terms thereof) to permit the Exchange Transaction and to waive any mandatory prepayment which would be triggered by the Equity Raise, which consent shall be in form and substance reasonably satisfactory to the Noteholders and their counsel (the “Credit Facility Consent”); and

(D) evidence reasonably satisfactory to the Noteholders that a minimum of $156.0 million of total value has been funded, or closed in the case of contributions of assets, pursuant to (and in accordance with) the Equity Raise (including the up to $40.0 million of Common Stock subscriptions pursuant to the Subscription Agreements).

(b) the Noteholders shall:

(i) effect by book entry, in accordance with the applicable procedures of The Depository Trust Company, the delivery to the Company (or its trustee or designee) of all of the Existing Notes set forth opposite the relevant Noteholder’s name on Schedule A attached hereto and all other documents and instruments reasonably requested by the Company to effect the transfer of the Existing Notes to the Company;

(ii) deliver to the Company a counterpart of the TRT Governance Agreement duly executed by TRT; and

(iii) deliver to the Company a counterpart of the Registration Rights Agreement duly executed by each Noteholder.

3. Representations and Warranties of the Noteholders. Each Noteholder, severally and not jointly, nor jointly and severally, represents and warrants to the Company as follows:

(a) Title to Notes and Holding Period. Such Noteholder is the sole Beneficial Owner of the aggregate principal amount of Notes set forth opposite its name on Schedule A hereto (“Existing Notes”) and for purposes of Rule 144(d) under the Securities Act, such Noteholder has either (i) held such Existing Notes for at least one (1) year, or will satisfy such holding period requirement as of the Closing or (ii) acquired such Existing Notes from a person who was not and has not been in the ninety (90) days prior to the sale, an affiliate of the Company (as such term is defined in Rule 144 under the Securities Act) and, as a result of tacking the holding period of prior non-affiliate purchasers, has held the Exchange Notes for at least one (1) year, or will satisfy such holding period requirement at Closing. The Existing Notes set forth opposite the name of a Noteholder on Schedule A hereto are held by such Noteholder free and clear of all Liens, and none of the Noteholder or any Affiliate of such Noteholder owns or holds beneficially or of record any Notes (or any rights or interests of any nature whatsoever in or with respect to any Notes) other than Existing Notes set forth on Schedule A hereto. Except for this Agreement, the TRT Agreements and the Cooperation Agreement, such Noteholder is not party to or bound by any contract, option or other arrangement or understanding with respect to the purchase, sale, delivery, transfer, gift, pledge, hypothecation, encumbrance, assignment or other disposition or acquisition of (including by operation of law) any Notes (or any rights or interests of any nature whatsoever in or with respect to...
any Notes), or as to voting, agreeing or consenting (or abstaining therefrom) with respect to any amendment to or waiver of any terms of, or taking any action whatsoever with respect to, the Notes and the Indentures.

(b) Existence; Authority; Binding Effect. Such Noteholder is duly incorporated or organized, validly existing and in good standing under the laws of its jurisdiction of organization. Such Noteholder has full legal capacity, power and authority to execute and deliver this Agreement, the other Transaction Documents and any other agreements or instruments executed or to be executed by it in connection herewith and to consummate the transactions contemplated herein and therein. The execution, delivery and performance by such Noteholder of this Agreement, the other Transaction Documents and any other agreements or instruments executed or to be executed and delivered by such Noteholder in connection herewith, and the consummation of the transactions contemplated hereby and thereby by such Noteholder, have been duly and validly authorized and approved by the board of directors or other governing body of such Noteholder, and no other actions on the part of such Noteholder are necessary in respect thereof. This Agreement is, and each of the other Transaction Documents and the other agreements and instruments executed hereunder by such Noteholder in connection herewith will be, a valid and binding obligation of such Noteholder, in each case, to the extent party thereto, enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws relating to or affecting enforcement of creditors’ rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law) (collectively, the “Enforceability Exceptions”).

(c) No Violation. None of the execution and delivery of this Agreement, any of the other Transaction Documents or any other agreements or instruments executed and delivered by such Noteholder in connection herewith, nor the performance of any obligations hereunder or thereunder by such Noteholder, including the exchange of the Notes pursuant to this Agreement, will conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under or result in the creation of any lien upon the Notes held by such Noteholder under (i) the organizational documents of such person, including any limited liability company agreement, certificate of incorporation or bylaws or similar agreement; (ii) any law, order, writ, injunction or decree applicable to such Noteholder or by which any property or asset of such Noteholder is bound or affected; or (iii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, or other instrument or obligation to which such Noteholder is a party or by which such Noteholder or any property or asset of such Noteholder is bound or affected, except, in the case of clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults, events, losses, payments, cancellations, encumbrances, or other occurrences that are not, individually or in the aggregate, reasonably expected to prevent or materially delay the Closing or the performance by such Noteholder of any of its obligations under this Agreement or any other Transaction Document to which it is or will be a party.

(d) Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration, filing with or notice to, any governmental entity or any other Person is required to be obtained, made or given by or with respect to such Noteholder in connection with the execution and delivery of this Agreement, any other Transaction Document or any other agreements or instruments executed and delivered hereunder or thereunder by such Noteholder, or the performance of any obligations hereunder or thereunder by such Noteholder, including the exchange of the Notes.

(e) Transfer Restrictions. The offer and sale of the Shares and the Second Lien Notes to be issued pursuant to this Agreement (the “New Securities”) are intended to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act. Such Noteholder acknowledges and agrees that except with respect to the restrictions on transfer of the Shares set forth in Section 5(a)(ii) hereof (and for any restrictions which may apply to any Noteholder that is an affiliate of the Company within the meaning of Rule 144 under the Securities Act), assuming the accuracy of the representations and warranties of the Noteholders in Section 3(a) hereof, the New Securities are intended to be freely transferable under the Securities Act.

(f) Ability to Bear Risk and Sophistication. Such Noteholder understands that the Exchange Transaction and ownership and investment in the New Securities, involves substantial risk. Such Noteholder has such knowledge and experience in financial and business matters, and its financial situation is such, that it is capable of evaluating the merits and risks of its participation in the Exchange Transaction and of bearing the economic risk of its investment in the New Securities (including the complete loss of such investment).

(g) Qualified Institutional Buyer or Accredited Investor Status. Such Noteholder is either (i) a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act or (ii) an “accredited investor” within the meaning of Rule 501 under the Securities Act, and in each case is acquiring the New Securities for investment purposes and solely for its account and not with a view to further distribution or resale in violation of the Securities Act.
(b) **Advice.** Such Noteholder has completed its own independent inquiry and has relied fully upon the advice of its own legal counsel, accountant, financial and other advisors in determining the legal, tax, financial and other consequences of this Agreement and the transactions contemplated hereby and the suitability of this Agreement and the transactions contemplated hereby for such Noteholder and its particular circumstances.

(i) **Certain Information.** The information concerning beneficial ownership of the Notes or Common Stock provided by such Noteholder for inclusion or incorporation by reference in the Proxy Statement will not, at the time it is filed with the SEC or first mailed or delivered to the Company’s stockholders, at the time of any amendments or supplements thereto and at the time of the Stockholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading. Such Noteholder agrees to provide such information as the Company may reasonably request for purposes of preparing the Proxy Statement, including without limitation information about the Persons who exercise voting and dispositive authority with respect to the New Securities.

(j) **No Other Representations or Warranties.** Except for the representations and warranties contained in Section 4 hereof, none of the Company nor any Affiliate or Representative of the Company nor any other Person has made or is making any representation or warranty of any kind or nature whatsoever, oral or written, express or implied with respect to the Company, this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby and such Noteholder disclaims any reliance on any representation or warranty of the Company or any Affiliate or Representative thereof except for the representations and warranties expressly set forth in Section 4 hereof.

(k) **No Broker’s Fees.** Such Noteholder has not incurred nor become liable for any broker’s commission or finder’s fee relating to the transactions contemplated by this Agreement.

4. **Representations and Warranties of the Company.** The Company represents and warrants to the Noteholders, as of the date hereof and as of the Closing, as follows:

(a) **Existence; Authority; Binding Effect.** The Company is (i) duly incorporated, validly existing and in good standing under the laws of its jurisdiction of organization and has full power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted and (ii) duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for any such failures to be so qualified or licensed and in good standing as that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on the Company. The execution and delivery of this Agreement, the Subscription Agreements, each other Transaction Document and any other agreements or instruments executed or to be executed and delivered in connection herewith, and the consummation of the transactions contemplated hereby and thereby, by the Company, including the issuance and delivery of the New Securities to the Noteholders pursuant to this Agreement, have been duly and validly authorized and approved by the board of directors of the Company and no other actions on the part of the Company are necessary in respect thereof other than (i) the Requisite Affirmative Vote for each of (A) the proposal presented for the approval of the issuance of the Shares and the shares of Common Stock issuable pursuant to the Equity Raise for purposes of NYSE American Rules 713(a)-(b) and 705 in connection with the consummation of the transactions contemplated by this Agreement (the “NYSE American Approval”) and (B) the proposal presented at the Stockholders Meeting for the reincorporation of the Company in Delaware and approval of the Certificate of Incorporation (the “Delaware Charter Approval”) in the form attached hereto as Exhibit E (the “Delaware Charter Approval”) and, collectively with the NYSE American Approval, the “Shareholder Approvals”) and (ii) the approval of the board of directors of the Company after conversion into a Delaware corporation. This Agreement is, and each other Transaction Document and the other agreements and instruments executed hereunder by the Company in connection herewith will be, a valid and binding obligation of the Company, enforceable in accordance with its respective terms, except as enforcement thereof may be limited by the Enforceability Exceptions.

(b) **No Violation.** None of the execution, delivery or, upon receipt of the NYSE American Approval and, with respect to the Exchange Transaction and the Equity Raise, upon receipt of the Shareholder Approvals and Credit Facility Consent, performance of this Agreement, each of the other Transaction Documents, the Equity Raise and each of the other agreements or instruments executed and delivered by the Company in connection herewith, will conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under or give rise to a right of termination, cancellation, modification or acceleration of any obligation or to a loss of a benefit under, or result in the creation of any lien upon any of the properties or assets of the Company under (i) the certificate of incorporation, bylaws or similar organizational documents of the Company; (ii) the Credit Facility or any loan and collateral documents in connection therewith; (iii) the Indentures; (iv) any law, order, writ, injunction or decree applicable to the Company or by which any property or asset of the Company is bound or affected; or (v) any other note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise, or other instrument or obligation to which the Company is a party or by which the Company or any property or asset of the Company is bound or affected,
except, in the case of clauses (iv) and (v), for any such conflicts, violations, breaches, defaults, events, losses, payments, cancellations, encumbrances, or other occurrences that are not, individually or in the aggregate, reasonably expected to (A) have a material adverse effect on the assets, liabilities, condition (financial or otherwise), business, prospects or results of operations of the Company taken as a whole, or (B) impair, prevent or materially delay the performance by the Company of any of its obligations under this Agreement or any other Transaction Document to which it is or will be a party (collectively, (A) and (B), a "Material Adverse Effect").

(c) Consents and Approvals. No consent, approval, order or authorization of, or registration, declaration, filing with or notice to, any governmental entity or any other Person is required to be obtained, made or given by or with respect to the Company in connection with the execution and delivery of this Agreement, the Equity Raise (including the Subscription Agreements), any other Transaction Documents or other agreements or instruments executed and delivered hereunder by the Company, or the performance of any obligations hereunder or thereunder by the Company, except for (i) the NYSE American Approval, (ii) the filing of the Delaware Charter with the Delaware Secretary of State subject to receipt of the Delaware Charter Approval, (iii) the filing of the Proxy Statement with the SEC, (iv) the recording and filing of financing statements, mortgages, deeds of trust and similar collateral filings as required by the Note Documents, (v) the Credit Facility Consent and (vi) such other filings by the Company with the SEC as are appropriate in connection with or required by the federal and state securities laws and rules and regulations thereunder in connection with the transactions contemplated hereby.

(d) Capitalization.

(i) As of the date of this Agreement, (A) the authorized capital stock of the Company consists of 142,500,000 shares of Common Stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share; (B) (x) 66,823,480 shares of Common Stock are issued and outstanding and (y) no shares of preferred stock of the Company are issued and outstanding; and (C) all outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and nonassessable and have been issued in compliance with all applicable preemptive, participation, rights of first refusal and other similar rights. Upon the Closing, the Company will have the authorized capitalization set forth in the Delaware Charter.

(ii) Other than pursuant to this Agreement and the Equity Raise (including the Subscription Agreements), and other than shares of Common Stock issued or issuable pursuant to option awards, stock appreciation right awards, restricted stock awards, stock unit awards, cash incentive awards or other stock-based awards or rights granted under the Company’s 2013 Incentive Plan (or any predecessor plan), as the same may be amended from time to time (the “Incentive Plan Awards”), there are (A) no securities, options, warrants, calls, pre-emptive exchange, conversion, purchase or subscription rights, or other rights, agreements, arrangements or commitments of any kind, contingent or otherwise, that could require the Company to issue, sell or otherwise cause to become outstanding, any shares of capital stock or other equity or debt interest in the Company or require the Company to grant or enter into any such option, warrant, call, subscription, conversion, purchase or other right, agreement, arrangement or commitment, and no authorization has been granted therefor, and (B) no commitments or agreements of any kind to which the Company is bound obligating the Company to either (x) repurchase, redeem or otherwise acquire any shares of the Company’s capital stock or any of the Notes (other than to the extent required by the Indentures or in connection with the vesting or exercise of Incentive Plan Awards) or (y) accelerate the vesting or exercisability of any instrument referred to in clause (A) of this paragraph as a result of this Agreement, either alone or upon the occurrence of any additional subsequent events.

(e) Issuance of the Second Lien Notes. At the Closing, the Second Lien Notes Indenture will have been duly authorized by the Company, and when duly executed by the Company, will constitute a valid and binding agreement of the Company, enforceable according to its terms, subject to the Enforceability Exceptions, and, when the Second Lien Notes are authenticated in the manner provided for in the Second Lien Notes Indenture and delivered against the Notes exchanged therefor in accordance with the terms of this Agreement, the Second Lien Notes will constitute valid and binding agreements of the Company, enforceable in accordance with their terms, except as the enforcement thereof may be limited by the Enforceability Exceptions, and free of restrictions on transfer other than restrictions that may arise under U.S. federal or state securities laws.

(f) Issuance of the Shares. Upon issuance in accordance herewith, the Shares issuable hereunder will be duly authorized, validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under the Transaction Documents or restrictions that may arise under U.S. federal or state securities laws. All of the Common Stock to be issued in the Equity Raise, upon payment against delivery in accordance with the terms of the Subscription Agreements and the other instruments executed in connection with the Equity Raise, will be duly authorized, validly issued, fully paid and nonassessable.
(g) **No Preemptive Rights.** Except for in connection with the Equity Raise (including the Subscription Agreements) and the Incentive Plan Awards, there are no preemptive rights or other rights to subscribe for or to purchase any equity securities of the Company.

(b) **Subsidiaries.** The Company does not have any subsidiaries and does not own any beneficial interest, directly or indirectly, in any corporation, partnership, joint venture or other business entity.

(i) **Offering.** Subject to the accuracy of each Noteholder’s representations and warranties in Section 3(e), (f), (g) and (h) hereof, the offer, exchange, purchase and issuance of the New Securities to each of the Noteholders constitute transactions exempt from the registration requirements of Section 5 of the Securities Act and will be issued in compliance with all applicable federal and state securities laws. The Company is conducting the Exchange Transaction in good faith and not as part of a plan to avoid the registration requirements of the Securities Act. For the purposes of Rule 144 under the Securities Act, the Company acknowledges that, assuming the accuracy of each Noteholder’s representations and warranties hereunder, the holding period of the New Securities may be tacked onto the holding period of the Existing Notes and the Company agrees not to take a position contrary thereto.

(j) **Resale under Rule 144A.** As of Closing, the Second Lien Notes will not be of the same class as securities listed on a national securities exchange registered under Section 6 of the Exchange Act or quoted in an automated inter-dealer quotation system; and the SEC Documents as of their respective date, contain or will contain all the information that, if requested by a prospective purchaser of the New Securities, would be required to be provided to such prospective purchaser pursuant to Rule 144A(d)(4) under the Securities Act.

(k) **No Solicitation.** No form of general solicitation or advertising (within the meaning of Regulation D under the Securities Act) has been or will be used by the Company or any of its Representatives in connection with the offer or sale of any of the New Securities, including, without limitation, articles, notices or other communications published in any newspaper, magazine or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(l) **Tender Offer Rules.** The Exchange Transaction does not constitute a tender offer nor is it otherwise subject to regulation under Section 14E of the Exchange Act.

(m) **Exclusivity.** The Company is not a party to any documentation, agreements, arrangements or understandings (oral or written) with any other person (other than this Agreement) with respect to the purchase, sale or other disposition of the New Securities or the acquisition, repurchase or exchange of the Notes.

(n) **SEC Documents.** The Company has timely filed all required reports, schedules, forms, certifications, prospectuses, and registration, and other statements with the SEC since January 1, 2016 (collectively, the “SEC Documents”). As of their respective effective dates and as of their respective SEC filing dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act, the Securities Act and the Sarbanes-Oxley Act of 2002, as the case may be, applicable to such SEC Documents, and none of the SEC Documents as of such respective dates contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(o) **Equity Commitments.** As of the date hereof, the Company has received commitments from the Investors to purchase $40.0 million of Common Stock pursuant to the Subscription Agreements (subject to the terms and conditions specified therein). The Subscription Agreements are in full force and effect. At or prior to Closing, the Company will receive at least $156.0 million of total value in connection with (and in accordance with) the Equity Raise, which shall be comprised of (A) at least 50% in new cash contributions from the sale of Common Stock (including the up to $40.0 million of commitments pursuant to the Subscription Agreements); and (B) no more than 50% from the fair market value (as determined by an opinion of a reputable valuation or investment bank mutually acceptable to both the Company and the Noteholders) of additional assets acquired by the Company on or prior to the Closing, which assets shall represent non-operating interests in oil and gas properties in the Williston Basin shale play.

(p) **Registration Rights.** As of the date of this Agreement and except as disclosed in the SEC Documents, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company. The Company has not granted registration rights to any Person that would provide such Person rights which are materially superior to the Noteholders’ rights with respect to any registration pursuant to the Registration Rights Agreement.
There are no actions, suits, claims, inquiries, investigations or proceedings by or before any arbitrator or Governmental Authority (each of the foregoing, a "Proceeding") pending against or, to the knowledge of the Company, threatened in writing against the Company (i) not fully covered by insurance (except for normal deductibles), as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (ii) that involve any Transaction Documents or the Exchange Transaction or (iii) that seek to prevent, hinder, modify, delay or challenge the transactions contemplated hereby or any action taken or to be taken pursuant hereto.

The Company maintains, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. At the Closing, the loss payable clauses or provisions in said insurance policy or policies insuring any of the collateral for the Second Lien Notes are endorsed in favor of and made payable to the Trustee as its interests may appear, and such policies name the Trustee as "additional insureds" and provide that the insurer will endeavor to give at least ten (10) calendar days prior notice of any cancellation to the Trustee. The Company does not own any Building or Manufactured (Mobile) Home that constitutes Mortgaged Property for which the Company has not delivered to the Trustee evidence reasonably satisfactory to the Trustee that (i) the Company maintains flood insurance for such Building or Manufactured (Mobile) Home that is reasonably satisfactory to the Trustee or (ii) such Building or Manufactured (Mobile) Home is not located in a Special Flood Hazard Area.

The Company’s jurisdiction of organization is Minnesota; the name of the Company as listed in the public records of its jurisdiction of organization, as of the date hereof, is Northern Oil and Gas, Inc.; and the organizational identification number of the Company in its jurisdiction of organization is 3896342-5 (or, in each case, as set forth in a written notice delivered to the Noteholders). The Company’s principal place of business and chief executive office is located at the address specified in Section 9(b) hereof (or as set forth in a written notice delivered to the Noteholders).

On a net basis there are no gas imbalances, take or pay or other prepayments which would require the Company to deliver Hydrocarbons produced from the oil and gas properties at some future time without then or thereafter receiving full payment therefor exceeding one-half bcf of gas (on an mcf equivalent basis) in the aggregate.

Except for contracts listed and in effect on the date hereof on Schedule B attached hereto, no material agreements exist which are not cancelable on 60 days’ notice or less without penalty or detriment for the sale of production from the Company’s Hydrocarbons (including without limitation calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (i) pertain to the sale of production at a fixed price and (ii) have a maturity or expiry date of longer than six (6) months from the date thereof.

As of the Closing and upon the due execution thereof by the Company, (i) the Security Documents will create in favor of the Noteholders and Trustee a legal, valid and enforceable security interest in the Mortgaged Properties and proceeds thereof, subject, in the case of enforceability, to applicable bankruptcy, insolvency or similar laws affecting creditors’ rights generally and to general principles of equity and principles of good faith and fair dealing and (ii) the Secured Obligations (as defined below) will thereafter be secured by legal, valid and enforceable, perfected second priority Liens in favor of the Trustee, covering and encumbering the Mortgaged Properties, to the extent perfection has occurred or will occur, by the recording of a mortgage, the filing of a UCC financing statement or, with respect to Equity Interests represented by certificates, by possession (in each case, to the extent available in the applicable jurisdiction); provided that, except in the case

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of pledged Equity Interests or as otherwise provided herein, Liens permitted by the Note Documents may exist. For purposes of this clause (v), “Secured Obligations” shall mean any and all amounts owing or to be owing by any Obligor whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising (a) to the Trustee or any Noteholder under any Note Document and (b) all renewals, extensions and/or rearrangements of the foregoing.

(y) **No Integration.** Neither the Company nor any of its affiliates (as defined in Rule 501(b) of Regulation D) has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the New Securities in a manner that would require registration of the New Securities under the Securities Act.

(z) **No Broker’s Fees.** Except for the Evercore Engagement Letter, the Company is not party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against any of them or any Noteholder for a brokerage commission, finder’s fee or like payment in connection with the Exchange Transaction.

(aa) **Payment of Expenses.** As of the date hereof, the Company has paid all of the Noteholders’ fees, disbursements and expenses due and payable by the Company as of the date hereof in accordance with Section 5(f) hereof (including, for the avoidance of doubt, all fees, disbursements and expenses that have been invoiced by Kirkland & Ellis LLP).

(bb) **Additional Representations.** The representations and warranties contained in Sections 7.06 (Environmental Matters), 7.07 (Compliance with the Laws and Agreements; No Defaults), 7.08 (Investment Company Act), 7.09 (Taxes), 7.10 (ERISA), 7.13 (Restriction on Liens), 7.16 (Properties; Titles, Etc.), 7.17 (Maintenance of Properties), 7.23 (International Operations), 7.24 (Anti-Corruption Laws, Sanctions, OFAC), 7.25 (Casualty Events) and 7.28 (Payment by Purchasers of Production) of the Credit Facility as in effect on the date hereof are expressly incorporated herein, **mutatis mutandis** and are deemed to be made at such times as the representations and warranties of the Company are made hereunder; provided that references to “Material Adverse Effect” therein shall be deemed to be “Material Adverse Effect” as defined herein.

(c c) **No Other Representations or Warranties.** Except for the representations and warranties contained in Section 3 hereof or in the other Transaction Documents, none of the Noteholders nor any Affiliate or Representative of the Noteholders has made or is making any representation or warranty of any kind or nature whatsoever, oral or written, express or implied with respect to the Noteholders, this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby and the Company disclaims any reliance on any representation or warranty of any Noteholder or any Affiliate or Representative thereof except for the representations and expressly set forth in Section 3 hereof or in the other Transaction Documents.

5. **Covenants of the Company and of the Noteholders.**

(a) **Restrictions on Acquisition and Transfer.**

(i) From the date hereof until the earlier of (A) the termination of this Agreement, (B) April 30, 2018 and (C) the Closing, each Noteholder agrees that it shall not, and it shall cause each of its Affiliates not to, except pursuant to the terms of this Agreement, directly or indirectly (x) sell, deliver, transfer, give, pledge, encumber, assign or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the sale, delivery, transfer, gift, pledge, hypothecation, encumbrance, assignment or other disposition (including by operation of law) of any Existing Notes (or any rights or interests of any nature whatsoever in or with respect to any Existing Notes), or as to voting, agreeing or consenting (or abstaining therefrom) with respect to any amendment to or waiver of any terms of, or taking any other action whatsoever with respect to, the Existing Notes and/or the Indentures, or (y) agree (whether or not in writing) to take any of the actions referred to in the foregoing clause (x) of this Section 5(a)(i). Notwithstanding the foregoing, the restrictions set forth in this Section 5(a)(i) shall not prohibit the sale, transfer, assignment or other disposition of any Existing Notes pursuant to Section 5(f) hereof.

(ii) From the date hereof until the earlier of (A) the termination of this Agreement and (B) 90 calendar days after the date of Closing (the “Lock-up Period”), each Noteholder agrees that it shall not, and it shall cause each of its Affiliates not to, directly or indirectly, (x) offer for sale, sell, pledge or otherwise dispose of any of the Shares, or (y) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the Shares, whether any such transaction described in clause (x) or (y) of this Section 5(a)(i) is to be settled by delivery of the Shares or other securities, in cash or otherwise; provided, however, this Section 5(a)(i) shall not restrict transfers of Shares, or any security convertible into Shares, to a Permitted Transferee, provided that such Permitted Transferee agrees to be bound by the terms of this Section 5(a)(i).
(b) **Press Release.** The Company and each Noteholder agree that the Company shall issue a press release and a Form 8-K containing all material non-public information within the meaning of the federal securities laws related to the Exchange Transaction and otherwise complying with the Non-Disclosure Agreement, in form and substance reasonably acceptable to the Company and the Noteholders, announcing the Exchange Transaction prior to the opening of the financial markets in New York City no later than the Business Day immediately after the date hereof.

(c) **Equity Raise.** The Company shall keep the Noteholders reasonably apprised with respect to the discussions related to the Equity Raise, including any changes to the proposed pricing or other terms. The Company shall not modify the Subscription Agreements without the consent of the Noteholders (including, without limitation, any waiver of any lock-up periods contained therein) and shall enforce all of its rights thereunder. Other than conditions customary in private placements of equity securities, the Equity Raise shall not be subject to any material conditions precedent other than the consummation of the Exchange Transaction. The Company shall not use any proceeds from the Equity Raise to repay any indebtedness, including the Credit Facility or any other Notes (other than the cash payments required under this Agreement). In connection with the Equity Raise, the Company shall not grant any registration rights to any Person that would provide such Person rights which are materially superior to the Noteholders’ rights with respect to any registration pursuant to the Registration Rights Agreement. Additionally, the Company shall not enter into any contract, agreement or understanding with any person that would give rise to a valid claim against any of them for a brokerage commission, finder’s fee or like payment in connection with the Equity Raise in excess of 4.0% of the gross proceeds of the Equity Raise, which for the avoidance of doubt shall not be payable in respect of any amounts raised pursuant to the Subscription Agreements.

(d) **Proxy Statement.** The Company agrees to use its commercially reasonable efforts to prepare and file with the SEC as soon as practicable a proxy statement to be sent to holders of the Common Stock in connection with a meeting of holders of the Common Stock (including any adjournment or postponement thereof, the “Stockholders Meeting”) to consider the NYSE American Approval, the Delaware Charter Approval and such other matters as the Company in its reasonable determination may present at the Stockholders Meeting (the “Proxy Statement”). The Proxy Statement shall comply as to form in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder. The Company will, (1) at least five (5) Business Days prior to the initial anticipated filing of the Proxy Statement or any amendment or supplement thereto (or, in the case of an amendment, supplement or definitive form of the Proxy Statement that does not materially differ from the previously provided Proxy Statement, as far in advance as is reasonably practicable in the circumstances), furnish to the Noteholders copies of such documents proposed to be filed and (2) use its commercially reasonable efforts to address in each such document prior to being so filed with the SEC such comments as such Noteholder or its counsel reasonably shall propose within two (2) Business Days of receipt of such copies by the Noteholder. The Company shall use its commercially reasonable efforts to (A) clear any comments provided by the SEC with respect to the Proxy Statement as promptly as reasonably practicable after receipt thereof, and (B) mail or otherwise deliver (or cause to be mailed or otherwise delivered) the Proxy Statement to the holders of the Company’s Common Stock promptly after, and hold the Stockholders Meeting for the purposes of obtaining the Shareholder Approvals not later than sixty (60) calendar days after, (x) the first Business Day following the 10th calendar day after the Proxy Statement in preliminary form has been filed with the SEC if the SEC has not informed the Company that it intends to review the Proxy Statement by such 10th calendar day or (y) the 10th calendar day after the SEC has informed the Company that it has no further comments on the Proxy Statement. The board of directors of the Company shall not withdraw, qualify or modify in a manner adverse to the Noteholders, or publicly propose to withdraw, qualify or modify in a manner adverse to the Noteholders, its recommendation of the Shareholder Approvals. The Company shall not postpone or adjourn the Stockholders Meeting without the consent of the Noteholders.

(e) **Listing.** Subject to receipt of the NYSE American Approval, the Company shall use its reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable laws and the rules and policies of the NYSE American to cause the Shares to be approved for listing on the NYSE American, subject to official notice of issuance (the “Listing”).

(f) **Payment of Expenses.** The Company shall pay or cause to be paid, in a timely manner, the Company’s fees, disbursements and expenses incurred in connection with the issuance of the New Securities, the Noteholders’ fees, disbursements and expenses incurred in connection with the Exchange Transaction, including the fees, disbursements and expenses of their respective advisors, counsel, accountants and other experts. For the avoidance of doubt, the Company acknowledges and agrees that it will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company’s counsel and accountants in connection with preparation and negotiation of this Agreement, the other Transaction Documents and the other agreements and instruments entered into in connection herewith, and the issuance of the New Securities; (ii) the reasonable and documented fees, disbursements and expenses of Kirkland & Ellis LLP and local counsel in each relevant jurisdiction, as counsel to the Noteholders, in connection with preparation and negotiation of this Agreement, the other Transaction Documents (including, without limitation, the Security Documents) and the other agreements and instruments entered into in connection herewith, and the issuance of the New Securities; (iii) all fees and expenses associated with the preparation, filing and distribution of the Proxy.
Statement for, and the holding of, the Stockholders Meeting, (iv) all fees and expenses associated with the Listing; and (v) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section 5(f). The Company shall also pay or cause to be paid, in a timely manner, the fees, disbursements and expenses of Kirkland & Ellis LLP, as counsel to the Noteholders, incurred in connection with any amendment, waiver or consent related to this Agreement or the other Transaction Documents (whether or not such amendment or waiver becomes effective).

(g) Rule 144A Information. While the Second Lien Notes remain outstanding and may be considered, if traded pursuant to Rule 144A, “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act, furnish to holders of the Second Lien Notes and bona fide prospective purchasers of the Second Lien Notes designated by such holders, upon the request of such holders or such bona fide prospective purchasers, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(h) Tax Treatment. Unless otherwise required by applicable law, the Company and the Noteholders agree to treat each of the Notes and the Second Lien Notes as “securities” for purposes of Sections 354, 355 and 356 of the Internal Revenue Code of 1986, as amended, and the Exchange Transaction as a “recapitalization” under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended.

(i) Bylaws. The Company shall provide the Noteholders and their counsel a draft of any amended and restated bylaws expected to be adopted by the board of directors of the Company initially in connection with the reincorporation of the Company in Delaware and shall provide counsel to the Noteholders an opportunity to review and comment on the amended and restated bylaws.

6. Conditions to Closing.

(a) The obligation of each party to effect the Exchange Transaction, and to execute and deliver documents, at the Closing is subject to the satisfaction at or prior to the Closing of the following conditions:

(i) each of the Shareholder Approvals and all necessary board approvals for the Exchange Transaction, the Equity Raise, the Transaction Documents and any other transaction related thereto, shall have been obtained by the Company;

(ii) the Shares shall have been approved for listing on the NYSE American, subject to official notice of issuance, and any other regulatory or governmental approval required to consummate the Exchange Transaction or the transactions contemplated under the Transaction Documents shall have been obtained by the Company; and

(iii) no Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and precludes consummation of the transactions contemplated hereby. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Authority that prohibits or makes illegal this Agreement, the other Transaction Documents or the transactions contemplated hereby or thereby.

(b) The obligation of the Noteholders to effect the Exchange Transaction, and to execute and deliver (or cause to be executed and delivered) documents, at the Closing is subject to the satisfaction at or prior to the Closing of the following conditions:

(i) Concurrently or prior to the Closing, the Company shall have raised at least $156.0 million in total value from the Equity Raise, with such receipt of funds or assets not subject to any conditions precedent which have not otherwise been satisfied on the Closing, other than the concurrent consummation of the Exchange Transaction;

(ii) the reincorporation of the Company in Delaware shall have occurred and the Company shall have filed the Delaware Charter with the Secretary of State of the State of Delaware and the board of directors of the Company shall have adopted amended and restated bylaws of the Company, in form and substance reasonably satisfactory to the Noteholders and their counsel;
the representations and warranties of the Company contained in Section 4 hereof shall be true and correct in all respects as of the date of this Agreement and, excepting Section 4(a) hereof, as of the Closing, with the same force and effect as though made on and as of such date;

(iv) the Company shall have delivered a certificate signed on behalf of the Company by an authorized officer of the Company in the form attached hereto as Exhibit F;

(v) the Company shall have delivered or paid, as applicable to the Noteholders, in accordance with Section 2(a) hereof, each of the items required to be delivered or paid by the Company pursuant to Section 2(a), in form and substance reasonably satisfactory to each of the Noteholders and their counsel (except that the intercreditor agreement with the agent under the Credit Facility shall be a customary intercreditor agreement reasonably acceptable to the Noteholders and negotiated by the Noteholders in good faith);

(vi) the Company shall have performed or complied with, in all material respects, its covenants required to be performed or complied with as of the Closing under this Agreement, except for the covenants set forth in Section 2(a) (to the extent required to be complied with at or prior to the Closing) hereof which the Company shall have performed and complied with in all respects;

(vii) no Material Adverse Effect shall have occurred since the date of this Agreement;

(viii) the Company shall have paid all fees and expenses due and payable by the Company as of Closing in accordance with Section 5(f);

(ix) there shall be no pending litigation and, to the knowledge of the Company, there shall be no threatened litigation, action, proceeding, investigation or labor controversy, in each case by any Governmental Authority, other securityholder of the Company or other Person which purports to affect the legality, validity or enforceability of this Agreement or any of the Transaction Documents; and

(x) no default or event of default shall (A) have occurred and be continuing under any Note Document, the Credit Facility, any loan or collateral document in connection therewith or either Indenture or (B) result from the issuance of the Second Lien Notes, the entry into any Transaction Document or the consummation of the Exchange Transaction or the other transactions contemplated under this Agreement or any Transaction Document.

(c) The obligation of the Company to effect the Exchange Transaction, and to execute and deliver documents at the Closing is subject to the satisfaction at or prior to the Closing of the following additional conditions:

(i) the representations and warranties of each Noteholder contained in Section 3(a) hereof shall be true and correct in all respects, and all other representations and warranties of each Noteholder contained in Section 3 hereof shall be true and correct in all material respects, on and as of the date hereof and as of the Closing, with the same force and effect as though made on and as of such date (except to the extent any representation or warranty includes the word “material,” Material Adverse Effect or words of similar import, with respect to which such representation or warranty, or applicable portions thereof, must have been true and correct in all respects);

(ii) each Noteholder shall have delivered to the Company, in accordance with Section 2(b) hereof, each of the items required to be delivered by such Noteholder pursuant to Section 2(b);

(iii) each Noteholder shall have performed or complied with, in all material respects, its covenants required to be performed or complied with as of Closing under this Agreement, except for the covenants set forth in Section 2(b) hereof which each Noteholder shall have performed and complied with in all respects.

7. Termination.

(a) This Agreement may be terminated:

(i) by either the Company or the Noteholders, upon delivery of written notice of termination to the other Party, if the Closing has not occurred on or before May 31, 2018, (the “End Date”); provided, however, that the right to terminate this Agreement pursuant to this Section 7(a)(i) shall not be available to a party if the inability to satisfy any of the conditions to Closing was due primarily to the failure of such party to perform any of its obligations under this Agreement;
by the Noteholders, upon written notice of termination to the Company, if (A) the Company has breached or failed to perform any of its covenants or other agreements contained in this Agreement to be complied with by it such that the closing condition set forth in Section 6(b)(iv) would not be satisfied, (B) there exists a breach of any representation or warranty of the Company contained in Section 4 of this Agreement such that the closing condition set forth in Section 6(b)(iii) would not be satisfied, and in the case of each of clauses (A) and (B) above, such breach, failure to perform or failure to satisfy such closing condition, as applicable, (x) has not been waived by the Noteholders or cured on or before the earlier of thirty (30) days after receipt by the Company of written notice thereof or the End Date or (y) is incapable of being cured by the Company by the End Date, or (C) (1) the Company shall have an order for relief entered with respect to it or shall commence a voluntary case under the Bankruptcy Code or under any other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, manager, trustee, examiner or other custodian for all or a substantial part of its property or shall make any assignment for the benefit of creditors, or (2) the Company shall be unable, or shall fail generally, or shall admit in writing its inability, generally to pay its debts or obligations when due;

(iii) by the Noteholders, upon written notice of termination to the Company, if a Default or an Event of Default exists under the Credit Facility or the Indentures, as applicable, and, in either case, such Default or Event of Default has not been cured (with the effect of any such cure being that such Default or Event of Default no longer exists after giving effect to any such cure and, as a result, the agent and lenders under the Credit Facility or the trustee or the holders under the Indentures no longer have the right to exercise remedies under the Credit Facility or the Indentures, as applicable, conditioned upon the occurrence and existence of any Default or Event of Default with respect to such Default or Event of Default) or waived (with the effect of any such waiver being that the agent and lenders under the Credit Facility or the Trustee or the holders under the Indentures, after giving effect to any such waiver no longer have the right to exercise any remedies under the Credit Facility or the Indentures, as applicable, conditioned upon the occurrence and existence of a Default or Event of Default with respect to such Default or Event of Default) by the agent or lenders (as required by the Credit Facility) or by the Trustee or the holders (as required by the Indentures), under the Credit Facility or the Indentures, as applicable, on or before the earlier of thirty (30) days after receipt by the Company of written notice thereof or the End Date; or

(iv) by either the Company, upon delivery of written notice of termination to the Noteholders, or the Noteholders, upon delivery of written notice of termination to the Company, at any time on or after the first Business Day after the date of conclusion of the Stockholders Meeting (such first date after the date of conclusion of the Stockholders Meeting, the "Termination Date") if the NYSE American Approval has not been obtained, giving effect to any postponement or adjournment thereof; provided, however, that the Company shall not be entitled to terminate this Agreement pursuant to this Section 7(a)(iv) if (1) the Company is in material breach of this Agreement as of the Termination Date or (2) any breach of this Agreement by the Company has caused the NYSE American Approval to not be obtained.

(b) Effect of Termination. In the event of termination of this Agreement by any Party as provided in Section 7(a), this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any Party (or any other person) with respect to this Agreement or the transactions contemplated in this Agreement or any other Transaction Document, provided, however, that notwithstanding the foregoing, (a) no such termination shall relieve a Party from any breach by such Party prior to such termination and (b) the provisions of Section 5(i), Section 4(e), Section 5(d), this Section 7(a) and Section 9 (other than Section 9(d)) shall survive such termination.

8. Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify each of the Noteholders and their respective Representatives (each, a “Noteholder Indemnified Party”, and, collectively, the “Noteholder Indemnified Parties”) from costs, losses, liabilities, damages, or expenses, and hold each of them harmless against, any and all actions, suits, proceedings (including any investigations, litigation or inquiries), demands, and causes of action, and, in connection therewith, and promptly upon demand, pay or reimburse each of them for all costs, losses, liabilities, damages, or expenses of any kind or nature whatsoever (including the reasonable and documented fees and disbursements of counsel and all other reasonable and documented expenses incurred in connection with investigating, defending or preparing to defend any such matter that may be incurred by them or asserted against or involve any of them), whether or not involving a Third-Party Claim, as a result of, arising out of, or resulting from (i) the failure of any of the representations or warranties made by the Company contained in this Agreement or any certificate delivered pursuant to this Agreement to be true and correct in all material respects as of the date made (except to the extent any representation or warranty includes the word “material,” Material Adverse Effect or words of similar import, with respect to which such representation or warranty, or applicable portions thereof, must have been true and correct in all respects) or (ii) the breach of any covenants of the Company contained in this Agreement; provided, that, in the case of the immediately preceding clause
(i), such claim for indemnification is made prior to the expiration of the survival period of such representation or warranty set forth in Section 8(f) hereof; provided, however, that for purposes of determining when an indemnification claim has been made, the date upon which a Noteholder Indemnified Party shall have delivered written notice (stating in reasonable detail the basis of the claim for indemnification) to the Company shall constitute the date upon which such claim has been made. No Noteholder Indemnified Party shall be entitled to recover special, indirect, exemplary, speculative or punitive damages under this Section 8(a); provided, however, that such limitation shall not prevent any Noteholder Indemnified Party from recovering under this Section 8(a) for any such damages to the extent that such damages are direct damages in the form of diminution in value or payable to a third party in connection with any Third-Party Claims.

(b) Indemnification by the Noteholders. Each Noteholder agrees to, severally and not jointly, indemnify the Company and its Representatives (each a “Company Indemnified Party” and, collectively, the “Company Indemnified Parties”) from, and hold each of them harmless against, any and all actions, suits, proceedings (including any investigations, litigation or inquiries), demands, and causes of action, and, in connection therewith, and promptly upon demand, pay or reimburse each of them for all costs, losses, liabilities, damages, or expenses of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel and all other reasonable expenses incurred in connection with investigating, defending or preparing to defend any such matter that may be incurred by them or asserted against or involve any of them), whether or not involving a Third-Party Claim, as a result of, arising out of, or resulting from (i) the failure of any of the representations or warranties made by such Noteholder contained in this Agreement or any certificate delivered pursuant to this Agreement to be true and correct in all material respects as of the date made (except to the extent any representation or warranty includes the word “material,” Material Adverse Effect or words of similar import, with respect to which to such representation or warranty, or applicable portions thereof, must have been true and correct in all respects) or (ii) the breach of any of the covenants of such Noteholder contained in this Agreement; provided, that, in the case of the immediately preceding clause (i), such claim for indemnification relating to a breach of any representation or warranty is made prior to the expiration of the survival period of such representation or warranty; provided, however, that for purposes of determining when an indemnification claim has been made, the date upon which a Company Indemnified Party shall have delivered written notice (stating in reasonable detail the basis of the claim for indemnification) to the applicable Noteholder shall constitute the date upon which such claim has been made; provided, further, that the liability of a Noteholder shall not be greater in amount than the aggregate principal amount of Notes set forth opposite its name on Schedule A attached hereto. No Company Indemnified Party shall be entitled to recover special, indirect, exemplary, speculative or punitive damages under this Section 8(d); provided, however, that such limitation shall not prevent any Company Indemnified Party from recovering under this Section 8(d) for any such damages to the extent that such damages are direct damages in the form of diminution in value or payable to a third party in connection with any Third-Party Claims.

(c) Indemnification for Certain Fees. The Company agrees that it will indemnify and hold harmless each Noteholder from and against any and all claims, demands, or liabilities for broker’s, finder’s, placement, or other similar fees or commissions incurred by the Company or alleged to have been incurred by the Company in connection with the Exchange Transaction or the consummation of the transactions contemplated by this Agreement and the other Transaction Documents.

(d) Indemnification Procedures. Promptly after any Company Indemnified Party or Noteholder Indemnified Party, as the case may be (the “Indemnified Party”), has received notice of any indemnifiable claim hereunder, or the commencement of any action, suit or proceeding by a third person, which the Indemnified Party believes in good faith is an indemnifiable claim under this Agreement (each a “Third-Party Claim”), the Indemnified Party shall give the indemnitor hereunder (the “Indemnifying Party”) written notice of such Third-Party Claim or the commencement of such action, suit or proceeding, but failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability it may have to such Indemnified Party hereunder except to the extent that the Indemnifying Party is prejudiced by such failure. Such notice shall state the nature and the basis of such Third-Party Claim to the extent then known. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel who shall be reasonably acceptable to the Indemnified Party, any such matter as long as the Indemnifying Party pursues the same diligently and in good faith. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in all commercially reasonable respects in the defense thereof and the settlement thereof. Such cooperation shall include, but shall not be limited to, furnishing the Indemnifying Party with any books, records and other information reasonably requested by the Indemnifying Party and in the Indemnified Party’s possession or control; provided, that such disclosure would not affect any privilege relating to the Indemnified Party or result in a violation of law or any confidentiality obligation; provided, further, that such requesting party shall, if reasonably requested by the Indemnifying Party, enter into a reasonably and customary confidentiality agreement relating to such request. Such cooperation of the Indemnifying Party shall be at the cost of the Indemnifying Party. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability; provided, however, that the Indemnified Party shall be entitled (i) at its expense, to participate in the defense of such asserted liability and the negotiations of the settlement thereof and (ii) if (A) the Indemnifying
Party has failed to assume the defense or employ counsel reasonably acceptable to the Indemnified Party or (B) if the defendants in any such action include both the Indemnified Party and the Indemnifying Party and counsel to the Indemnified Party shall have concluded that there may be reasonable defenses available to the Indemnified Party that are different from or in addition to those available to the Indemnifying Party or if the interests of the Indemnified Party reasonably may be deemed to conflict with the interests of the Indemnifying Party, then the Indemnified Party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other reasonable expenses related to such participation to be reimbursed by the Indemnifying Party as incurred. Notwithstanding any other provision of this Agreement, (x) the Indemnifying Party shall not settle any indemnified Third-Party Claim without the consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), unless the settlement thereof imposes no liability or obligation on, and includes a complete release from liability of, and does not include any admission of wrongdoing or malfeasance by, the Indemnified Party and (y) the Indemnified Party shall not settle any indemnified Third-Party Claim without the consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(e) Sole and Exclusive Remedy. Except as provided in Section 9(m) hereof, this Section 8 will provide the exclusive remedy against the Company or any Noteholder, as applicable, for any breach of any representation, warranty, covenant or other claim arising out of or relating to this Agreement, the other Transaction Documents and/or the transactions contemplated hereby.

(f) Survival. All representations, warranties and agreements of the parties made in this Agreement shall survive for twenty-four (24) months following the Closing; provided, however, that the representations and warranties contained in Section 3(a), Sections 4(a), (b) and (c) and the agreements set forth in Section 5(f), this Section 8(f) and Sections 9(e), (f) and (g) shall survive indefinitely (each such survival period as provided in this sentence, a “Survival Period”). The indemnifications set forth in Section 8(a), (b) and (c) shall terminate in accordance with the applicable Survival Period, except that any matters for which a specific written claim for indemnity has been delivered to the Indemnifying Party on or before the termination of the applicable Survival Period shall survive until the final resolution of such claim.


(a) Amendments and Waivers. Amendments or modifications to this Agreement may only be made, and compliance with any term, covenant, agreement, condition or provision set forth herein may only be omitted or waived (either generally or in a particular instance and either retroactively or prospectively), upon the written consent of each party hereto.

(b) Notices. All notices, requests, consents, reports and demands shall be in writing, shall be deemed effectively given upon receipt and shall be hand delivered, sent by facsimile or other electronic transmission (provided confirmation of receipt of the transmission is mechanically or electronically generated and kept on file by the sending party), or mailed, postage prepaid, to the Noteholders at the applicable addresses and facsimile numbers or email addresses or to the Company at the address set forth below or, in each case, to such other address and/or facsimile number as may be furnished in writing to the other parties hereto:

If to the Company:

Northern Oil and Gas, Inc.
601 Carlson Pkwy - Suite 990
Minnetonka, Minnesota 55305
Attention: Chief Financial Officer
Facsimile No.: (952) 476-9801
with a copy to:

Jones Day
250 Vesey Street
New York, New York 10281
Attention: Scott J. Greenberg
Facsimile: (212) 755-7306
Email: sgreenberg@jonesday.com

If to the Noteholders:

Email: NOG_AdHoc@kirkland.com

with a copy to:

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654
Attention: Steven N. Serajeddini
Facsimile: (312) 862-2200
Email: steven.serajeddini@kirkland.com

(c) **Titles and Headings.** The section headings herein are for convenience only and shall not affect the construction hereof.

(d) **Execution in Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall constitute an original but all of which together shall constitute but one and the same instrument. Multiple counterparts of this Agreement may be delivered via facsimile or other electronic means, with the intention that they shall have the same effect as an original counterpart hereof.

(e) **Governing Law; Jurisdiction; Jury Trial.** This Agreement shall in all respects be construed in accordance with and governed by the substantive laws of the State of New York, without reference to any choice of law rules (whether of the State of New York or any other jurisdictions) to the extent such rules would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the jurisdiction of the state and federal courts sitting in The City of New York, Borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(f) **Limitation on Damages.** Notwithstanding anything to the contrary in this Agreement, in no event shall a Party be liable under this Agreement to any other Party or its Representatives (under Section 8 or otherwise) for (i) any exemplary or punitive damages or (ii) any special, consequential, incidental or indirect damages or lost profits, except (A) in the case of clause (ii), to the extent any such damages or lost profits would otherwise be recoverable under applicable law in an action for breach of contract or (B) in the case of clause (i) or clause (ii), any such damages or lost profits that are included in any Third-Party Claim against an Indemnified Party for which such Indemnified Party is entitled to indemnification under this Agreement.

(g) **Entire Agreement.** This Agreement, including the Schedules and Exhibits hereto and the other Transaction Documents (which are an integral part hereof), embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior and contemporaneous oral or written agreements, representations, warranties, contracts, correspondences, conversations, memoranda and understandings between or among the parties or any of their agents, Representatives or Affiliates relative to such subject matter, including, without limitation, any term sheets, emails or draft documents. It is the intent of the parties hereto that any and all representations, warranties, covenants, agreements and obligations

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of the Noteholders hereunder shall, in each and every respect, be several only, and neither joint, nor joint and several. In connection with this Agreement, the Noteholders are only acting in their capacity as holders of Notes and do not constitute a “group” for purposes of Section 13(d) under the Exchange Act, or for any other purpose, with any other person. Nothing in this Agreement shall be interpreted to implicate the provisions of the Minnesota Business Corporation Act (the “MBCA”), including the provisions of Section 302A.673 of the MBCA, it being understood that such provisions shall immediately cease to apply upon the Company reincorporating in Delaware at or prior to Closing, as contemplated herein.

(b) Certain Definitions and Interpretive Principles. Capitalized terms in this Agreement shall have the meanings specified below, or as specified elsewhere in this Agreement, for all purposes hereof. The following terms, as used in this Agreement, shall have the meanings as set forth below:

(i) “Affiliate” or “Affiliated” means, with respect to a specified Person, any other Person, directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person; provided, however, that the Company, Affiliates of the Company, any portfolio company of the Noteholders or any Affiliates of any portfolio company of the Noteholders (which entities are not otherwise Affiliates of the Noteholders and would only be deemed Affiliates pursuant to their relationship with one or more portfolio companies of the Noteholders) shall not be deemed an Affiliate of any Noteholder.


(iii) “Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The term “Beneficially Owned” has a corresponding meaning.

(iv) “Building” has the meaning assigned to such term in the applicable Flood Insurance Regulations.

(v) “Business Day” means any day other than a day on which banks are permitted or required to be closed in New York City.

(vi) “Capital Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder, provided that all obligations of any Person that are or would have been treated as operating leases for purposes of GAAP prior to the issuance by the Financial Accounting Standards Board on February 25, 2016 of an Accounting Standards Update (the “ASU”) shall continue to be accounted for as operating leases for purposes of all financial definitions for purpose of this Agreement (whether or not such operating lease obligations were in effect on such date) notwithstanding the fact that such obligations are required in accordance with the ASU (on a prospective or retroactive basis or otherwise) to be treated as capitalized lease obligations in the financial statements of the Company.

(vii) “Cooperation Agreement” means the Cooperation Agreement, dated November 13, 2017, by and among the Noteholders.

(viii) “Control,” “Controlling” or “Controlled,” means, as to a specified Person, the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

(ix) “Credit Facility” means the Term Loan Credit Agreement, dated as of November 1, 2017 (as in effect on the date hereof), by and among Northern Oil and Gas, Inc., TPG Specialty Lending, Inc. as administrative agent and collateral agent, and each of the lenders party thereto.

(x) “Debt” means, for any Person, each of the following (without duplication): (A) all obligations of such Person for borrowed money evidenced by bonds, bankers’ acceptances, debentures, notes or other similar instruments; (B) all reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, surety or other bonds and similar instruments; (C) all (i) accounts payable and (ii) accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property or services, in each case (other than
deferred purchase price obligations in connection with the acquisition of oil and gas properties), which are greater than ninety (90) days past the date of invoice other than those which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (D) all obligations of such Person under Capital Leases; (e) all obligations under Synthetic Leases; (f) all Debt (as defined in the other clauses of this definition) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) a Lien on any Property of such Person, whether or not such Debt is assumed by such Person; (g) all Debt (as defined in the other clauses of this definition) of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of such Debt (howsoever such assurance shall be made) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others; (i) all obligations of such Person to deliver commodities, goods or services, including, without limitation, Hydrocarbons, in consideration of one or more advance payments, other than gas balancing arrangements, take or pay arrangements for the gathering, processing or transportation of production, or other similar arrangements, in each case in the ordinary course of business; (j) obligations of such Person to pay for goods or services even if such goods or services are not actually received or utilized by such Person; (k) any Debt of a partnership for which such Person is liable either by agreement, by operation of law or by a Governmental Requirement but only to the extent of such liability; and (l) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment. The Debt of any Person shall include all obligations of such Person of the character described above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is not included as a liability of such Person under GAAP.

(xi) “Default” shall have the meaning given such term in the Credit Facility.

(xii) “Event of Default” shall have the meaning given such term in the Credit Facility.

(xiii) “Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such Equity Interest.


(xvi) “Family Member” means, with respect to any Noteholder or an Affiliate of such Noteholder, such person’s spouse, domestic partner, parents, parents-in-law, siblings, children, grandchildren and any other natural person who occupies the same principal residence as the undersigned (other than a tenant or employee), and the spouses, domestic partners, descendants and ancestors of each of the foregoing.


(xviii) “Flood Insurance Regulations” means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC § 4001, et seq.), as the same may be amended or recodified from time to time, and (d) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder.

(xix) “GAAP” means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession that are in effect from time to time, applied on a consistent basis for the periods involved.

(xx) “Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Company, any of its Properties, or any Noteholder.
“Governmental Requirement” means any applicable law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement, whether now or hereinafter in effect, including, environmental laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, fee interests, surface interests, mineral fee interests, overriding royalty interests and other royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom and all other minerals which may be produced and saved from or attributable to the oil and gas properties of the Obligors, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests of the Obligors or other properties constituting oil and gas properties of the Obligors.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of oil and gas properties. The term “Lien” shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations. For the purposes of this Agreement, the Company shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

“Manufactured (Mobile) Home” has the meaning assigned to such term in the applicable Flood Insurance Regulation.

“Mortgaged Property” means any Property owned by any Obligor which is subject to the Liens existing and to exist under the terms of the Security Documents.

“Non-Disclosure Agreements” means the Confidentiality Agreement, dated as of January 30, 2018, between the Company and the Noteholders.

“NYSE American” means the NYSE American Exchange.

“Party” or “parties” means the Company or the Noteholders, and “Parties” and “parties” mean the Company and the Noteholders.

“Permitted Transferee” means, with respect to any Noteholder, (a) an Affiliate of any Noteholder or any investment fund or other entity controlled or managed by any Noteholder; (b) any trust for the primary benefit of the Family Members of such Noteholder; provided that, in each case, either (i) such Noteholder or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of such trust until the death or legal incapacity of such Noteholder; (c) any entity of which such Noteholder and any Permitted Transferees or Family Members of such Noteholder collectively are beneficial owners of 100% of the equity interests; provided that either (i) such Noteholder or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of such entity until the death or legal incapacity of such Noteholder; or (d) any trust or non-profit corporation that (i) has obtained recognition of its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and (ii) is controlled by such Noteholder.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.
“Representatives” means, with respect to any Person, such Person’s Affiliates, directors, officers, partners, employees, members, managers, agents, advisors (including attorneys, accountants, consultants and financial advisors and any representatives of a Person’s advisors) and other representatives.

“Requisite Affirmative Vote” means, with respect to the NYSE American Approval and the Delaware Charter Approval, the affirmative vote of the greater of (i) a majority of the shares of Common Stock present in person or by proxy at the Stockholders Meeting and entitled to vote or (2) a majority of the minimum number of shares entitled to vote that would constitute a quorum for the transaction of business at the Stockholders Meeting.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

“Special Flood Hazard Area” means an area that FEMA's current flood maps indicate has at least a one percent (1%) chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year.

“Synthetic Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, treated as operating leases on the financial statements of the Person liable (whether contingently or otherwise) for the payment of rent thereunder and which were properly treated as indebtedness for borrowed money for purposes of U.S. federal income taxes, if the lessee in respect thereof is obligated for purchase for an amount in excess of, or pay upon early termination an amount in excess of, 80% of the residual value of the Property subject to such operating lease upon expiration or early termination of such lease.

“Swap Agreement” means any agreement (including each confirmation under any master agreements) with respect to any swap, cap, collar, put, call, floor, forward, future or derivative transaction or option or similar agreement, whether exchange traded, “over-the-counter” or otherwise, and whether settled physically or financially, involving, or settled by reference to, one or more interest rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company shall be a Swap Agreement.

“TRT Agreements” means (A) the Agreement, dated January 2, 2015, by and among Robert B. Rowling, Cresta Investments, LLC, Cresta Greenwood, LLC, TRT Holdings, Inc. and the Company and (B) the Agreement, dated January 25, 2017, by and among TRT Holdings, Inc., Cresta Investments, LLC, Cresta Greenwood, LLC, Robert Rowling, Michael Popejoy, Michael Frantz and the Company, as amended by the TRT Governance Agreement.

The words such as “herein,” “hereof,” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The singular shall include the plural, and vice versa, unless the context otherwise requires. The masculine shall include the feminine and neuter, and vice versa, unless the context otherwise requires.
(j) Adjustments.

(i) To the extent that the Company issues or sells any Common Stock, at or prior to Closing, under the Equity Raise with any material terms (excluding for this purpose, any lock-up provisions) that are superior to the Exchange Transaction with respect to the Noteholders, such Noteholders shall be entitled to receive such terms in connection with the Exchange Transaction, including but not limited to, if the Common Stock issued or sold as part of the Equity Raise is issued or sold at a gross price lower than $3.00 per share, the number of Shares to be issued in the Exchange Transaction shall equal (A) the number of Shares set forth opposite each Noteholder’s name on Schedule A attached hereto, multiplied by (B) the quotient of $3.00 divided by the lowest gross price at which any such share of Common Stock is issued or sold under the Equity Raise.

(ii) If at any time after the date of this Agreement and prior to the Closing, any change in the outstanding shares of capital stock of the Company (or any other securities convertible therefor or exchangeable thereto) shall occur as a result of any reclassification, stock split (including a reverse stock split), combination, exchange or readjustment of shares, or any stock dividend or stock distribution, or any similar event, in each case, other than pursuant to the transactions contemplated by this Agreement, the number of Shares issuable hereunder or as contemplated hereby and the price thereof, and any other similarly dependent items shall be equitably adjusted to provide the same economic effect as contemplated by this Agreement prior to such action.

(k) Severability. In the event that one or more provisions of this Agreement shall be deemed or held to be invalid, illegal or unenforceable in any respect under any applicable law, this Agreement shall be construed with the invalid, illegal or unenforceable provision deleted, and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby.

(l) Further Assurances. From time to time, as and when requested by either party, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary to consummate the transactions contemplated by this Agreement.

(m) Specific Performance. It is understood and agreed by the parties hereto that money damages would not be a sufficient remedy for any breach of this Agreement by the Company or the Noteholders, as applicable, and the non-breaching party of the Company or the Noteholders, as applicable, shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY:

NORTHERN OIL AND GAS, INC.

By: /s/ Erik J. Romslo
Name: Erik J. Romslo
Title: EVP, General Counsel and Secretary

[Signature Page to Exchange Agreement]
<table>
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<th>Noteholder</th>
<th>Aggregate Principal Amount of Notes Beneficially Owned</th>
<th>Aggregate Principal Amount of Second Lien Notes to be Issued in the Exchange Transaction</th>
<th>Number of Shares to be Issued in the Exchange Transaction</th>
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EXHIBIT A TO EXCHANGE AGREEMENT

Northern Oil and Gas, Inc.
Second Lien Notes
Summary of Indicative Terms and Conditions

Capitalized terms used but not otherwise defined in this Summary of Indicative Terms and Conditions (this "Term Sheet") shall have the meaning assigned to such terms in the Exchange Agreement to which this Exhibit A is attached.

Issuer: Northern Oil and Gas, Inc., a Minnesota corporation (the "Issuer"). Upon consummation of the Exchange Transaction, the Issuer shall be domiciled as a Delaware corporation.

Guarantors: All direct or indirect subsidiaries of the Issuer which guarantee any other indebtedness for borrowed money of the Obligors, including without limitation the Credit Facility (the "Guarantors", and together with the Issuer, the "Obligors").

Participating Holders: Each of the Noteholders party to the Exchange Agreement (the "Participating Holders", together with their permitted successors and assigns, the "Holders").

Trustee: A third party financial institution chosen by the Participating Holders upon consultation with the Issuer, as trustee and collateral agent (such third party in such capacities, the "Trustee").

Type and Amount: Senior Secured Second Lien Notes of the Issuer (the "Second Lien Notes") in an initial aggregate principal amount of $344,279,000 issued as partial exchange consideration for the Existing Notes.

Scheduled Amortization: None.

Interest Rate: Initially 8.50% per annum payable in cash (the "Cash Component").

Beginning on July 1, 2018, the interest rate will step-up by 1.00% per annum, which such step-up in interest shall be payable in kind (the "PIK Component").

If the financial statements and compliance certificate for the most recently ended fiscal quarter ending June 30th or December 31st (beginning with the fiscal quarter ending June 30, 2018) (each, a "Measurement Fiscal Quarter") demonstrate that the Issuer and its subsidiaries have a Total Debt (which shall be measured off of all debt of the Issuer and its subsidiaries without giving effect to any cash netting) to EBITDAX (which shall be defined consistent with the Documentation Principles) ratio of:

(i) less than 3.00 to 1.00 as of the last day of any such Measurement Fiscal Quarter, the PIK Component shall, subject to reinstatement in accordance with clause (ii) below, cease accruing effective as of the date such financial statements and compliance certificate are delivered in accordance with the definitive documentation (without giving effect to any grace period), or

(ii) equal to or greater than 3.00 to 1.00 as of the last day of such most recently ended Measurement Fiscal Quarter or if the Issuer fails to deliver the financial statements or compliance certificate by the date required in the definitive documentation with respect to any Measurement Fiscal Quarter, the PIK Component shall immediately and automatically accrue and be payable in accordance with the definitive documentation effective as of the date such financial statements and compliance certificate are delivered (or fail to be delivered) in accordance with the definitive documentation (without giving effect to any grace period).

For the avoidance of doubt, the PIK Component shall be in addition to, and not in replacement of, the Cash Component and shall be reinstated immediately and automatically from time to time in accordance with clause (ii) above.

Interest shall be payable quarterly. Default interest shall be payable in cash on demand at the then applicable interest rate plus 3.00% per annum (the "Default Rate").
Ranking and Collateral: The Second Lien Notes and related guarantees will rank equal in right of payment to all existing and future senior indebtedness of the Obligors. The Second Lien Notes will be secured by a perfected second priority lien security interest in all assets of the Obligors, subject to the exceptions set forth in the Credit Facility, and including those assets securing the Credit Facility (and junior only to the liens securing the Credit Facility); provided, however, that, the required collateral levels on oil and gas properties constituting proved reserves and proved developed producing reserves on the Closing shall be 90% and no later than 90 days following the Closing, such required collateral levels shall be increased from 90% to 95%; provided, further, during such periods in which the Ratio of Total Debt (which shall be defined to include all debt of the Issuer and its subsidiaries without giving effect to cash netting) to EBITDAX (to be defined consistent with the Documentation Principles) is less than 3.00 to 1.00, such required collateral levels on oil and gas properties shall be 90%.

Intercreditor Agreement: At closing, the Trustee and the agent under the Credit Facility (the “First Lien Agent”) will enter into a customary intercreditor agreement in a form reasonably acceptable to the Participating Holders and negotiated in good faith (the “Senior Lien ICA”).

Scheduled Maturity Date: The Second Lien Notes will mature on April 30, 2023.

Optional Prepayment: The Second Lien Notes will be callable subject to payment of the Make-Whole Amount (as defined below) and/or the Call Protection Amount (as defined below), as applicable.

Mandatory Prepayment Offers: Subject to the terms of the Senior Lien ICA and the Documentation Principles (as defined below), the Second Lien Notes shall be subject to mandatory prepayment offers with 100% of the net cash proceeds of asset sales, casualty events and condemnations not required to be used to pay down the Credit Facility as in effect on the date hereof, subject to customary baskets, exclusions and reinvestment provisions consistent with the Credit Facility. Mandatory prepayment offers shall be subject to payment of the Make-Whole Amount and/or Call Protection Amount, as applicable.

Make-Whole Amount and Call Protection Amount: “Make-Whole Amount” means, as of any date of determination (a) for any payment, redemption, repurchase, refinancing, substitution or replacement with respect to the Second Lien Notes (it being agreed that, in the case of an acceleration of any Second Lien Notes, including in connection with an insolvency proceeding, the principal amount of the Second Lien Notes accelerated shall be deemed to have been paid on the date of acceleration solely for purposes of calculating the Make-Whole Amount) in each case paid or deemed paid prior to the two year anniversary of the Closing an amount equal to the difference (which shall not be less than zero) of (A) the aggregate amount of interest (including, without limitation, interest payable in cash, in kind or deferred) which would have otherwise been payable on the amount of the principal repayment from the date of repayment (or deemed repayment in the case of an acceleration of the Second Lien Notes) or reduction until the two year anniversary of the Closing, minus (B) the aggregate amount of interest Holders would earn if the repaid (or deemed repaid in the case of an acceleration of the Second Lien Notes) or reduced principal amount were reinvested for the period from the date of prepayment (or deemed prepayment in the case of an acceleration of the Second Lien Notes) or reduction until the two year anniversary of the Closing at the treasury rate (which shall be defined as defined in the Credit Facility as in effect on the date hereof and with the reference to United States Treasury securities therein being United States Treasury Securities having a term of no greater than the period of the remaining months from such date of determination until the two year anniversary of the Closing). To the extent the Second Lien Notes become due and payable as a result of an Event of Default or the acceleration of the Second Lien Notes, including in connection with an insolvency proceeding, the rate of interest to be used in determining the Make-Whole Amount shall the Default Rate.
“Call Protection Amount” means, as of any date of determination, an amount equal to the applicable percentage set forth as follows in respect of any payment, redemption, repurchase, refinancing, substitution or replacement of principal of the Second Lien Notes based on the number of months elapsed since the Closing (or in the case of an acceleration of any Second Lien Notes, including in connection with an insolvency proceeding, the applicable percentage set forth as follows of the principal amount of the Second Lien Notes accelerated): (a) during the period of time from and after the Closing up to and including the date that is the 36-month anniversary of the Closing, a prepayment premium equal to 104.0% of the principal amount being repaid and (b) during the period of time from and after the calendar day after the date that is the 36-month anniversary of the Closing up to and including the date that is the 48-month anniversary of the Closing, a prepayment premium equal to 102.0% of the principal amount being repaid. If any acceleration occurs prior to such dates, including in connection with an insolvency proceeding, the applicable Call Protection Amount shall be due and payable, regardless of when any payment is made on the Second Lien Notes.

Change of Control: Upon the occurrence of any change of control (as defined in the Credit Facility as in effect on the date hereof), the Issuer shall make a mandatory offer to prepay the Second Lien Notes at an offer price equal to 101% of the principal amount so repaid (subject to the prepayment provisions of the Credit Facility as in effect on the date hereof, to the extent applicable).

Documentation Principles: To be drafted by Kirkland & Ellis LLP, counsel to the Participating Holders. The definitive documentation for the Second Lien Notes shall be based upon the documentation for the Credit Facility as in effect on the date hereof (including, without limitation, affirmative covenants and negative covenants (other than financial maintenance covenants and PDP coverage ratio maintenance covenants), events of default and definitions related to any of the foregoing) (it being agreed and understood that any PDP coverage ratio incurrence tests shall be based upon the documentation for the Credit Facility as in effect on the date hereof, but will be measured off of both first lien and second lien debt and shall be reduced proportionally to account for being measured off of such first lien and second lien debt) with such changes as the Participating Holders shall reasonably agree and will take into account this Term Sheet, differences to reflect the changed capital structure of the Issuer and its subsidiaries, the second lien nature of the Second Lien Notes and the capital markets nature of the financing giving due regard to the Indentures (it being agreed and understood that to the extent the Credit Facility requires any provisions to be acceptable or approved by the First Lien Agent, the corresponding provisions in the definitive documentation for the Second Lien Notes shall require the acceptance or approval of the Holders holding a majority in principal amount of the Second Lien Notes). In addition, no covenants shall be more restrictive or onerous with respect to the Issuer and its subsidiaries than the covenants in the Credit Facility, except to the extent described in the “Ranking and Collateral” section above or the “Negative Covenants” section below or to the extent contemplated by setting the PDP coverage ratio incurrence tests to be measured off of both first lien and second lien debt as noted above for which lender consent under the Credit Facility shall be required as a condition to Closing. This paragraph shall be referred to as the “Documentation Principles”.

Affirmative Covenants: The definitive documentation shall contain affirmative covenants as are in the Credit Facility as in effect on the date hereof with such changes as the Participating Holders shall reasonably agree to reflect the changed capital structure of the Obligors, the second lien nature of the Second Lien Notes and such other changes as are consistent with the Documentation Principles; including, but not limited to, (i) quarterly public earnings conference calls in place of Section 8.19 of the Credit Facility and (ii) omitting the reporting requirements set forth in Section 8.01(e), (n), (p) and (q) of the Credit Facility; provided, however, after the occurrence and during the continuance of an event of default, the Issuer shall provide such information delivered to the First Lien Agent but not otherwise required to be delivered to the Holders or Trustee via a customary private-side data site accessible by the Trustee and the Holders that elect to access such data site, subject to customary confidentiality obligations. Notwithstanding the foregoing, affirmative covenants in connection with (i) the delivery of title information and additional mortgages, collateral and guarantees will provide for an automatic extension of up to 30 days on such delivery requirements so long as the First Lien Agent has granted such extension under the Credit Facility and (ii) minimum hedging shall be subject to any relief (e.g., waivers or extensions) granted by the First Lien Agent or lenders under the Credit Facility.
Negative Covenants:

The definitive documentation shall contain such negative covenants as are in the Credit Facility as in effect on the date hereof with such changes as the Participating Holders shall reasonably agree to reflect the changed capital structure of the Obligors, the second lien nature of the Second Lien Notes and such other changes as are consistent with the Documentation Principles. In addition, the negative covenants shall include, without limitation, the following (each of which may be amended or waived with the consent of Holders of a majority in principal amount of the Second Lien Notes, excluding, for such purpose, any Holder that is an affiliate of the Issuer):

- The Existing Notes (a) can only be refinanced or repaid (i) in exchange for or out of the net proceeds of the substantially concurrent issuance of common stock of the Issuer (other than common stock issued in connection with Closing) or substantially concurrent incurrence of permitted junior lien or unsecured refinancing debt of the Issuer maturing at least 91 days outside the maturity date of the Second Lien Notes or (ii) with aggregate operating cash flow (to be defined in a manner acceptable to the Participating Holders) minus capital expenditures, measured since the Closing; provided, however, a refinancing or repayment under this clause (ii) shall only be permitted if immediately prior to and after giving pro forma effect thereto and other transactions to occur on such date, (A) the Ratio of Total Debt (which shall be defined to include all debt of the Issuer and its subsidiaries and shall have no cash netting) to EBITDAX (to be defined consistent with the Documentation Principles and excluding, for the avoidance of doubt, any pro forma adjustments on account of pro forma cost savings and synergies) shall be less than 3.00 to 1.00 and (B) no defaults or events of default exist or shall occur after giving effect thereto and (b) for the avoidance of doubt, cannot be refinanced or repaid with second lien or other senior lien indebtedness (e.g. first lien, “one and a half” lien, etc.). For the avoidance of doubt, the provisions of clause (ii) above shall replace the $75 million cap and 1.5 to 1.00 PDP Coverage Ratio Test set forth in Section 9.04(b) of the Credit Facility.

- No more than $30 million of the Existing Notes may be outstanding at March 1, 2020.

- A provision (to replace Section 9.22 of the Credit Facility) that provides that to the extent any junior lien or unsecured debt has a cash interest rate in excess of 9.50% per annum (such amount above 9.50% per annum, the “Excess”), the cash rate on the Second Lien Notes shall be immediately and automatically increased by the amount of such Excess (the “MFN”).

- Parameters on refinancing the Credit Facility, including, without limitation, prohibitions against (i) the principal amount of the refinancing facility being greater than the principal amount refinanced, (ii) increases to the “all in yield” or interest rate applicable to the refinancing facility as compared to the refinanced facility and (iii) such refinancing facility carrying any make-whole or call protection (other than any make-whole or call protection that is no more burdensome on the Issuer than the make-whole and call protection of the refinanced facility, taking into account the timing of such refinancing) (e.g., if the Credit Facility were to be refinanced 18 months after its closing date, the refinancing facility could not carry a make-whole, but could carry call protection of 103 for the first 12 months and 101 for the following 12 months); provided, that if the Credit Facility is refinanced with junior lien or unsecured debt, there shall be a dollar-for-dollar reduction of the first lien debt basket and the interest rate of such junior lien or unsecured debt shall be subject to the MFN above.

- No changes to the interest profile, make-whole and call protection profile or “all in yield” profile on the Credit Facility (including any permitted refinancing thereof) that are more burdensome on the Issuer than the interest profile, make-whole and call protection profile and “all in yield” profile under the Credit Facility as in effect on the date hereof.

- No changes to the Credit Facility (including any permitted refinancing thereof) that restrict any payment, repayment, redemption, repayment or other refinancing of or in respect of the Second Lien Notes that would be permitted under the Credit Facility as in effect on the Closing.

- Prohibition on other amendments to Existing Notes or Credit Facility that would adversely affect rights of Holders of the Second Lien Notes.

- Other customary restrictions on amending the Existing Notes or Credit Facility.

- No additional second lien or senior lien indebtedness (e.g., first lien, “one and a half” lien, etc.) other than permitted refinancing of Credit Facility with first lien indebtedness (it being agreed and understood that the Issuer may incur up to $400 million of principal amount in first lien indebtedness under the Credit Facility).

- No payments for consents unless offered to all Holders.

- Anti-layering, including a restriction on any payment priority layering among tranches of first lien debt.
Covenant against asset sales and other dispositions to be consistent with the Documentation Principles; provided, however, the definitive documentation shall permit any asset sale or disposition that the lenders under the Credit Facility consent to as long as (i) at least 75% of the consideration for such asset sale or disposition is received in the form of cash, (ii) such asset sale or disposition is not for all or substantially all of the assets of the Issuer and the Guarantors, (iii) no defaults or events of default exist or shall occur after giving effect thereto, (iv) fair market value is received (and if the consideration is greater than $50 million, fair market value must be supported by a third-party fairness opinion reasonably satisfactory to Holders of a majority in principal amount of the Second Lien Notes, excluding, for such purpose, any Holder that is an affiliate of the Issuer), (v) the net cash proceeds from such disposition are applied pursuant to the mandatory prepayment requirements of the Credit Facility and the definitive documentation for the Second Lien Notes and (vi) any assets received shall become collateral substantially concurrently with such asset sale or disposition.

Covenant against investments to be consistent with the Documentation Principles; provided, however, the definitive documentation shall permit any acquisition of additional oil and gas properties (or equity in persons that own oil and gas properties) that the lenders under the Credit Facility consent to as long as the assets received become collateral substantially concurrently with such acquisition, subject to the collateral requirements set forth in the Second Lien Notes Indenture.

Covenant regarding maximum hedging to be consistent with the Documentation Principles; provided, however, such covenant shall be subject to any relief (e.g., waivers or extensions) granted by the First Lien Agent or lenders under the Credit Facility.

## Financial Covenants:
None.

## Events of Default:
The definitive documentation shall contain such events of default consistent with the Documentation Principles, including cross defaults to the Credit Facility (provided, however, in the case of an event of default on account of the financial covenants (including PDP coverage ratio) under the Credit Facility, no such cross-default shall result unless (i) the Credit Facility has been accelerated, (ii) the First Lien Agent has commenced exercising remedies or (iii) such event of default has not been cured or waived under the terms of the Credit Facility within thirty (30) days after notice (which notice, for the avoidance of doubt, shall include the delivery of a compliance certificate) of the occurrence of such event of default has been delivered by the Issuer to the lenders under the Credit Facility (or should have been delivered in accordance with the Credit Facility) and other material debt, payment default on material debt, judgment defaults and failure to have perfected liens in any of the collateral.

## AHYDO:
The Second Lien Notes shall contain customary “AHYDO catch-up” payment provisions, providing that the Issuer will make payments on the Second Lien Notes, before the close of any accrual period ending after the fifth anniversary of the issue date, an amount sufficient to ensure that the Second Lien Notes will not be “applicable high yield discount obligations” within the meaning of Section 163(i)(1) of the Internal Revenue Code.

## Governing Law:
New York.

## Transfer:
The Second Lien Notes shall be freely transferable without the consent of the Issuer.

## Counsel to the Participating Holders:
Kirkland & Ellis LLP.
Ladies and Gentlemen:

This amended and restated letter agreement (this “Agreement”), dated as of the date written above (the “Effective Date”), is by and among Robert B. Rowling, Cresta Investments, LLC, Cresta Greenwood, LLC and TRT Holdings, Inc. (together, “TRT”) and Northern Oil and Gas, Inc. (the “Company”) and, (i) solely for the purpose of the second sentence of Section 1(g) below, the TRT Nominees (as defined below) and (ii) solely for the purposes of Section 2 below, Bahram Akradi (“Akradi”).

Recitals

a. The Company desires to reduce its outstanding debt and recapitalize itself with a substantial amount of new equity.

b. The Company and TRT have previously entered into that certain letter agreement, dated as of January 25, 2017 (the “2017 Agreement”), and that certain letter agreement dated January 2, 2015 (the “2015 Agreement,” and, together, with the 2017 Agreement, the “Prior Agreements”).

c. Each of the Company and TRT acknowledge that (i) in connection with entering into the 2015 Agreement and in accordance with Section 302A.673 of the Minnesota Business Corporation Act (the “MBCA”), a duly authorized committee of the Company’s Board of Directors (the “Board”) consisting of solely of disinterested directors approved the acquisition by TRT and their respective affiliates and associates of up to 20% of the issued and outstanding shares of the Company’s common stock, par value $0.001 (the “Common Stock”), (ii) pursuant to Section 203 of the Delaware General Corporations Law (the “DGCL”), Section 203 of the DGCL shall not apply to restrict a business combination between a Delaware corporation and an “interested stockholder” (as defined in the DGCL) if the interested stockholder became an interested stockholder before the date and time at which the Delaware corporation’s certificate of incorporation filed in accordance with Section 103 of the DGCL became effective thereunder, and (iii) TRT became an interested stockholder of the Company before the date and time which the Company’s certificate of incorporation became effective.

d. TRT is a significant holder of the Common Stock, and is also a significant holder of certain of the Company’s 8% senior unsecured notes, due 2020 (the “Notes” and all holders of such Notes, a “Noteholder” and, collectively, the “Noteholders”).

e. On [____], 2018, the Company, TRT and certain other Noteholders have entered into an agreement (the “Exchange Agreement”), pursuant to which the Company has agreed with the Noteholders that are parties to the Exchange Agreement (including TRT) to voluntarily exchange Notes held by such Noteholders for shares of Common Stock and new second lien senior secured notes pursuant to, and conditioned upon, the terms set forth in the Exchange Agreement (the “Exchange”).
f. On the date hereof, the Company and TRT entered into that certain Registration Rights Agreement, in the form attached hereto as Exhibit A.

g. The Company and TRT desire to amend and restate the Prior Agreements.

h. The Company and TRT desire to enter into this Agreement in connection with the Exchange to reflect certain agreed upon terms for TRT’s participation in the Exchange.

Agreement

In consideration of the respective representations, warranties, covenants, agreements and conditions set forth in this Agreement, and, intending to be legally bound, the parties hereto hereby agree as follows:

1. Board Nomination and Other Company Matters

   a. Promptly after the execution of this Agreement, the Company and the Board shall take all necessary actions to appoint [●] as a director of the Company to fill the current vacancy.

   b. Subject to the terms set forth in Section 1(g), the Company and the Board will take all necessary actions to nominate the TRT Nominees (as defined below) for election as an incumbent director of the Company at each annual meeting of the Company’s shareholders that occurs after the Effective Date (each, an “Annual Meeting”). Without limiting the generality of the foregoing and subject to the terms set forth in Section 1(g), the Company and the Board shall (i) cause the slate of nominees standing for election, and recommended by the Board, at each Annual Meeting to include the TRT Nominees, (ii) nominate and reflect in the Company’s proxy statement on Schedule 14A for each Annual Meeting (each, a “Company Proxy Statement”) the nomination of the TRT Nominees for election at such Annual Meeting as directors of the Company with a term expiring at the next Annual Meeting, (iii) recommend and reflect in the Company Proxy Statement for each Annual Meeting the recommendation of the TRT Nominees for election as directors of the Company at such Annual Meeting, and cause the Company to use its reasonable best efforts to solicit proxies in favor of the election of the TRT Nominees with respect to such Annual Meeting, and (iv) cause all proxies received by the Company with respect to each Annual Meeting to be voted in the manner specified by such proxies and cause all proxies for which a vote is not specified to be voted for the election of the TRT Nominees as directors of the Company.

   c. Prior to the execution of this Agreement, the Company and the Board have determined that each of Michael T. Popejoy, Michael Frantz and [●] (i) satisfies the requirements for being an independent director of the Company pursuant to applicable requirements of the NYSE American and the Securities and Exchange Commission (the “SEC”) and is “independent” in accordance with the requirements of all applicable rules and policies of the Company, and (ii) is otherwise qualified to serve as a member of the Board.

   d. Each of the Company and TRT agrees that each of the TRT Nominees, upon election or appointment to the Board, will serve as an integral member of the Board and of the Committees (as defined below) and, subject to the terms and conditions set forth in this Agreement, will be governed by the same protections and obligations regarding confidentiality, conflicts of interest (including, when necessary under state law, obligations relating to recusal), fiduciary duties, trading and disclosure policies, and other governance guidelines, and will have the same rights and benefits, including with respect to insurance coverage, indemnification rights, exculpation, advancement of expenses, and compensation and fees, access to personnel and information as are applicable to all independent directors of the Company.
e. Except to the extent not permitted under SEC or NYSE American rules, or, with respect to the Compensation Committee of the Board, would not qualify as a “non-employee director” for purposes of Rule 16b-3 of the Securities Exchange Act of 1934 (the “Exchange Act”) or an “outside director” for purposes of Section 162(m) of the Internal Revenue Code, to the extent applicable, at least one of the TRT Nominees will serve on each of the committees of the Board (each such committee, a “Committee” and, collectively, the “Committees”). When determining whether the conditions set forth above shall apply, such determination will be made reasonably and in good faith by the Board on a basis reasonably consistent with the Board’s evaluation of other proposed members of such Committee and any determination to exclude a TRT Nominee from a committee must be supported by legal memorandum presented to the entire Board at least five days prior to a vote by the Board to exclude a TRT Nominee. Subject to the conditions set forth above, the company and the Board will take all actions necessary and appropriate to effect the appointment of at least one TRT Nominee to each of the Committees promptly after the execution of this Agreement. Subject to the condition above, such TRT Nominee will serve on each Committee until the first date that (i) TRT owns less than [ ]% of the issued and outstanding Common Stock; provided, however, that the aforementioned requisite threshold shall be subject to equitable adjustment if any change in the outstanding shares of Common Stock shall occur as a result of any reclassification, recapitalization, reorganization, stock split (including a reverse stock split) or combination, exchange or readjustment of shares or any stock dividend or stock distribution is declared (“Equitable Adjustment”) or (ii) on or after the third anniversary of the Effective Date, TRT owns less than 12.5% of the outstanding shares of Common Stock. The Company hereby confirms that the Company and the Board do not intend to create any additional Committees of the Board, but in the event that a new Committee (a “New Committee”) is created, the Company agrees that subject to the conditions set forth above, the Board will appoint at least one TRT Nominee to serve on the New Committee; provided, that the Board shall not be required to appoint any TRT Nominees to serve on a Special Committee (as defined below) formed solely for the purposes set forth in Section 3(d). The Company hereby agrees that the Company and the Board will not delegate any authority to transact with respect to an Extraordinary Transaction to any Committee that does not include a TRT Nominee (but the Company and the Board may authorize any Committee to review, analyze and make recommendations to the Board regarding any Extraordinary Transaction). For purposes of this Agreement, the term “Extraordinary Transaction” means any merger, consolidation, business combination, tender or exchange offer, sale or purchase of a substantial amount of securities or assets other than in the ordinary course of business, dissolution, liquidation, restructuring, recapitalization or similar transaction with or involving the Company or any of its subsidiaries.

f. For purposes of this Agreement, the term “TRT Nominees” means Michael T. Popejoy, Michael Frantz and [•]. If any TRT Nominee is not elected to the Board at an Annual Meeting or, after election to the Board, thereafter is removed, resigns, or is otherwise unable to serve as a director of the Company, except pursuant to Section 1(g), then TRT will be entitled to select a new designee to serve as a director, which designee (i) must qualify as an independent director of the Company pursuant to applicable requirements of the NYSE American and the SEC and (ii) will be chosen by TRT subject to a determination by the Nominating Committee of the Board that such designee is eligible to serve as a director under applicable law, such determination to be made promptly, reasonably and in good faith on a basis reasonably consistent with the Company’s evaluation of all other directors, and the Board will promptly appoint such designee to the Board (and to the Committees of the Board on which the TRT Nominee being replaced served, provided that such designee meets the applicable independence standards and applicable legal requirements for eligibility to serve on such Committee, as contemplated in this Agreement) to serve until the next Annual Meeting after such appointment. Any such designee will be deemed a TRT Nominee for all purposes under this Agreement and TRT agrees to cause any designee appointed pursuant to this Section 1(f) to comply with all obligations of TRT and TRT Nominees under this Agreement. The Company will take any action necessary or appropriate to facilitate the discharge of its obligations under this Section 1(f), including increasing the number of seats on the Board or amending the Company’s bylaws and its other governing documents, in each case, to the extent permissible under applicable law.

1 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
g. Notwithstanding anything to the contrary herein, if, at any time, (i) TRT and its Affiliates Beneficially Own (x) less than \[ \frac{3}{4} \] of the outstanding shares of Common Stock, but \[ \frac{2}{3} \] or more of the outstanding shares of Common Stock (in each case, subject to Equitable Adjustment), or (y) on or after the third anniversary of the Effective Date, less than 12.5% of the outstanding shares of Common Stock, TRT will be entitled to representation on the Board of just two TRT Nominees; (ii) TRT and its Affiliates Beneficially Own less than \[ \frac{3}{4} \] of the outstanding shares of Common Stock, but \[ \frac{2}{3} \] or more of the outstanding shares of Common Stock (in each case, subject to Equitable Adjustment), TRT will be entitled to representation on the Board of just one TRT Nominee; and (iii) TRT and its Affiliates Beneficially Own less than \[ \frac{3}{4} \] of the outstanding shares of Common Stock (subject to Equitable Adjustment), TRT will not be entitled to any representation on the Board. If TRT’s and its Affiliates’ Beneficial Ownership of outstanding shares of Common Stock falls below the aforementioned requisite thresholds, (A) TRT will promptly notify the Company thereafter and will promptly cause the appropriate number of TRT Nominees to resign, and (B) such TRT Nominee(s) will promptly resign. For purposes of this Section 1(g), (1) the terms “Beneficial Own” and “Beneficial Ownership” will have the same meaning as “beneficial owner” set forth in Rule 13d-3 of the Exchange Act and (2) the term “Affiliates” will have the same meaning as such term set forth in Rule 12b-2 under the Exchange Act. In the event that TRT shall become entitled to fewer than three directors on the Board pursuant to this Section 1(g), the Company’s obligations under this Section 1 shall continue in effect but will be revised to reflect such lesser number of TRT Nominees.

2. Non-Solicitation. During the period beginning on the Effective Date and continuing until and including the Annual Meeting to be held in calendar year 2020, neither TRT nor Akradi will, and will cause their respective affiliates and associates under their control not to, and each of TRT and Akradi will not encourage any third party to, “solicit” (as such term is defined in Rule 14a-1(l) under the Exchange Act) shareholders of the Company with respect to the approval of any shareholder proposal or the nomination or election of any candidate as a director of the Company in opposition to the recommendation of the Board.

3. Other Agreements.
   a. TRT agrees that if TRT becomes the beneficial owner, directly or indirectly, of 40% or more of the Common Stock or voting power of the outstanding Common Stock of the Company (the “40% Shareholder,” the date of such event, the “40% Shareholder Date”), then TRT and TRT’s affiliates and associates may not engage in any Extraordinary Transaction for a period of four years following the 40% Shareholder Date unless the Extraordinary Transaction or the acquisition of shares made by TRT to cause TRT to become a 40% Shareholder is approved by a Special Committee (as defined below).
   b. If TRT makes a good faith definitive proposal in writing to the Board regarding an Extraordinary Transaction, the Special Committee shall consider and take action on the proposal and respond in writing within 30 days after receipt of the proposal by TRT, setting forth its decision regarding the proposal.
   c. If TRT makes a good faith definitive proposal in writing to the Board to acquire shares such that TRT would become a 40% Shareholder, a Special Committee shall consider and take action on the proposal and respond in writing within 30 days after receipt of the proposal by TRT, setting forth its decision regarding the proposal.
   d. If TRT makes a good faith definitive proposal in writing to the Board pursuant to Section 3(b) or Section 3(c), the Board shall promptly form a committee (the “Special Committee”) composed solely of one or more disinterested directors. The Special Committee shall take action on the proposal by the affirmative vote of a majority of members of the Special Committee. No larger proportion or number of votes shall be required. The Special Committee shall not be subject to any direction or control by the Board with respect to the Special Committee’s consideration of, or any action concerning, an Extraordinary Transaction or acquisition of shares pursuant to this Section 3(d).

2 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
3 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
4 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
5 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
6 NOTE TO DRAFT: The threshold amount to equal the number of shares of NOG, as of the Effective Date, which equals 20% of the total outstanding shares.
e. Notwithstanding the foregoing, if TRT becomes a 40% Shareholder solely as a result of a repurchase of shares by, or a recapitalization of, the Company or other similar action, TRT shall not be deemed to be a 40% Shareholder for purposes of this Agreement, unless: (i) the repurchase, recapitalization, conversion, or similar action was proposed by or on behalf of, or pursuant to any agreement, arrangement, relationship, understanding, or otherwise (whether or not in writing) with, TRT or any affiliate or associate of TRT; or (ii) TRT thereafter acquires beneficial ownership, directly or indirectly, of outstanding shares of Common Stock and, immediately after the acquisition, is a 40% Shareholder.

f. For purposes of this Section 3, the terms “affiliates,” “associates,” “beneficial owner,” “beneficial ownership,” “control,” “disinterested directors” and “interested shareholder” shall have the meanings assigned to such terms in the MBCA.

4. Miscellaneous.

a. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior written, and prior and contemporaneous oral, agreements and understandings between the parties with respect to the subject matter hereof. This Agreement may be modified or waived only by a separate writing executed by TRT and the Company expressly so modifying or waiving this Agreement.

b. Money damages would be an inadequate remedy for breach of this Agreement by TRT or the Company, as applicable, because of the difficulty of ascertaining the amount of damage that will be suffered by the non-breaching party in the event that this Agreement is breached, the irreparable injury that would be suffered by the non-breaching party in the event that any provision of this Agreement was not performed in accordance with its specific terms or was otherwise breached and that such injury would not be adequately compensable in damages. Therefore, TRT and the Company will be entitled to specific performance of this Agreement and injunctive or other equitable relief as a remedy for any such breach by TRT or the Company, as applicable, and TRT and the Company further waive any requirement for the securing or posting of any bond in connection with any such remedy and shall not take any action, directly or indirectly, in opposition to the party seeking relief on the grounds that any other remedy or relief is available at law or in equity. Such remedy shall not be deemed to be the sole or exclusive remedy for any breach of this Agreement by TRT or the Company, as applicable, but shall be in addition to all other remedies available at law or equity to the non-breaching party. The provisions of this Agreement shall be enforced to the fullest extent permissible under the law and public policies applied in the jurisdiction in which enforcement is sought. Accordingly, if any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. Notwithstanding the foregoing, if such provision, covenant or restriction could be more narrowly drawn so as not to be invalid, prohibited or unenforceable, it shall be so narrowly drawn, without invalidating the remaining provisions of this Agreement.

c. This Agreement, and any claims arising out of, relating to or associated with this Agreement will be governed by and construed and enforced in accordance with the laws of the State of Delaware without reference to the conflict of laws principles or any other principle that could require the application of the laws of any other jurisdiction. Each of TRT and the Company (i) irrevocably agrees that any suit, action or proceeding arising out of, relating to or associated with this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns shall be brought and determined exclusively in the Delaware Court of Chancery or any federal court within the State of Delaware, or, if both the Delaware Court of Chancery and the federal courts within the State of Delaware decline to accept jurisdiction over a particular matter, any other state court within the State of Delaware, and, in each case, any appellate court therefrom, (ii) consents to submit itself to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any suit, action or proceeding arising out of, relating to or associated with this Agreement in any court other than the aforesaid courts, (iii) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (iv) irrevocably waives, and will not assert, to the fullest extent permitted by applicable law, that (A) the suit, action or proceeding in any such court is brought in an inconvenient forum, (B) the venue of such suit, action or proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.
d. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by either the Company or TRT without the prior written consent of the other parties, and any attempt to do so will be void. Subject to the preceding sentence, all the terms and provisions of this Agreement will inure to the benefit of and will be enforceable by the successors, assigns, heirs, executors and administrators of the Company and TRT, as applicable. Except as otherwise expressly set forth herein, nothing contained in this Agreement will create any rights in, or be deemed to have been executed for the benefit of, any person that is not a party hereto or a successor, heir, executor, administrator (as applicable) or permitted assignee of such party.

e. Neither the Company nor TRT shall issue any press release or public announcement concerning this Agreement without obtaining the prior written approval of the other party hereto, which approval will not be unreasonably withheld or delayed, unless, in the sole judgment of the Company or TRT (as applicable), disclosure is otherwise required by applicable law or by the applicable rules of any stock exchange on which the Company lists securities or in order to comply with any covenants contained in any credit agreements or indentures.

f. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if drafted jointly by the parties and no presumption or burden of proof must arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Any words imparting the singular number only shall include the plural and vice versa. The words such as “herein,” “hereinafter,” “hereof,” and “hereunder” refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires. The word “including” means “including without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or thing extends, and such phrase shall not mean simply “if.”

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

[Signature Pages Follow]
If you are in agreement with the foregoing, please so indicate by signing and returning one copy of this Agreement, which will constitute our agreement with respect to the matters set forth herein.

Very truly yours,

Northern Oil and Gas, Inc.

By: ________________________________
   Name:
   Title:

[Signature Page to Letter Agreement]
Confirmed and Agreed to:

TRT Holdings, Inc.

By: ______________________________
   Name: Robert B. Rowling
   Title: Chief Executive Officer

Cresta Investments, LLC

By: ______________________________
   Name: Michael G. Smith
   Title: Secretary

Cresta Greenwood, LLC

By: ______________________________
   Name: Michael G. Smith
   Title: Vice President and Secretary

Robert B. Rowling

Solely for the purpose of the second sentence of Section 1(g):

TRT NOMINEES:

______________________________
Michael T. Popejoy

______________________________
Michael Frantz

[ ]

Solely for the purpose of the second sentence of Section 2:

Bahram Akradi

[Signature Page to Letter Agreement]
Exhibit A

See attached.
REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

NORTHERN OIL AND GAS, INC.

AND

THE HOLDERS PARTY HERETO
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- Section 3.10 Entire Agreement
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- Section 3.12 No Presumption
- Section 3.13 Obligations Limited to Parties to Agreement
- Section 3.14 Independent Nature of Holders' Obligations
- Section 3.15 Interpretation

Annex A - Registrable Shares
Annex B - Selling Holder Notice and Questionnaire
This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is made and entered into as of [•], 2018, by and among Northern Oil and Gas, Inc., a Delaware corporation (the “Company”), and TRT Holdings, Inc. (“TRT Holdings”), Cresta Investments, LLC (“Cresta Investments”) and Cresta Greenwood, LLC (“Cresta Greenwood”) (together with any permitted transferees or assignee, each, a “Holder” and collectively, the “Holders”).

WHEREAS, this Agreement is made pursuant to the letter agreement, dated as of January 31, 2018 (the “TRT Governance Agreement”), among the Company, TRT Holdings, Cresta Investments, Cresta Greenwood and Robert B. Rowling;

WHEREAS, pursuant to the Exchange Agreement, dated as of January 31, 2018 (the “Exchange Agreement”), among the Company and the Holders, the Holders will acquire shares (the “Exchange Shares”) of common stock, par value $0.001 per share, of the Company (the “Common Stock”) on the date hereof; and

WHEREAS, the Company has agreed to provide the registration and other rights set forth in this Agreement for the benefit of the Holders pursuant to the TRT Governance Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions.

Capitalized terms used herein without definition shall have the meanings given to them in the Exchange Agreement. The terms set forth below are used herein as so defined:

“Agreement” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Business Day” means any day other than a day on which banks are permitted or required to be closed in New York City.

“Commission” means the U.S. Securities and Exchange Commission, including the staff thereof as applicable.

“Common Stock” has the meaning specified therefor in the recitals of this Agreement.

“Company” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Effective Date” has the meaning specified therefor in Section 2.01(a).

“Effectiveness Period” has the meaning specified therefor in Section 2.01(e).

“Exchange Agreement” has the meaning specified therefor in the recitals of this Agreement.

“Exchange Shares” has the meaning specified therefor in the recitals of this Agreement.

“Expenses” has the meaning specified therefor in Section 2.09(a).

“Holder” and “Holders” have the meanings specified therefor in the introductory paragraph of this Agreement. A Person shall cease to be a Holder hereunder at such time as it ceases to hold any Registrable Shares.

“Indemnified Party” has the meaning specified therefor in Section 2.09(c).

“Indemnifying Party” has the meaning specified therefor in Section 2.09(c).

“Losses” has the meaning specified therefor in Section 2.09(a).

“Managing Underwriter” means, with respect to any Underwritten Offering, the lead book-running manager(s) of such Underwritten Offering.

1
“Permitted Transferee” means with respect to any Holder, an Affiliate of any Holder or any investment fund or other entity controlled or managed by any Holder.

“Registrable Shares” means, other than the Exchange Shares, the shares of Common Stock held by the Holders as of the date hereof and set forth on Annex A, until such Registrable Shares cease to be Registrable Shares pursuant to Section 1.02. Notwithstanding anything to the contrary in the foregoing, if at any time the Exchange Shares are no longer “Registrable Securities” (as defined in that Registration Rights Agreement, dated as of the date hereof, by and among the Company and other parties thereto, including the Holders), than the Exchange Shares shall be considered Registrable Shares.

“Registration Expenses” means all expenses, other than Selling Expenses, incident to the Company’s performance under or compliance with this Agreement to effect the registration of Registrable Shares on a Registration Statement and the disposition of such Registrable Shares, including, without limitation, all registration, filing, securities exchange listing fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of the Financial Industry Regulatory Authority, fees of transfer agents and registrars, all word processing, duplicating and printing expenses and the fees and disbursements of counsel to the Company and the independent public accountants for the Company, including the expenses of any special audits or “comfort” letters required by or incident to such performance and compliance, and the reasonable and documented fees and expenses of one counsel for all Holders in addition to one local counsel.

“Registration Statement” means (a) the Shelf Registration Statement and (b) any other registration statement of the Company filed or to be filed with the Commission under the Securities Act in which Registrable Shares are included in the securities registered thereby pursuant to this Agreement.

“Requesting Holder” has the meaning specified therefor in Section 2.02(a).

“Requesting Holder and Shelf Piggybacking Holder Shares” has the meaning specified therefor in Section 2.02(c)(i).

“Rule 415 Limitation” has the meaning specified therefor in Section 2.01(b).

“Section 2.02 Maximum Number of Shares” has the meaning specified therefor in Section 2.02(c).

“Selling Expenses” means all (a) underwriting fees, discounts and selling commissions allocable to the sale of Registrable Shares, (b) transfer taxes allocable to the sale of the Registrable Shares, (c) costs or expenses related to any roadshows conducted in connection with the marketing of any Shelf Underwritten Offering, and (d) fees and expenses of any counsel engaged by any Holder that are not expressly included in Registration Fees.

“Selling Holder” means a Holder selling Registrable Shares pursuant to a Registration Statement.

“Selling Holder Questionnaire” has the meaning specified therefor in Section 2.06.

“Shelf Piggybacking Holder” has the meaning specified therefor in Section 2.02(b).

“Shelf Registration Statement” has the meaning specified therefor in Section 2.01(a), subject to Section 2.01(d).

“Shelf Underwritten Offering” has the meaning specified therefor in Section 2.02(a).

“TRT Governance Agreement” has the meaning specified therefor in the recitals of this Agreement.

“Underwritten Offering” means an offering (including an offering pursuant to the Shelf Registration Statement) in which shares of Common Stock are sold to an underwriter on a firm commitment basis for reoffering to the public.

“Underwritten Offering Filing” means, with respect to a Shelf Underwritten Offering, a preliminary prospectus supplement (or prospectus supplement if no preliminary prospectus supplement is used) to the Shelf Registration Statement relating to such Shelf Underwritten Offering.


1 NTD: To include the shares purchased in the Equity Raise (as defined in the Exchange Agreement) as well as shares currently held.
Section 1.02 Registrable Shares

Any Registrable Share will cease to be a Registrable Share when (a) a Registration Statement covering such Registrable Share has become effective under the Securities Act and such Registrable Share has been sold or disposed of pursuant to such Registration Statement; (b) such Registrable Share has been disposed of pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act; (c) such Registrable Share is held by the Company or one of its subsidiaries or ceases to be outstanding (whether as a result of repurchase and cancellation, conversion or otherwise); (d) such Registrable Share has been sold or disposed of in a transaction in which the transferor’s rights under this Agreement are not assigned to the transferee of such Registrable Share pursuant to Section 2.11; or (e) such Registrable Share becomes eligible for resale without restriction and without volume limitations or the need for current public information pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act. Any security that has ceased to be a Registrable Share shall not thereafter become a Registrable Share, and any security that is issued or distributed in respect of a security that has ceased to be a Registrable Share shall not be a Registrable Share.

ARTICLE II REGISTRATION RIGHTS

Section 2.01 Shelf Registration

(a) The Company shall prepare and file with the Commission, and use commercially reasonable efforts to cause to be declared effective as soon as practicable after the filing thereof, but in no event later than [•], 2018 (the “Effective Date”), a Registration Statement under the Securities Act relating to the offer and sale of all the Registrable Shares by the Holders thereof (the “Shelf Registration Statement”) from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act. Promptly following the effective date of the Shelf Registration Statement, the Company shall notify the Holders thereof.

(b) Notwithstanding anything in Section 2.01(a), if for any reason the Commission does not permit the Company to include any or all of the Registrable Shares in the initial Shelf Registration Statement due to limitations on the use of Rule 415 under the Securities Act for the resale of the Registrable Shares by the Holders (a “Rule 415 Limitation”), or the Commission informs the Company that any of the Selling Holders would be deemed to be statutory underwriters, the Company shall notify the Holders thereof and use commercially reasonable efforts to promptly file amendments to the initial Shelf Registration Statement as required by the Commission and/or withdraw the initial Shelf Registration Statement and file a new registration statement on Form S-3 or such other form available for registration of the Registrable Shares as a secondary offering, in either case covering the maximum number of Registrable Shares permitted to be registered by the Commission and avoid the Selling Holders being deemed to be statutory underwriters; provided, however, that prior to such amendment or subsequent Shelf Registration Statement, the Company shall be obligated to use commercially reasonable efforts to advocate with the Commission for the registration of all of the Registrable Shares and against the Selling Holders’ being deemed statutory underwriters in accordance with Commission guidance, including without limitation, the Compliance and Disclosure Interpretation “Securities Act Rules” No. 612.09, and the Securities Act. In the event the Company amends the initial Shelf Registration Statement by means of a post-effective amendment or files a subsequent Shelf Registration Statement, as the case may be, the Company will use commercially reasonable efforts to file with the Commission, as promptly as allowed by the Commission, Commission guidance or the Securities Act, one or more additional Shelf Registration Statements covering those Registrable Shares not included in the initial Shelf Registration Statement as amended or any subsequent Shelf Registration Statement previously filed. The number of Registrable Shares that may be included in each such Shelf Registration Statement shall be allocated among the Holders thereof in proportion (as nearly as practicable) to the aggregate principal amount or number of Registrable Shares, as applicable, owned by each Holder or in such other proportion as is necessary to avoid the Selling Holders being deemed to be statutory underwriters. If the Commission requires the Company to name any Holder as a statutory underwriter and such Holder does not consent thereto, then such Holder’s Registrable Shares shall not be included on the Shelf Registration Statement and the Company shall have no further obligations under this Section 2.01 or Section 2.02 with respect to the Registrable Shares held by such Holder.

2 NTD: To be the 90th day following the Closing.
The Shelf Registration Statement shall be on Form S-3 (or any equivalent or successor form) under the Securities Act or, if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statements as is then available to effect a registration for resale of the Registrable Shares; provided, however, that if the Company has filed the Shelf Registration Statement on Form S-1 and subsequently becomes eligible to use Form S-3 or any equivalent or successor forms or forms, the Company shall (i) file a post-effective amendment to the Shelf Registration Statement converting such Registration Statement on Form S-1 to a Registration Statement on Form S-3 or any equivalent or successor form or forms or (ii) withdraw the Shelf Registration Statement on Form S-1 and file a subsequent Shelf Registration Statement on Form S-3 or any equivalent or successor form or forms.

Unless otherwise specifically stated herein, the term “Shelf Registration Statement” shall refer individually to the initial Shelf Registration Statement and to each subsequent Shelf Registration Statement, if any, filed pursuant to Section 2.01(b) or Section 2.01(c).

Subject to Section 2.01, the Company shall use commercially reasonable efforts to cause the Shelf Registration Statement to remain effective, and to be supplemented and amended to the extent necessary to ensure that the Shelf Registration Statement is available for the resale of all the Registrable Shares by the Holders until all of the Registrable Shares have ceased to be Registrable Shares (the “Effectiveness Period”).

When effective, the Shelf Registration Statement (including the documents incorporated therein by reference) will comply as to form in all material respects with all applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in the Shelf Registration Statement, in the light of the circumstances under which such statements are made); provided, however, the Company shall have no such obligations or liabilities with respect to any information pertaining to any Holder furnished in writing to the Company by or on behalf of such Holder specifically for inclusion therein.

Section 2.02

Underwritten Shelf Offering Requests

(a) In the event that any Holder or group of Holders elects to dispose of Registrable Shares under the Shelf Registration Statement pursuant to an Underwritten Offering and reasonably expects gross proceeds of at least $20,000,000 from such Underwritten Offering (including proceeds attributable to any Registrable Shares included in such Underwritten Offering by any Shelf Piggybacking Holders), the Company shall, at the request (a “Shelf Underwritten Offering Request”) of such Holder or Holders (in such capacity, a “Requesting Holder”), enter into an underwriting agreement in a form as is customary in Underwritten Offerings of securities by the Company with the underwriter or underwriters selected pursuant to Section 2.02(d) and shall take all such other reasonable actions as are requested by the Managing Underwriter of such Underwritten Offering and/or the Requesting Holders in order to expedite or facilitate the disposition of, subject to the conditions set forth in this Section 2.02, such Registrable Shares and the Registrable Shares requested to be included by any Shelf Piggybacking Holder (a “Shelf Underwritten Offering”); provided, however, that the Company shall have no obligation to facilitate or participate in more than one Shelf Underwritten Offering in any 180-day period or more than two Shelf Underwritten Offerings in total under this Agreement.

(b) If the Company receives a Shelf Underwritten Offering Request, it will give written notice of such proposed Shelf Underwritten Offering to each Holder (other than the Requesting Holder), which notice shall be held in strict confidence by such Holders and shall include the anticipated filing date of the related Underwritten Offering Filing and, if known, the number of Registrable Shares that are proposed to be included in such Shelf Underwritten Offering, and of such Holders’ rights under this Section 2.02(b). Such notice shall be given promptly (and in any event at least five (5) Business Days before the filing of the Underwritten Offering Filing or two (2) Business Days before the filing of the Underwritten Offering Filing in connection with a bought or overnight Underwritten Offering); provided, that if the Shelf Underwritten Offering is a bought or overnight Underwritten Offering and the Managing Underwriter advises the Company and the Requesting Holder in writing that the giving of notice pursuant to this Section 2.02(b) would adversely affect the offering, no such notice shall be required (and such Holders shall have no right to include Registrable Shares in such bought or overnight Underwritten Offering); and provided further, that the Company shall not so notify (or be required to so notify) any such other Holder that has notified the Company (and not revoked such notice) requesting that such Holder not receive notice from the Company of any proposed Shelf Underwritten Offering. Each such Holder shall then have four (4) Business Days (or one (1) Business Day in the case of a bought or overnight Underwritten Offering) after the date on which the Company delivered the notice pursuant to this Section 2.02(b) to request inclusion of Registrable Shares in the Shelf Underwritten Offering (which request shall specify the maximum number of Registrable Shares intended to be disposed of by such Holder and such Holder agrees to supply any information reasonably requested by the Company in connection with the preparation of a Registration Statement and/or any other documents relating to such registered offering, including a Selling Holder Questionnaire) (any such Holder making such request, a “Shelf Piggybacking Holder”). If no request for inclusion from a Holder is received within such period, such Holder shall have no further right to participate in such Shelf Underwritten Offering.
If the Managing Underwriter of the Shelf Underwritten Offering shall inform the Company and the Requesting Holders in writing, with a copy to be
provided upon request to any Shelf Piggybacking Holder, of its belief that the number of Registrable Shares requested to be included in such Shelf Underwritten Offering by the
Requesting Holders and any Shelf Piggybacking Holders (and any other shares of Common Stock requested to be included by any other Persons having registration rights with
respect to such offering) would materially adversely affect such offering, then the Company shall include in the applicable Underwritten Offering Filing, to the extent of the
total number of Registrable Shares that the Company is so advised can be sold in such Shelf Underwritten Offering without so materially adversely affecting such offering (the
“Section 2.02 Maximum Number of Shares”), Registrable Shares in the following priority:

i. First, all Registrable Shares that the Requesting Holder and Shelf Piggybacking Holders requested to be included therein (the “Requesting Holder and
Shelf Piggybacking Holder Shares”) (pro rata among the Requesting Holders and Shelf Piggybacking Holders based on the number of Registrable Shares each requested
to be included); and

ii. Second, to the extent that the number of Requesting Holder and Shelf Piggybacking Holder Securities is less than the Section 2.02 Maximum
Number of Shares, the shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering, pro rata among
such other Persons based on the number of shares of Common Stock each requested to be included.

(d) The Company shall select the Managing Underwriter and any other underwriters in connection with such Shelf Underwritten Offering. The Requesting
Holders shall determine the pricing of the Registrable Shares offered pursuant to any Shelf Underwritten Offering and the applicable underwriting discounts and commissions,
subject to Section 2.03.

Section 2.03 Delay and Suspension Rights

Notwithstanding any other provision of this Agreement, the Company may (a) delay filing or effectiveness of the Shelf Registration Statement (or any amendment
thereof) or effecting a Shelf Underwritten Offering or (b) suspend the Holders’ use of any prospectus that is a part of a Shelf Registration Statement upon written notice to each
Holder whose Registrable Shares are included in such Shelf Registration Statement (provided that in no event shall such notice contain any material non-public information
regarding the Company) (in which event such Holder shall immediately discontinue sales of Registrable Shares pursuant to such Registration Statement but may settle any
then-contracted sales of Registrable Shares), in each case for a period of up to 60 days, if the Company determines (i) that such delay or suspension is in the best interest of the
Company and its stakeholders generally due to a pending transaction involving the Company (including a pending securities offering by the Company, or any proposed
financing, acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or other significant transaction involving the Company), (ii) that
such registration, offering or the use of any prospectus that is a part of a Shelf Registration Statement would render the Company unable to comply with applicable securities
laws (including because of requirements to produce financial statements with regard to acquired businesses) or (iii) that such registration or offering would require disclosure
of material information that the Company has a bona fide business purpose for preserving as confidential (any such period, a “Suspension Period”); provided, however, that in
no event shall any Suspension Periods collectively exceed an aggregate of 90 days in any twelve-month period.

Section 2.04 Participation in Underwritten Offerings

(a) In connection with any Underwritten Offering contemplated by Section 2.02, the underwriting agreement into which each Selling Holder and the Company
shall enter into shall contain such representations, covenants, indemnities (subject to Section 2.09) and other rights and obligations as are customary in Underwritten Offerings
by the Company. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than
warranties, agreements or indemnities regarding such Selling Holder, such Selling Holder’s title in the securities being registered on its behalf, the Selling
Holder’s authority to enter into such underwriting agreement and to sell, and information provided by such Selling Holder for inclusion in the Registration Statement relating
thereto and its ownership of, the securities being registered on its behalf, its intended method of distribution and any other representation required by law.

(b) Any participation by Holders in a Piggyback Underwritten Offering shall be in accordance with the plan of distribution of (i) the Company, if such
Piggyback Underwritten Offering is for the account of the Company, or (ii) any other Persons who have or have been granted registration rights, if the Piggyback Underwritten
Offering is for the account of such other Persons.
In connection with its obligations under this Article II and with respect to each Registration Statement that includes Registrable Shares, the Company will:

(a) as promptly as reasonably practicable prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Shares covered by the Registration Statement;

(b) use commercially reasonable efforts to make available to each Selling Holder (i) as far in advance as reasonably practicable before filing the Registration Statement, any prospectus used in connection therewith or any amendment thereto, upon its reasonable request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits and each document incorporated by reference therein to the extent then required by the rules and regulations of the Commission), and provide each such Selling Holder the opportunity to object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder reasonably in advance of any such filing with respect to such information prior to filing the Registration Statement, prospectus or amendment thereto, and (ii) such number of copies of the Registration Statement and the prospectus included therein and any supplements and amendments thereto as such Selling Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares covered thereby;

(c) if applicable, use commercially reasonable efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or blue sky laws of such jurisdictions as the Selling Holders shall reasonably request; provided, however, that the Company will not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify, take any action that would subject the Company to any material tax in any such jurisdiction where it is not then so subject, or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject;

(d) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act, of (i) the filing of the Registration Statement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to the Registration Statement or any post-effective amendment thereto, when the same has become effective; and (ii) the receipt of any written comments from the Commission with respect to any filing referred to in clause (i) and any written request by the Commission for amendments or supplements to the Registration Statement or any prospectus or prospectus supplement thereto;

(e) (i) immediately notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (A) the happening of any event as a result of which the prospectus or prospectus supplement contained in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained therein, in the light of the circumstances under which such statements were made); (B) the issuance or express threat of issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or the initiation of any proceedings for that purpose; or (C) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Shares for sale under the applicable securities or blue sky laws of any jurisdiction; and (ii) subject to Section 2.03, following the provision of such notice, as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and take such other commercially reasonable action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

(f) upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to the Registration Statement;

(g) otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;
(h) use commercially reasonable efforts to cause all such Registrable Shares registered pursuant to this Agreement to be listed on the principal securities exchange or nationally recognized quotation system on which the Common Stock is then listed;

(i) use commercially reasonable efforts to cause the Registrable Shares to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Selling Holders to consummate the disposition of such Registrable Shares;

(j) provide a transfer agent and registrar for all Registrable Shares covered by such registration statement not later than the effective date of the Registration Statement;

(k) if requested by a Selling Holder, (i) incorporate in a prospectus supplement or post-effective amendment such information as such Selling Holder reasonably requests in writing to be included therein relating to the sale and distribution of Registrable Shares, including information with respect to the number of Registrable Shares being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Shares to be sold in such offering, and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

(l) in connection with an Underwritten Offering, use commercially reasonable efforts to provide to each Selling Holder a copy of any auditor “comfort” letters, customary legal opinions or reports of the independent petroleum engineers of the Company relating to the oil and gas reserves of the Company, in each case that have been provided to the Managing Underwriter in connection with the Underwritten Offering; and

(m) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by any Selling Holder of Registrable Shares, any underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by any such holder or underwriter (collectively, the “Inspectors”), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the “Records”), and cause the Company’s officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such Registration Statement; provided, that the Company need not disclose any non-public information to any such person unless and until such person has entered into a confidentiality agreement with the Company.

Each Selling Holder, upon receipt of notice from the Company of the happening of any event of the kind described in subsection (e) of this Section 2.05, shall forthwith discontinue offers and sales of the Registrable Shares by means of a prospectus or prospectus supplement until such Selling Holder’s receipt of the copies of the supplemented or amended prospectus contemplated by subsection (e) of this Section 2.05 or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder will deliver to the Company (at the Company’s expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder’s possession, of the prospectus covering such Registrable Shares current at the time of receipt of such notice.

Section 2.06 Cooperation by Holders.

The Company shall have no obligation to include Registrable Shares of a Holder in a Registration Statement who has failed to furnish, within five (5) Business Days of a request by the Company, such information that the Company determines, after consultation with its counsel, is reasonably required in order for the Registration Statement or prospectus supplement, as applicable, to comply with the Securities Act. The Company may require each Holder to furnish to the Company a written statement as to the aggregate principal amount of Second Lien Notes and/or the number of shares of Common Stock beneficially owned by such Holder. Without limiting the foregoing, with respect to the Shelf Registration Statement, each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a “Selling Holder Questionnaire”) on a date that is not less than ten (10) Business Days after the Closing or three (3) Business Days following the date on which such Holder receives draft materials in accordance with Section 2.05(b).
Section 2.07 Restrictions on Public Sales by Holders.

If requested by the Managing Underwriter, each Holder agrees not to effect any public sale or distribution of Registrable Shares for a period of up to 90 days following completion of an Underwritten Offering of equity securities by the Company; provided that (i) the Company gives written notice to such Holder of the date of the commencement and termination of such period with respect to any such Underwritten Offering and (ii) the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters of such Underwritten Offering on the Company or on the officers or directors or any other shareholder of the Company on whom a restriction is imposed and (iii) the restrictions set forth in this Section 2.07 shall not apply to any Registrable Shares that are included in such Underwritten Offering by such Selling Holder; provided further, that this Section 2.07 shall not apply to any Holder that, together with such Holder’s Affiliates, holds less than 5% of the outstanding shares of Common Stock.

Section 2.08 Expenses.

The Company will pay all reasonable Registration Expenses as determined in good faith. Each Selling Holder shall bear or pay its pro rata share of all Selling Expenses in connection with any sale of its Registrable Shares hereunder.

Section 2.09 Indemnification and Contribution.

(a) Indemnification by the Company. The Company will indemnify and hold harmless each Selling Holder, its directors, officers, managers, employees, investment managers, agents and Affiliates and each other Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any losses, claims, damages or liabilities, joint or several (collectively, “Losses”) to which such Selling Holder or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or any preliminary prospectus, free writing prospectus or final prospectus contained therein or related thereto, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in the light of the circumstances under which such statements were made), or (ii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law, or any rule or regulations promulgated under the Securities Act, or the Exchange Act or any state securities law applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance required under this Agreement, and the Company will reimburse such Selling Holder and each such director, officer, manager, employee, investment manager, agent, Affiliate and controlling person for reasonably and documented legal or any other expenses reasonably incurred by them in connection with investigating or defending any such Losses, actions or proceedings (collectively, “Expenses”); provided that the Company shall not be liable in any such case to the extent that (i) any such Losses or Expenses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, preliminary prospectus, free writing prospectus, final prospectus, amendment or supplement in reliance upon and in conformity with information furnished to the Company in writing or electronically by or on behalf of such Selling Holder expressly for use in the preparation thereof, (ii) the Selling Holder continued to use a Registration Statement or Prospectus after the Company notified such Selling Holder to cease such use pursuant to Section 2.05(e) or (iii) the Company provided a corrected, supplemented or amended Registration Statement or Prospectus but the Selling Holder continued to use the then outdated or uncorrected Registration Statement or Prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Selling Holder or any such director, officer or controlling person and shall survive the transfer of such securities by such Selling Holder.

(b) Indemnification by Selling Holders. Each Selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each director of the Company, its directors and officers and each other Person, if any, who controls the Company within the meaning of the Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any Losses to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, and will reimburse them for any Expenses reasonably incurred by any of them (in each case in the same manner and to the same extent as set forth in Section 2.09(a)), insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) or Expenses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or any preliminary prospectus, free writing prospectus or final prospectus contained therein or related thereto, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in the light of the circumstances under which such statements were made), if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company in writing or electronically by or on behalf of such Selling Holder expressly for use in the preparation thereof (it being understood that any Selling Holder
such Losses or Expenses as and when bills are received or such Losses or Expenses are incurred.

to this

or claim and (B) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnified Party.

such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the Indemnified Party from all liability arising out of such action

shall, without the written consent of the Indemnified Party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or

firm of local counsel for all Indemnified Parties in each relevant jurisdiction)), and the Indemnifying Party shall be liable for any Expenses therefor.

Indemnified Party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all Indemnified Parties (plus one

Indemnifying Party reasonably shall have concluded that there may be one or more legal defenses available to such Indemnified Party that are not available to the Indemnifying

Party or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct then, in any such case, the

Indemnifying Party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all Indemnified Parties (plus one

connection with the defense thereof other than reasonable costs of investigation; provided, however, that (i) if the Indemnifying Party fails to assume the defense or employ
counsel reasonably satisfactory to the Indemnified Party, (ii) if such Indemnified Party who is a defendant in any action or proceeding which is also brought against the

Indemnifying Party reasonably shall have concluded that there may be one or more legal defenses available to such Indemnified Party that are not available to the Indemnifying

Party or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct then, in any such case, the

Indemnified Party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of local counsel for all Indemnified Parties in each relevant jurisdiction)), and the Indemnifying Party shall be liable for any Expenses therefor. No Indemnifying Party

shall, without the written consent of the Indemnified Party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or

threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to

such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the Indemnified Party from all liability arising out of such action

or claim and (B) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnified Party.

(d) Contribution.

(i) If the indemnification provided for in this Section 2.09 is unavailable to an Indemnified Party in respect of any Losses in respect of which indemnity is to be provided hereunder, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall to the fullest extent permitted by law contribute to the amount paid or payable by such Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of such party in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company (on the one hand) and any Selling Holder (on the other hand) shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(ii) The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 2.09(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 2.09(d)(i). The amount paid or payable by an Indemnified Party as a result of the Losses referred to in Section 2.09(d)(i) shall be deemed to include, subject to the limitations set forth above, any Expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

(e) Limitation of Holders’ Liability. Notwithstanding the provisions of this Section 2.09, no Holder shall be liable for indemnification or contribution pursuant to this Section 2.09 for any amount in excess of the net proceeds received by such Holder from the sale of Registrable Shares pursuant to a Registration Statement.

(f) Indemnification Payments. The indemnification and contribution required by this Section 2.09 shall be made by periodic payments of the amount of any such Losses or Expenses as and when bills are received or such Losses or Expenses are incurred.
Section 2.10 Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Shares to the public without registration, to the extent it shall be required to do so under the Exchange Act, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times from and after the date hereof;

(b) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof; and

(c) so long as a Holder owns any Registrable Shares, furnish, unless otherwise available via EDGAR, to such Holder forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

Section 2.11 Transfer or Assignment of Registration Rights.

The rights to cause the Company to register Registrable Shares granted to the Holders by the Company under this Article II may be transferred or assigned by the Holders only to one or more Permitted Transferees; provided, however, that (a) the Company is given written notice prior to such transfer or assignment, stating the name and address of each such Permitted Transferee and identifying the Registrable Shares with respect to which such registration rights are being transferred or assigned and (b) each such Permitted Transferee assumes in writing responsibility for its portion of the obligations of the transferor under this Agreement.

ARTICLE III MISCELLANEOUS

Section 3.01 Communications.

All notices and other communications provided for or permitted hereunder shall be made in writing by electronic mail, courier service or personal delivery:

(a) if to a Holder, to such Holder at its address set forth in its Administrative Questionnaire or provided pursuant to Section 2.11, as applicable; and

(b) if to the Company, to it at:

Northern Oil and Gas, Inc.
601 Carlson Pkwy - Suite 990
Minnetonka, Minnesota 55305
Email: [•]; or, in each case, to such other address for such party as shall have been communicated by such party by like notice.

All such notices and communications shall be deemed to have been received at the time delivered by hand, if personally delivered; when receipt acknowledged, if sent by electronic mail; and when actually received, if sent by courier service.

Section 3.02 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties, including subsequent Holders of Registrable Shares to the extent permitted hereinafore, provided, however, that all or any portion of the rights and obligations of any Holder under this Agreement may be transferred or assigned by such Holder only in accordance with Section 2.11.
Section 3.03 Recapitalization, Exchanges, Etc. Affecting the Shares

The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all shares of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution of, the Registrable Shares, and shall be appropriately adjusted for combinations, share splits, recapitalizations, pro rata distributions of shares and the like occurring after the date of this Agreement.

Section 3.04 Aggregation of Registrable Shares

All Registrable Shares held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights and applicability of any obligations under this Agreement.

Section 3.05 Specific Performance

Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, will have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude any such Person from pursuing any other rights and remedies at law or in equity that such Person may have.

Section 3.06 Counterparts

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 3.07 Headings

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.08 Governing Law

THIS AGREEMENT, AND ALL CLAIMS OR CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT) THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT OR THE NEGOTIATION, EXECUTION OR PERFORMANCE OF THIS AGREEMENT (INCLUDING ANY CLAIM OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATED TO ANY REPRESENTATION OR WARRANTY MADE IN OR IN CONNECTION WITH THIS AGREEMENT), WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. ANY ACTION AGAINST ANY PARTY RELATING TO THE FOREGOING SHALL BE BROUGHT IN ANY FEDERAL OR STATE COURT OF COMPETENT JURISDICTION LOCATED WITHIN THE STATE OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED WITHIN THE STATE OF NEW YORK OVER ANY SUCH ACTION. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH DISPUTE BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE. EACH OF THE PARTIES HERETO AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

Section 3.09 Severability of Provisions

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.
Section 3.10  **Entire Agreement.**

This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company set forth herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.11  **Amendment.**

This Agreement may be amended only by means of a written amendment signed by the Company and the Holder or Holders of more than fifty percent (50%) of the aggregate number of Registrable Shares; provided, however, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.12  **No Presumption.**

If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.13  **Obligations Limited to Parties to Agreement.**

Each of the parties hereto covenants, agrees and acknowledges that no Person other than the Holders and the Company shall have any obligation hereunder and that, notwithstanding that one or more of the Holders may be a corporation, partnership or limited liability company, no recourse under this Agreement or under any documents or instruments delivered in connection herewith or therewith shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any Holder or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of the Holders under this Agreement or any documents or instruments delivered in connection herewith or therewith or for any claim based on, in respect of or by reason of such obligation or its creation, except in each case for any transferee or assignee of a Holder hereunder.

Section 3.14  **Independent Nature of Holders’ Obligations.**

The obligations of each Holder under this Agreement are several and not joint with the obligations of any other Holder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder under this Agreement. Nothing contained herein, and no action taken by any Holder pursuant thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

Section 3.15  **Interpretation.**

Article and Section references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The word “including” shall mean “including but not limited to.” Whenever any determination, consent or approval is to be made or given by a Holder under this Agreement, such action shall be in such Holder’s sole discretion unless otherwise specified.

[Signature pages follow]
IN WITNESS WHEREOF, the parties hereto execute this Agreement, effective as of the date first above written.

COMPANY:

NORTHERN OIL AND GAS, INC.

By: ________________________
Name: _______________________
Title: _______________________

[Signature Page to Registration Rights Agreement]
SEVERALLY AND NOT JOINTLY FOR EACH ENTITY LISTED BELOW:

[HOLDERS]

By: ______________________
Name: _____________________
Title: ______________________

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]
Annex A

Registrable Shares
NORTHERN OIL AND GAS, INC.

Selling Holder Notice and Questionnaire

The undersigned beneficial owner of Second Lien Notes and/or Common Stock, as applicable (the “Registrable Shares”), of Northern Oil and Gas, Inc., a Delaware corporation (the “Company”), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the “Commission”) a registration statement (the “Registration Statement”) for the registration and resale under the Securities Act of 1933, as amended (the “Securities Act”), of the Registrable Shares, in accordance with the terms of the Registration Rights Agreement (the “Registration Rights Agreement”) to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Shares are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the “Selling Holder”) of Registrable Shares hereby elects to include the Registrable Shares owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.
   (a) Full Legal Name of Selling Holder
   (b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Shares are held:
   (c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

2. Address for Notices to Selling Holder:

Telephone: ___________________________ Fax: ___________________________ Contact Person: ___________________________

3. Broker-Dealer Status:
   (a) Are you a broker-dealer?
      Yes ☐ No ☐
   (b) If “yes” to Section 3(a), did you receive your Registrable Shares as compensation for investment banking services to the Company?
      Yes ☐ No ☐
Note: If “no” to Section 3(b), the Commission’s staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Shares in the ordinary course of business, and at the time of the purchase of the Registrable Shares to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Shares?

Yes ☐ No ☐

Note: If “no” to Section 3(d), the Commission’s staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Holder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Exchange Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Holder:

__________________________

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% or more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past two years.

State any exceptions here:

__________________________

The undersigned agrees to promptly notify the Company of any material inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective; provided, that the undersigned shall not be required to notify the Company of any changes to the number of securities held or owned by the undersigned or its affiliates.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.
IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: ____________________________  Beneficial Owner: ____________________________

By: _____________________________
Name: ___________________________
Title: ____________________________

PLEASE FAX A COPY (OR EMAIL A .PDF COPY) OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

Northern Oil and Gas, Inc.
601 Carlson Pkwy - Suite 990
Minnetonka, Minnesota 55305
Attention: [•]
Email: [•]
SUBSCRIPTION DOCUMENTS
FOR
COMMON STOCK
OF
NORTHERN OIL AND GAS, INC.
INSTRUCTIONS FOR COMPLETING
THE SUBSCRIPTION DOCUMENTS

Investors must complete all the subscription documents contained in this package in the manner described below. For purposes of these documents, the “Investor” is the person or entity for whose account the shares of Common Stock are being purchased. Capitalized terms used but not defined in these Instructions have the meanings assigned to them in the Subscription Agreement.

1. Subscription Agreement:
   a. Fill in the (i) date, (ii) your name, (iii) the number of shares that you are subscribing for and (iv) the aggregate purchase price for those shares (the number of shares subscribed for multiplied by $3.00) on page 1.
   b. Fill in the notice information on page 10.
   c. Each Investor who is a natural person must print the name of the Investor and sign on page 11.
   d. Each Investor that is an entity must print the name of the Investor and sign (and print name, capacity and title, if applicable, and the other information called for) on page 12.

2. Investor Questionnaire:
   a. Each Investor who is a natural person should provide the information requested in Section A of Exhibit A.
   b. Each Investor that is an entity should provide the information requested in Section B of Exhibit A.
   c. Each Investor should provide the information requested in Section C of Exhibit A.
   d. Print the name of the Investor and sign (and print name, capacity and title, if applicable) on page A-3.

FOR INVESTING SHAREHOLDERS WHO ARE NATURAL PERSONS:

   IF YOU ARE MARRIED AND LIVE IN A COMMUNITY PROPERTY JURISDICTION, BOTH YOU AND YOUR SPOUSE MUST SIGN THE SIGNATURE PAGES OF THE SUBSCRIPTION AGREEMENT AND THE INVESTOR QUESTIONNAIRE.

   ADDITIONALLY, IF YOU ARE MARRIED AND DO NOT LIVE IN A COMMUNITY PROPERTY JURISDICTION AND YOU ARE PURCHASING COMMON STOCK WITH YOUR SPOUSE, BOTH YOU AND YOUR SPOUSE MUST SIGN THE SIGNATURE PAGES OF THE SUBSCRIPTION AGREEMENT AND THE INVESTOR QUESTIONNAIRE.
Subscription Agreement

This Subscription Agreement, is entered into effective [DATE HERE], 2018 (this "Subscription Agreement"), between Northern Oil and Gas, Inc., a corporation organized under the laws of Minnesota ("Company"), and [NAME OF INVESTOR] ("Investor").

Whereas, the Company desires to sell and Investor desires to purchase the Company’s common stock, par value $0.001 (the “Common Stock”), pursuant to the terms and conditions hereof.

Whereas, the Company has entered into that certain Exchange Agreement, dated as of January 31, 2018, with certain holders (the "Noteholders") of its 8.000% Senior Notes due 2020 (the “Notes”), pursuant to which, amongst other things, the Noteholders have agreed, subject to certain specified conditions set forth therein, to exchange $496,683,000 aggregate principal amount of Notes for, (i) $344,279,000 aggregate principal amount of Senior Secured Second Lien Notes of the Company and (ii) an aggregate of 51,624,964 shares of Common Stock, which number of shares of Common Stock is subject to adjustment to the extent any Common Stock is issued or sold under the Equity Raise (as defined below) at a gross price lower than $3.00 per share (the "Exchange Transaction").

Whereas, the Company will reincorporate in Delaware by filing a Certificate of Incorporation in the form attached as Exhibit B (as it may be amended, restated, supplemented, increased and extended or otherwise modified from time to time, the "Delaware Charter") at or prior to the Closing (as defined herein).

Whereas, the Company intends to raise at least $156.0 million in total value prior to or contemporaneously with the Closing, which shall be comprised of (A) at least 50% in new cash contributions from the sale of Common Stock, including the commitments received under this Subscription Agreement and subscription agreements from other investors, as of the date hereof, totaling $40.0 million; and (B) no more than 50% from the fair market value (as determined by an opinion of a reputable valuation or investment bank mutually acceptable to both the Company and the Noteholders) of additional assets acquired by the Company on or prior to the Closing, which assets shall represent non-operating interests in oil and gas properties in the Williston Basin shale play (such transactions (other than pursuant to option awards, stock appreciation right awards, restricted stock awards, stock unit awards, cash incentive awards or other stock-based awards or rights granted under the Company’s 2013 Incentive Plan (or any predecessor plan), as the same may be amended from time to time), the "Equity Raise").
Whereas, the Investor understands that the offering is being made without registration of the Common Stock under the Securities Act of 1933, as amended (the “Securities Act”), or any securities law of any state of the United States or of any other jurisdiction, and is being made only to “accredited investors” (as defined in Rule 501 of Regulation D under the Securities Act).

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Subscription. Subject to the terms and conditions of this Subscription Agreement, on the date of the Closing referred to in Section 4 hereof, the Investor shall purchase from the Company, and the Company shall issue and sell to the Investor, [NUMBER OF SHARES] shares of Common Stock (the “Securities”) for a price of $3.00 per share for the aggregate purchase price of $ [PRICE] (the “Aggregate Purchase Price”), which is payable as described in Section 5 hereof [and subject to reduction as set forth below] 1; provided, however, that to the extent that the Company issues or sells any Common Stock under the Equity Raise at a gross price lower than $3.00 per share, the Aggregate Purchase Price shall not change, but the price paid per share will equal the lowest gross price at which any such share of Common Stock is issued or sold, at or prior to the Closing, in connection with the Equity Raise and the number of Securities issued to the Investor shall equal (A) the number of Securities set forth above, multiplied by (B) the quotient of $3.00 divided by the lowest gross price at which any such share of Common Stock is issued or sold in connection with the Equity Raise. To the extent that the Company issues or sells any Common Stock, at or prior to the Closing, under the Equity Raise with any material terms [excluding for this purpose, any lock-up provisions] 2 that are superior to the terms of this Subscription Agreement with respect to the Investor, the Investor shall be entitled to receive such terms in connection with this Subscription Agreement. The Investor acknowledges that the Securities will be subject to restrictions on transfer as described in this Subscription Agreement. The Investor and the Company acknowledge and agree that (a) this subscription is irrevocable and (b) this subscription is subject to (i) (A) the satisfaction of all conditions precedent to the consummation of the Exchange Transaction and (B) the contemporaneous closing of the Exchange Transaction, including the Company’s receipt of at least $156.0 million in total value in connection with and in accordance with the Equity Raise and (ii) the Company’s acceptance of this subscription pursuant to Section 3 hereof. [Notwithstanding anything to the contrary contained herein or in the Exchange Agreement, the Investor may, but shall not be obligated to, reduce the amount of Common Stock required to be purchased pursuant to this Subscription Agreement if the Company shall, pursuant to the Equity Raise, have received commitments for purchases or issuances of Common Stock in an amount in excess of $156.0 million. Such reduction shall be in an amount up to the amount of such excess as determined by the Investor in consultation with the Company.] 3

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1 Only to be included in the Subscription Agreement executed by TRT Holdings, Inc.
2 Only to be included in the Subscription Agreement executed by Bahram Akradi, Michael Reger and TRT Holdings, Inc.
3 Only to be included in the Subscription Agreement executed by TRT Holdings, Inc.
2. **Terms of Common Stock.** The Securities shall have the terms as set forth in the Delaware Charter. The Securities shall initially be uncertificated; provided, that, upon the request of the Investor, the Company shall issue to such Investor certificates in respect of such shares and such certificates shall bear an appropriate legend referring to the fact that the Securities were sold in reliance upon an exemption from registration under the Securities Act.

3. **Acceptance of Subscription and Issuance of Securities.** It is understood and agreed that the Company shall have the sole right to accept or reject this subscription, in whole or in part, for any reason and that the same shall be deemed to be accepted by the Company only when it is signed by a duly authorized officer of the Company and delivered to the Investor at the Closing referred to in **Section 4** hereof.

4. **The Closing.** The closing of the purchase and sale of the Securities (the “Closing”) shall take place at the offices of Kirkland & Ellis LLP, 609 Main Street, Houston, Texas 77002, contemporaneous with the closing of the Exchange Transaction.

5. **Payment for Securities.** Payment for the Securities shall be received by the Company from the Investor by wire transfer of immediately available funds or other means approved by the Company at or prior to the Closing, in an amount equal to the Aggregate Purchase Price.

6. **Representations and Warranties of the Company.** As of the date hereof and the Closing, the Company represents and warrants that:

   (a) The Company is (i) duly incorporated, validly existing and in good standing under the laws of its jurisdiction of organization and has full power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted and (ii) duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for any such failures to be so qualified or licensed and in good standing have not had and would not, individually or in the aggregate, reasonably be expected to (A) have a material adverse effect on the assets, liabilities, condition (financial or otherwise), business, prospects or results of operations of the Company taken as a whole, or (B) impair, prevent or materially delay the performance by the Company of any of its obligations under this Subscription Agreement.

   (b) Upon issuance in accordance herewith, the Securities issuable hereunder will be duly authorized, validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under this Subscription Agreement or restrictions that may arise under U.S. federal or state securities laws.
The Company has full power and authority to execute this Subscription Agreement. The execution and delivery by the Company of this Subscription Agreement have been duly authorized by all necessary action, other than the approval of the board of directors of the Company after reincorporation in Delaware. The Subscription Agreement, when executed and delivered by the Company, shall constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws of general application relating to or affecting the enforcement of creditors’ rights generally or (ii) as limited by laws relating to availability of specific performance, injunctive relief, or other equitable remedies.

Assuming the accuracy of the representations made by the Investor in Section 7 of this Subscription Agreement, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority is required on the part of the Company in connection with the consummation of the transactions contemplated by this Subscription Agreement, except for (a) filings pursuant to Regulation D of the Securities Act, and applicable state securities laws, which have been made or will be made in a timely manner and (b) the filing of the Delaware Charter to reincorporate the Company in Delaware.

Neither the Company nor any of its affiliates (as defined in Rule 501(b) of Regulation D) has, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the Securities in a manner that would require registration of the Securities under the Securities Act.

Representations, Warranties and Covenants of the Investor. The Investor hereby represents and warrants to and covenants with the Company that:

(a) General.

(i) The Investor has full power and authority to purchase the Securities, execute this Subscription Agreement and to perform all obligations required to be performed by the Investor hereunder, and such purchase will not contravene any law, rule or regulation binding on the Investor or any investment guideline or restriction applicable to the Investor. The execution and delivery by the Investor of this Subscription Agreement and the purchase of the Securities have been duly authorized by all necessary action. The Subscription Agreement, when executed and delivered by the Investor, shall constitute the valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws of general application relating to or affecting the enforcement of creditors’ rights generally or (ii) as limited by laws relating to availability of specific performance, injunctive relief, or other equitable remedies.
The Investor is a resident of the state set forth on the signature page hereto and is not acquiring the Securities as a nominee or agent or otherwise for any other person.

The Investor will comply with all applicable laws and regulations in effect in any jurisdiction in which the Investor purchases or sells Securities and obtain any consent, approval or permission required for such purchases or sales under the laws and regulations of any jurisdiction to which the Investor is subject or in which the Investor makes such purchases or sales, and the Company shall have no responsibility therefor.

No consent of, or registration, declaration or filing with, any third party or any governmental entity is required to be obtained or made by or with respect to the Investor in connection with the execution, delivery and performance of this Subscription Agreement.

(b) Information Concerning the Company.

(i) The Investor has not been furnished any offering literature.

(ii) The Investor confirms that it has been provided a copy of the form of the Exchange Agreement.

(iii) The Investor understands and accepts that the purchase of the Securities involves various risks. The Investor represents that it is able to bear any loss associated with an investment in the Securities.

(iv) The Investor confirms that it is not relying on any communication (written or oral) of the Company or any of its affiliates, as investment advice or as a recommendation to purchase the Securities. It is understood that information and explanations related to the terms and conditions of the Securities provided by the Company or any of its affiliates shall not be considered investment advice or a recommendation to purchase the Securities, and that neither the Company nor any of its affiliates is acting or has acted as an advisor to the Investor in deciding to invest in the Securities. The Investor acknowledges that neither the Company nor any of its affiliates has made any representation regarding the proper characterization of the Securities for purposes of determining the Investor’s authority to invest in the Securities.

(v) The Investor is familiar with the business and financial condition and operations of the Company. The Investor has had access to such information concerning the Company and the Securities as it deems necessary to enable it to make an informed investment decision concerning the purchase of the Securities, including the Company’s annual, quarterly and current reports, proxy statements and other information filed with the Commission pursuant to the Securities Exchange Act of 1934, as amended.
(vi) The Investor understands that, unless the Investor notifies the Company in writing to the contrary at or before the Closing, each of the Investor’s representations and warranties contained in this Subscription Agreement will be deemed to have been reaffirmed and confirmed as of the Closing, taking into account all information received by the Investor.

(vii) The Investor acknowledges that the Company has the right, subject to the terms of the Exchange Agreement, to abandon this private placement at any time prior to the completion of the offering. This Subscription Agreement shall thereafter have no force or effect and the Company shall return the previously paid subscription price of the Securities, without interest thereon, to the Investor.

(viii) The Investor understands that no federal or state agency has passed upon the merits or risks of an investment in the Securities or made any finding or determination concerning the fairness or advisability of this investment.

(c) **Non-reliance.**

(i) The Investor confirms that the Company has not (A) given any guarantee or representation as to the potential success, return, effect or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of an investment in the Securities or (B) made any representation to the Investor regarding the legality of an investment in the Securities under applicable legal investment or similar laws or regulations. In deciding to purchase the Securities, the Investor is not relying on the advice or recommendations of the Company and the Investor has made its own independent decision that the investment in the Securities is suitable and appropriate for the Investor.

(d) **Status of Investor.**

(i) The Investor has such knowledge, skill and experience in business, financial and investment matters that the Investor is capable of evaluating the merits and risks of an investment in the Securities. With the assistance of the Investor’s own professional advisors, to the extent that the Investor has deemed appropriate, the Investor has made its own legal, tax, accounting and financial evaluation of the merits and risks of an investment in the Securities and the consequences of this Subscription Agreement. The Investor has considered the suitability of the Securities as an investment in light of its own circumstances and financial condition and the Investor is able to bear the risks associated with an investment in the Securities and its authority to invest in the Securities.

(ii) The Investor is an “accredited investor” as defined in Rule 501(a) under the Securities Act. The Investor agrees to furnish any additional information requested by the Company or any of its affiliates to assure compliance with applicable U.S. federal and state securities laws in connection with the purchase and sale of the Securities.
The Investor has duly executed and delivered to the Company a completed Investor Questionnaire attached hereto as Exhibit A and will notify the Company of any change in such information prior to the Closing.

(c) Restrictions on Transfer or Sale of Securities.

(i) The Investor is acquiring the Securities solely for the Investor’s own beneficial account, for investment purposes, and not with a view to, or for resale in connection with, any distribution of the Securities, including any present arrangement or understanding with any other persons regarding the distribution of such Securities. The Investor understands that the Securities have not been registered under the Securities Act or any state securities laws by reason of specific exemptions under the provisions thereof which depend in part upon the investment intent of the Investor and of the other representations made by the Investor in this Subscription Agreement. The Investor understands that the Company is relying upon the representations and agreements contained in this Subscription Agreement (and any supplemental information) for the purpose of determining whether this transaction meets the requirements for such exemptions.

(ii) The Investor understands that the Securities are “restricted securities” under applicable federal securities laws and that the Securities Act and the rules of the U.S. Securities and Exchange Commission (the “Commission”) provide in substance that the Investor may dispose of the Securities only pursuant to an effective registration statement under the Securities Act or an exemption therefrom, and the Investor understands that the Company has no obligation or intention to register any of the Securities, or to take action so as to permit sales pursuant to the Securities Act (including Rule 144 thereunder). Accordingly, the Investor understands that under the Commission’s rules, the Investor may dispose of the Securities principally only in “private placements” which are exempt from registration under the Securities Act, in which event the transferee will acquire “restricted securities” subject to the same limitations as in the hands of the Investor. Consequently, the Investor understands that the Investor must bear the economic risks of the investment in the Securities for an indefinite period of time and the Securities must be indefinitely held unless subsequently registered under the Securities Act and any applicable state securities or blue sky laws, or sold or otherwise transferred pursuant to exemptions from registration under the Securities Act or such other laws.

(iii) The Investor agrees: (A) that the Investor will not sell, assign, distribute, exchange, pledge, give, transfer or otherwise dispose of the Securities or any interest therein, or make any offer or attempt to do any of the foregoing, except pursuant to a registration of the Securities under the Securities Act and all applicable state securities laws, or in a transaction which is exempt from the registration provisions of the Securities Act and all applicable state securities laws; (B) that any certificates representing the Securities will bear a legend making reference to the foregoing restrictions; and (C) that the Company and its affiliates shall not be required to give effect to any purported transfer of such Securities except upon compliance with the foregoing restrictions.
The Investor acknowledges that neither the Company nor any other person offered to sell the Securities to it by means of any form of general solicitation or advertising, including but not limited to: (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or (B) any seminar or meeting whose attendees were invited by any general solicitation or general advertising.

During the 90 calendar days immediately following the date of Closing (the “Lock-up Period”), the Investor agrees that it shall not, and it shall cause each of its affiliates not to, directly or indirectly, (A) offer for sale, sell, pledge or otherwise dispose of any of the Securities, (B) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the Securities, whether any such transaction described in clause (A) or (B) of this Section 7(e)(v) is to be settled by delivery of the Securities or other securities, in cash or otherwise; provided, however, this Section 7(e)(v) shall not restrict transfers of Securities, or any security convertible into shares of Common Stock, to a Permitted Transferee, provided that such Permitted Transferee agrees to be bound by the terms of this Section 7(e)(v). For purposes of this Section 7(e)(v), “Permitted Transferee” shall mean, with respect to the Investor, (a) an affiliate of the Investor or any investment fund or other entity controlled or managed by the Investor; (b) any trust for the primary benefit of the Investor’s spouse, domestic partner, parents, parents-in-law, siblings, children, grandchildren and any other natural person who occupies the same principal residence as the Investor, and the spouses, domestic partners, descendants and ancestors of each of the foregoing (“Family Member”); provided that, in each case, either (i) such Investor or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of each such trust until the death or legal incapacity of such Investor; (c) any entity of which such Investor and any Permitted Transferees or Family Members of such Investor collectively are beneficial owners of 100% of the equity interests; provided that, either (i) such Investor or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of each such trust until the death or legal incapacity of such Noteholder; and (d) any trust or non-profit corporation that (i) has obtained recognition of its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and (ii) is controlled by such Investor.]

8. **Obligations Irrevocable.** The obligations of the Investor shall be irrevocable.

9. **Legend.** The certificates representing the Securities sold pursuant to this Subscription Agreement, if any, will be imprinted with a legend in substantially the following form:

“THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, ASSIGNED, DISTRIBUTED, EXCHANGED, PLEDGED, GIVEN OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED A WRITTEN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.”

4 Only to be included in the Subscription Agreement executed by Bahram Akradi, Michael Reger and TRT Holdings, Inc.
10. **Waiver, Amendment.** Neither this Subscription Agreement nor any provisions hereof shall be modified, changed, discharged or terminated except by an instrument in writing, signed by the party against whom any waiver, change, discharge or termination is sought.

11. **Assignability.** Neither this Subscription Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by either the Company or the Investor without the prior written consent of the other party.

12. **Waiver of Jury Trial.** THE INVESTOR IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF THE TRANSACTIONS CONTEMPLATED BY THIS SUBSCRIPTION AGREEMENT.

13. **Submission to Jurisdiction.** With respect to any suit, action or proceeding relating to any offers, purchases or sales of the Securities by the Investor ("Proceedings"), the Investor irrevocably submits to the jurisdiction of the federal or state courts located in the Borough of Manhattan in New York City, which submission shall be exclusive unless none of such courts has lawful jurisdiction over such Proceedings.

14. **Governing Law.** This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15. **Section and Other Headings.** The section and other headings contained in this Subscription Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Subscription Agreement.

16. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which together shall be deemed to be one and the same agreement.

17. **Notices.** All notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed effectively given upon the earlier of actual receipt, or (a) when so delivered by hand, (b) if delivered by electronic mail during normal business hours of the recipient, when sent, and if not delivered during normal business hours, then on the recipient’s next business day, (c) if delivered by registered or certified mail, return receipt requested, postage prepaid, three (3) business days after mailing or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt, as follows or to such other address as shall be given in writing by any party to the other:
18. **Binding Effect.** The provisions of this Subscription Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns.

19. **Survival.** All representations, warranties and covenants contained in this Subscription Agreement shall survive (i) the acceptance of the subscription by the Company and the Closing and (ii) the death or disability of the Investor.

20. **Notification of Changes.** The Investor hereby covenants and agrees to notify the Company upon the occurrence of any event prior to the closing of the purchase of the Securities pursuant to this Subscription Agreement which would cause any representation, warranty, or covenant of the Investor contained in this Subscription Agreement to be false or incorrect.

21. **Severability.** If any term or provision of this Subscription Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Subscription Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

22. **Termination.** This Subscription Agreement shall terminate at any time prior to the Closing, upon the agreement of the parties and the Noteholders in writing.

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[Signature Page Follows]
IN WITNESS WHEREOF, the Investor has duly executed this Subscription Agreement as of the date first written above.

State/Country of Domicile or Formation: ________________

Aggregate Subscription Amount: $ ________________

INDIVIDUAL INVESTOR:

(Signature)

(Name - Please Print)

(Signature of Spouse if Purchasing Jointly or if Community Property Jurisdiction)

(Name of Spouse if Purchasing Jointly or if Community Property Jurisdiction - Please Print)

(Primary Place of Residence)

(City, State and Country)

(Telephone Number)
CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP, TRUST, CUSTODIAL ACCOUNT OR OTHER INVESTOR:

(Name of Entity - Please Print)

By: ______________________________

(Signature)

Name: ______________________________

(Please Print)

Title: ______________________________

(Please Print)

Address: ______________________________

______________________________

(Telephone Number)

The offer to purchase Securities as set forth above is confirmed and accepted by the Company as to _________ shares of Common Stock.

NORTHERN OIL AND GAS, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________
INVESTOR QUESTIONNAIRE

The information contained in this Questionnaire is being furnished to permit [Investor], a [_____________] ("Investor"), and Northern Oil and Gas, Inc., a Minnesota corporation ("Company"), to determine whether the subscription by the undersigned (the "Investor") to purchase shares of common stock, par value $0.001 per share, of the Company (the "Common Stock") pursuant to the Subscription Agreement to which this Investor Questionnaire is attached may be accepted.

If the response to any item is "none" or "not applicable," please so indicate. The Investor agrees that it and its agents shall provide the Company and Investor such additional information as each of the Company and Investor may request in order to satisfy themselves that the Investor meets the minimum legal requirements under U.S. federal and state securities laws to acquire Common Stock.

Where multiple choices are offered, select and check only that which is applicable.

THE COMPANY WILL USE COMMERCIALLY REASONABLE EFFORTS TO MAINTAIN THE CONFIDENTIALITY OF YOUR RESPONSES. By signing this document, however, you agree that the Company may present this Questionnaire to such private and/or governmental entities as the Company deems appropriate (i) if called on to establish the availability under any applicable U.S. state or federal law of an exemption from the registration or qualification requirements of such law with respect to the Common Stock or (ii) if the contents hereof are relevant to any issue in any action, suit or proceeding to which the Investor or the Company becomes a party or becomes subject.

Name of Investor: __________________________ (please print)

A. Information for an Investor who is a Natural Person

1. For the past two years, and during the years or months indicated, I have maintained my principal residence in the following state or states or country: ________________________.

2. I presently maintain a house or apartment, other than my principal residence, in the state of: ________________________.

3. I pay state income taxes in the State of: ________________________.

4. I hold a driver’s license in the State of: ________________________.

5. I am registered to vote in the State of: ________________________.

6. I am a citizen of: ________________________.

7. My present age is: ______

__________________________

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B. Information for an Investor that is a Limited Liability Company, Partnership, Trust or Other Entity

1. Legal form of entity (trust, corporation, partnership, etc.): __________________________.

2. Jurisdiction of organization: ________________________________________________.

3. Number of years in business: ________________________________________________.

C. Accredited Investor Status:

The Investor is an “accredited investor” as defined in Regulation D promulgated under the U.S. Securities Act (“Regulation D”) for the following reason(s) (check as applicable):

- The Investor is a natural person whose individual net worth or joint net worth with his spouse at the time of purchase exceeds $1,000,000. For purposes of this item, “net worth” means the excess of total assets at fair market value, including home furnishings and automobiles (and including property owned by a spouse) but excluding such Investor’s primary residence, over total liabilities. Total liabilities excludes any mortgage securing such Investor’s primary residence in an amount of up to the home’s estimated fair market value as long as the mortgage was incurred more than 60 days before the Common Stock is purchased, but includes (i) any mortgage amount in excess of the home’s fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the closing date for the sale of the Common Stock for the purpose of investing in the Common Stock.

- The Investor is a natural person whose individual income for each of the two most recently completed years and reasonably expected income for the current year exceeds $200,000 or whose joint income with his spouse for the two most recently completed years and reasonably expected joint income for the current year exceeds $300,000.

- The Investor is a trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Common Stock, whose purchase is directed by a person with such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Common Stock. The person directing investment decisions for the trust has completed this Investor Questionnaire.

- The Investor is a corporation, limited liability company, partnership or other entity, all the equity owners of which are accredited investors as otherwise defined in this Section C.

- The Investor is otherwise an accredited investor on the following basis:

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The Investor represents and warrants that the foregoing information is true and correct in all respects.

Date: ___________, 2018

Signature:

INDIVIDUAL INVESTOR:

______________________________________
(Signature)

______________________________________
(Name - Please Print)

______________________________________
(Signature of Spouse if Purchasing Jointly or if Community Property State)

______________________________________
(Name of Spouse if Purchasing Jointly or if Community Property State - Please Print)

CORPORATION, LIMITED LIABILITY COMPANY, PARTNERSHIP, TRUST, CUSTODIAL ACCOUNT OR OTHER INVESTOR:

______________________________________
(Name of Entity)

By: __________________________________
(Signature)

Name: ________________________________
(Please Print)

Title: _________________________________

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Exhibit B
DELAWARE CHARTER
CERTIFICATE OF INCORPORATION
OF NORTHERN OIL AND GAS, INC.

ARTICLE ONE
The name of this corporation is Northern Oil and Gas, Inc. (the "Corporation").

ARTICLE TWO
The registered office of the Corporation in the State of Delaware is located at [1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801]. The name of its registered agent at such address is [The Corporation Trust Company].

ARTICLE THREE
The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "Delaware General Corporation Law").

ARTICLE FOUR
Section 1 Authorized Shares. The total number of shares of all classes of capital stock that the Corporation has authority to issue is 455,000,000 shares, consisting of:

(a) 5,000,000 shares of Preferred Stock, par value $0.001 per share (the "Preferred Stock"); and
(b) 450,000,000 shares of Common Stock, par value $0.001 per share (the "Common Stock").

The Preferred Stock and the Common Stock shall have the rights, preferences and limitations set forth below.

Section 2 Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "Board of Directors") is authorized, to provide by resolution or resolutions from time to time for the issuance, out of the authorized but unissued shares of Preferred Stock, of all or any of the shares of Preferred Stock in one or more series, and to establish the number of shares to be included in each such series, and to fix the voting powers (full, limited or no voting powers), designations, powers, preferences, and relative, participating, optional or other rights, if any, and any qualifications, limitations or restrictions thereof, or such series, including, without limitation, that any such series may be (i) subject to redemption at such time or times and at such price or prices, (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of capital stock, (iii) entitled to such rights upon the liquidation, dissolution or winding up of, or upon any distribution of the assets of, the Corporation or (iv) convertible into, or exchangeable for, shares of any other class or classes of capital stock, or of any other series of the same class of capital stock, of the Corporation at such price or prices or at such rates and with such adjustments; all as may be stated in such resolution or resolutions, which resolution or resolutions shall be set forth on a certificate of designations filed with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law. Except as otherwise provided in this Certificate of Incorporation (the "Certificate of Incorporation"), no vote of the holders of Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation. Notwithstanding the provisions of Section 242(b)(2) of the Delaware General Corporation Law, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of capital stock of the Corporation entitled to vote, without the separate vote of the holders of the Preferred Stock as a class. Subject to Section 1 of this ARTICLE FOUR, the Board of Directors is also expressly authorized to increase or decrease the number of shares of any series of Preferred Stock subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. Unless otherwise expressly provided in the certificate of designations in respect of any series of Preferred Stock, in case the number of shares of such series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.
(a) Voting Rights. Except as otherwise provided by the Delaware General Corporation Law or this Certificate of Incorporation and subject to the rights of holders of Preferred Stock, all of the voting power of the stockholders of the Corporation shall be vested in the holders of the Common Stock, and each holder of Common Stock shall have one vote for each share held by such holder on all matters voted upon by the stockholders of the Corporation. Notwithstanding any other provision of this Certificate of Incorporation to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designation in respect of any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separate or together as a class with the holders of one or more such other series, to vote thereon pursuant to this Certificate of Incorporation or the Delaware General Corporation Law.

(b) Dividends. Subject to the rights of the holders of any series of Preferred Stock, and to the other provisions of this Certificate of Incorporation, holders of Common Stock shall be entitled to receive equally, on a per share basis, such dividends and other distributions in cash, securities or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(c) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation’s debts and subject to the rights of the holders of shares of any series of Preferred Stock upon such dissolution, liquidation or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock equally on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or entity, or a sale, lease, exchange, conveyance or other disposition of all or any part of the assets of the Corporation shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Section 3(c).

(d) Conversion Rights. The Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation’s capital stock.

(e) Preemptive Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights pursuant to this Certificate of Incorporation.

ARTICLE FIVE

The Corporation shall have perpetual existence.

ARTICLE SIX

The name and mailing address of the sole incorporator are as follows:

<table>
<thead>
<tr>
<th>NAME</th>
<th>MAILING ADDRESS</th>
</tr>
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<tbody>
<tr>
<td>[•]</td>
<td>[•]</td>
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ARTICLE SEVEN

Section 1 Board of Directors, Number and Term. Unless otherwise provided by this Certificate of Incorporation or the Delaware General Corporation Law, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Subject to any rights of the holders of Preferred Stock to elect additional directors under specified circumstances, the number of directors which shall constitute the Board of Directors shall be fixed from time to time by resolution adopted by the Board of Directors. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 2 Term of Office. Subject to the rights of the holders of any series of Preferred Stock, the directors of the Corporation shall hold office until his or her successor shall have been duly elected and qualified, or until his or her earlier death, resignation, removal or retirement. Elections of directors need not be by written ballot unless the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “Bylaws”) shall so provide.

B- 2
Section 3 Newly-Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock, any newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or any other cause shall be filled exclusively by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by the sole remaining director, and shall not be filled by stockholders. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until his or her successor is duly elected and qualified, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until his or her successor is duly elected and qualified, or, in each case, his or her earlier death, resignation, removal or retirement.

Section 4 Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock, any director may be removed from office at any time, at a meeting called for that purpose, by the affirmative vote of the holders of at least 75% of the voting power of all outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

Section 5 Rights of Holders of Preferred Stock. Notwithstanding the provisions of this ARTICLE SEVEN, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of designations or certificates of designations governing such series.

Section 6 No Cumulative Voting. Except as may otherwise be set forth in the resolution or resolutions of the Board of Directors providing the issue of one or more series of Preferred Stock, and then only with respect to such series of Preferred Stock, cumulative voting in the election of directors is specifically denied.

ARTICLE EIGHT

Section 1 Limitation of Liability. To the fullest extent permitted by the Delaware General Corporation Law as it now exists or may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty or other act or omission as a director; provided, however, that nothing contained in this ARTICLE EIGHT shall eliminate or limit the liability of a director (a) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) pursuant to the provisions of Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended hereafter to permit the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Section 1 of ARTICLE EIGHT shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring at or prior to the time of such repeal or modification.

Section 2 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise subject to or involved in any claim, demand, action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified by the Corporation to the fullest extent permitted or required by the Delaware General Corporation Law and any other applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith (“Indemifiable Losses”); provided, however, that, except as provided in Section 5 of this ARTICLE EIGHT with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee pursuant to this Section 2 in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board of Directors.

B. 3
Section 3  **Right to Advancement of Expenses.** The right to indemnification conferred in Section 2 of this ARTICLE EIGHT shall include the right to advancement by the Corporation of any and all expenses (including, without limitation, attorneys’ fees and expenses) incurred in defending any such Proceeding in advance of its final disposition (an “Advancement of Expenses”); provided, however, that, if the Delaware General Corporation Law so requires, an Advancement of Expenses incurred by an Indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnitee, including without limitation service to an employee benefit plan) shall be made pursuant to this Section 3 only upon delivery to the Corporation of an undertaking (an “Undertaking”), by or on behalf of such Indemnitee, to repay, without interest, all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a “Final Adjudication”) that such Indemnitee is not entitled to be indemnified for such expenses under this Section 3. An Indemnitee’s right to an Advancement of Expenses pursuant to this Section 3 is not subject to the satisfaction of any standard of conduct and is not conditioned upon any prior determination that Indemnitee is entitled to indemnification under Section 2 of this ARTICLE EIGHT with respect to the related Proceeding or the absence of any prior determination to the contrary.

Section 4  **Contract Rights.** The rights to indemnification and to the Advancement of Expenses conferred in Sections 2 and 3 of this ARTICLE EIGHT shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the Indemnitee’s heirs, executors and administrators.

Section 5  **Right of Indemnitee to Bring Suit.** If a claim under Section 2 or 3 of this ARTICLE EIGHT is not paid in full by the Corporation within 60 calendar days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be 20 calendar days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to the fullest extent permitted or required by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader reimbursements of prosecution or defense expenses than such law permitted the Corporation to provide prior to such amendment), to be paid also the expense of prosecuting or defending such suit.

Section 6  **Non-Exclusivity of Rights.** The rights to indemnification and to the Advancement of Expenses conferred in this ARTICLE EIGHT shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise. Nothing contained in this ARTICLE EIGHT shall limit or otherwise affect any such other right or the Corporation’s power to confer any such other right.

Section 7  **Insurance.** The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 8  **No Duplication of Payments.** The Corporation shall not be liable under this ARTICLE EIGHT to make any payment to an Indemnitee in respect of any Indemnifiable Losses to the extent that the Indemnitee has otherwise actually received payment (net of any expenses incurred in connection therewith and any repayment by the Indemnitee made with respect thereto) under any insurance policy or from any other source in respect of such Indemnifiable Losses.

**ARTICLE NINE**

Section 1  **Action by Written Consent.** Any action required or permitted to be taken by the stockholders of the Corporation at a duly called annual or special meeting of stockholders of the Corporation may be effected by unanimous consent in writing by such stockholders.

Section 2  **Annual Meetings of Stockholders.** Except as otherwise expressly provided by law, the annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such date, time and place, if any, as shall be determined exclusively by resolution of the Board of Directors in its sole and absolute discretion. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders at any meeting of stockholders shall be given in the manner provided in the Bylaws.
Section 3 Special Meetings of Stockholders. Subject to any special rights of the holders of any series of Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation shall be called exclusively by or at the direction of the Board of Directors pursuant to a written resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies and shall not be called by stockholders. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

ARTICLE TEN

Section 1 Certificate of Incorporation. The Corporation reserves the right at any time from time to time to alter, amend, repeal or change any provision contained in this Certificate of Incorporation, and to adopt any other provision authorized by the Delaware General Corporation Law, in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights, preferences and privileges conferred upon stockholders, directors and other persons herein are granted subject to this reservation.

Section 2 Bylaws. In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the Bylaws without any action on the part of the stockholders. Any adoption, alteration, amendment or repeal of the Bylaws by the Board of Directors shall require the approval of a majority of the Board of Directors then in office, provided a quorum is otherwise present. Any Bylaws adopted or amended by the Board of Directors, and any powers conferred thereby, may be amended, altered or repealed by the stockholders.

ARTICLE ELEVEN

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have subject-matter jurisdiction, another state or federal court within the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law, the Certificate of Incorporation or Bylaws or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. If any stockholder files an action within the scope of the preceding sentence in a court other than a court located within the State of Delaware (a “Foreign Action”), such stockholder shall be deemed to have consented to (a) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the preceding sentence and (b) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation (including, without limitation, shares of Common Stock) shall be deemed to have notice of and to have consented to the provisions of this ARTICLE ELEVEN.

ARTICLE TWELVE

If any provision (or any part thereof) of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforcability of such provision in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any section of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Certificate of Incorporation (including, without limitation, any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.
IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Incorporation on this [*] day of [*], 2018.

By: __________________________
Name: [*]
Title: Sole Incorporator
REGISTRATION RIGHTS AGREEMENT

BY AND AMONG

NORTHERN OIL AND GAS, INC.

AND

THE HOLDERS PARTY HERETO
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Annex A - Selling Holder Notice and Questionnaire
REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is made and entered into as of [•], 2018, by and among Northern Oil and Gas, Inc., a Delaware corporation (the “Company”), and the holders party hereto (together with any permitted transferees or assignee, each, a “Holder” and collectively, the “Holders”).

WHEREAS, this Agreement is made pursuant to the Exchange Agreement, dated as of January 31, 2018 (the “Exchange Agreement”), among the Company and the Holders, pursuant to which the Holders will acquire Senior Secured Second Lien Notes of the Company (the “Second Lien Notes”) and shares of common stock, par value $0.001 per share, of the Company (the “Common Stock”) on the date hereof; and

WHEREAS, the Company has agreed to provide the registration and other rights set forth in this Agreement for the benefit of the Holders pursuant to the Exchange Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions.

Capitalized terms used herein without definition shall have the meanings given to them in the Exchange Agreement. The terms set forth below are used herein as so defined:

“Agreement” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Business Day” means any day other than a day on which banks are permitted or required to be closed in New York City.

“Commission” means the U.S. Securities and Exchange Commission, including the staff thereof as applicable.

“Common Share Price” means the volume weighted average closing price of the Common Stock (as reported by the Primary Exchange on which the Common Stock is then traded) for the ten (10) trading days immediately preceding the date on which the determination is made (or, if such price is not available, as determined in good faith by the Board of Directors).

“Common Stock” has the meaning specified therefor in the recitals of this Agreement.

“Company” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Company Securities” has the meaning specified therefor in Section 2.04(c)(i).

“Effective Date” has the meaning specified therefor in Section 2.01(a).

“Effectiveness Period” has the meaning specified therefor in Section 2.01(e).

“Equity Raise” has the meaning specified in the recitals of the Exchange Agreement.

“Exchange Agreement” has the meaning specified therefor in the recitals of this Agreement.

“Expenses” has the meaning specified therefor in Section 2.10(a).

“Family Member” means with respect to any Holder or an Affiliate of such Holder, such person’s spouse, domestic partner, parents, parents-in-law, siblings, children, grandchildren and any other natural person who occupies the same principal residence as the undersigned (other than a tenant or employee), and the spouses, domestic partners, descendants and ancestors of each of the foregoing.

“Holder” and “Holders” have the meanings specified therefor in the introductory paragraph of this Agreement. A Person shall cease to be a Holder hereunder at such time as it ceases to hold any Registrable Security.
“Indemnified Party” has the meaning specified therefor in Section 2.10(c).

“Indemnifying Party” has the meaning specified therefor in Section 2.10(c).

“Losses” has the meaning specified therefor in Section 2.10(a).

“Majority Holders” means, at any time, the Holder or Holders of more than fifty percent (50%) of the Registrable Securities at such time, calculated based on the aggregate principal amount of Registrable Notes plus the number of Registrable Shares times the Common Share Price.

“Managing Underwriter” means, with respect to any Underwritten Offering, the lead book-running manager(s) of such Underwritten Offering.

“Other Securities” has the meaning specified therefor in Section 2.04(c)(i).

“Permitted Transferee” means with respect to any Holder, (a) an Affiliate of any Holder or any investment fund or other entity controlled or managed by any Holder; (b) any trust for the primary benefit of the Family Members of such Holder, provided that, in each case, either (i) such Holder or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of such trust until the death or legal incapacity of such Holder; (c) any entity of which such Holder and any Permitted Transferees or Family Members of such Holder collectively are beneficial owners of 100% of the equity interests; provided that either (i) such Holder or (ii) a bona fide third-party trustee continues to hold, directly or indirectly, 100% of the voting interests of such entity until the death or legal incapacity of such Holder; or (d) any trust or non-profit corporation that (i) has obtained recognition of its tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and (ii) is controlled by such Holder.

“Piggybacking Holder” has the meaning specified therefor in Section 2.04(a).

“Piggyback Underwritten Offering” has the meaning specified therefor in Section 2.04(a).

“Registrable Securities” means (a) the Second Lien Notes issued pursuant to the Exchange Agreement (and any Second Lien Notes that are issued as PIK interest thereon) and (b) the shares of Common Stock issued pursuant to the Exchange Agreement, in each case until such Registrable Securities cease to be Registrable Securities pursuant to Section 1.02.

“Registrable Notes” means the aggregate principal amount of Second Lien Notes that are Registrable Securities.

“Registrable Shares” means shares of Common Stock that are Registrable Securities.

“Registration Expenses” means all expenses, other than Selling Expenses, incident to the Company’s performance under or compliance with this Agreement to effect the registration of Registrable Securities on a Registration Statement and the disposition of such Registrable Securities, including, without limitation, all registration, filing, securities exchange listing fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of the Financial Industry Regulatory Authority, fees of transfer agents and registrars, all word processing, duplicating and printing expenses and the fees and disbursements of counsel to the Company and the independent public accountants for the Company, including the expenses of any special audits or “comfort” letters required by or incident to such performance and compliance, and the reasonable and documented fees and expenses of one counsel for all Holders in addition to one local counsel.

“Registration Statement” means (a) the Shelf Registration Statement and (b) any other registration statement of the Company filed or to be filed with the Commission under the Securities Act in which Registrable Securities are or, as the context requires, may be included in the securities registered thereby pursuant to this Agreement.

“Requesting Holder” has the meaning specified therefor in Section 2.02(a).

“Requesting Holder and Shelf Piggybacking Holder Securities” has the meaning specified therefor in Section 2.02(c)(i).

“Rule 415 Limitation” has the meaning specified therefor in Section 2.01(b).

“Second Lien Notes” has the meaning specified therefor in the recitals of this Agreement.

“Section 2.02 Maximum Number of Shares” has the meaning specified therefor in Section 2.02(c).
“Section 2.04 Maximum Number of Shares” has the meaning specified therefor in Section 2.04(c).

“Selling Expenses” means all (a) underwriting fees, discounts and selling commissions allocable to the sale of Registrable Securities, (b) transfer taxes allocable to the sale of the Registrable Securities, (c) costs or expenses related to any roadshows conducted in connection with the marketing of any Shelf Underwritten Offering, and (d) fees and expenses of any counsel engaged by any Holder that are not expressly included in Registration Fees.

“Selling Holder” means a Holder selling Registrable Securities pursuant to a Registration Statement.

“Selling Holder Questionnaire” has the meaning specified therefor in Section 2.07.

“Shelf Piggybacking Holder” has the meaning specified therefor in Section 2.02(b).

“Shelf Registration Statement” has the meaning specified therefor in Section 2.01(a), subject to Section 2.01(d).

“Shelf Underwritten Offering” has the meaning specified therefor in Section 2.02(a).

“Underwritten Offering” means an offering (including an offering pursuant to the Shelf Registration Statement) in which shares of Common Stock are sold to an underwriter on a firm commitment basis for reoffering to the public.

“Underwritten Offering Filing” means (a) with respect to a Shelf Underwritten Offering, a preliminary prospectus supplement (or prospectus supplement if no preliminary prospectus supplement is used) to the Shelf Registration Statement relating to such Shelf Underwritten Offering, and (b) with respect to a Piggyback Underwritten Offering, (i) a preliminary prospectus supplement (or prospectus supplement if no preliminary prospectus supplement is used) to an effective shelf Registration Statement (other than the Shelf Registration Statement) in whichRegistrable Securities could be included and Holders could be named as selling security holders without the filing of a post-effective amendment thereto (other than a post-effective amendment that becomes effective upon filing) or (ii) a Registration Statement (other than the Shelf Registration Statement), in each case relating to such Piggyback Underwritten Offering. An Underwritten Offering Filing shall not include a registration statement on a Form S-4 or S-8 or filed in connection with an exchange offer or any employee benefit or stock purchase and/or dividend reinvestment plan, an offering of securities solely to the Company’s existing stockholders, or a registration statement registering securities that are issuable solely upon conversion of debt securities or a registration statement solely with respect to an equity compensation plan.

Section 1.02 Registrable Securities.

Any Registrable Security will cease to be a Registrable Security when (a) a Registration Statement covering such Registrable Security has become effective under the Securities Act and such Registrable Security has been sold or disposed of pursuant to such Registration Statement, and (b) such Registrable Security has been disposed of pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act; (c) such Registrable Security is held by the Company or one of its subsidiaries or ceases to be outstanding (whether as a result of repurchase and cancellation, conversion or otherwise); (d) such Registrable Security has been sold or disposed of in a transaction in which the transferor’s rights under this Agreement are not assigned to the transferee of such Registrable Security pursuant to Section 2.12; or (e) the later of the following occurs: (i) such Registrable Security becomes eligible for resale without restriction and without volume limitations or the need for current public information pursuant to any section of Rule 144 (or any similar provision then in effect) under the Securities Act and (ii) two (2) years have elapsed since the Closing. Any security that has ceased to be a Registrable Security shall not thereafter become a Registrable Security, and any security that is issued or distributed in respect of a security that has ceased to be a Registrable Security shall not be a Registrable Security.
ARTICLE II
REGISTRATION RIGHTS

Section 2.01 Shelf Registration

(a) The Company shall prepare and file with the Commission, and use commercially reasonable efforts to cause to be declared effective as soon as practicable after the filing thereof, but in no event later than [•], 2018 (the “Effective Date”), a Registration Statement under the Securities Act relating to the offer and sale of all the Registrable Securities by the Holders thereof (the “Shelf Registration Statement”) from time to time in accordance with the methods of distribution set forth in the Shelf Registration Statement and Rule 415 under the Securities Act. Promptly following the effective date of the Shelf Registration Statement, the Company shall notify the Holders of the effectiveness thereof.

(b) Notwithstanding anything in Section 2.01(a), if for any reason the Commission does not permit the Company to include any or all of the Registrable Securities in the initial Shelf Registration Statement due to limitations on the use of Rule 415 under the Securities Act for the resale of the Registrable Securities by the Holders (a “Rule 415 Limitation”), or the Commission informs the Company that any of the Selling Holders would be deemed to be statutory underwriters, the Company shall notify the Holders thereof and use commercially reasonable efforts to promptly file amendments to the initial Shelf Registration Statement as required by the Commission and/or withdraw the initial Shelf Registration Statement and file a new registration statement on Form S-3 or such other form available for registration of the Registrable Securities as a secondary offering, in either case covering the maximum number of Registrable Securities permitted to be registered by the Commission and avoid the Selling Holders being deemed to be statutory underwriters; provided, however, that prior to such amendment or subsequent Shelf Registration Statement, the Company shall be obligated to use commercially reasonable efforts to advocate with the Commission for the registration of all of the Registrable Securities and against the Selling Holders being deemed statutory underwriters in accordance with Commission guidance, including without limitation, the Compliance and Disclosure Interpretation “Securities Act Rules” No. 612.09, and the Securities Act. In the event the Company amends the initial Shelf Registration Statement by means of a post-effective amendment or files a subsequent Shelf Registration Statement, as the case may be, the Company will use commercially reasonable efforts to file with the Commission, as promptly as allowed by the Commission, Commission guidance or the Securities Act, one or more additional Shelf Registration Statements covering those Registrable Securities not included in the initial Shelf Registration Statement as amended or any subsequent Shelf Registration Statement previously filed. The number of Registrable Securities that may be included in each such Shelf Registration Statement shall be allocated among the Holders thereof in proportion (as nearly as practicable) to the aggregate principal amount or number of Registrable Securities, as applicable, owned by each Holder or in such other proportion as is necessary to avoid the Selling Holders being deemed to be statutory underwriters. If the Commission requires the Company to name any Holder as a statutory underwriter and such Holder does not consent thereto, then such Holder’s Registrable Securities shall not be included on the Shelf Registration Statement and the Company shall have no further obligations under this Section 2.01 or Section 2.02 with respect to the Registrable Securities held by such Holder.

(c) The Shelf Registration Statement shall be on Form S-3 (or any equivalent or successor form) under the Securities Act or, if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statements as is then available to effect a registration for resale of the Registrable Securities; provided, however, that if the Company has filed the Shelf Registration Statement on Form S-1 and subsequently becomes eligible to use Form S-3 or any equivalent or successor form or forms, the Company shall (i) file a post-effective amendment to the Shelf Registration Statement converting such Registration Statement on Form S-1 to a Registration Statement on Form S-3 or any equivalent or successor form or forms or (ii) withdraw the Shelf Registration Statement on Form S-1 and file a subsequent Shelf Registration Statement on Form S-3 or any equivalent or successor form or forms.

(d) Unless otherwise specifically stated herein, the term “Shelf Registration Statement” shall refer individually to the initial Shelf Registration Statement and to each subsequent Shelf Registration Statement, if any, filed pursuant to Section 2.01(b) or Section 2.01(c).

(e) Subject to Section 2.03, the Company shall use commercially reasonable efforts to cause the Shelf Registration Statement to remain effective, and to be supplemented and amended to the extent necessary to ensure that the Shelf Registration Statement is available for the resale of all the Registrable Securities by the Holders until all of the Registrable Securities have ceased to be Registrable Securities (the “Effectiveness Period”).

1 NTD: To be the 90th day following the Closing.
(f) When effective, the Shelf Registration Statement (including the documents incorporated therein by reference) will comply as to form in all material respects with all applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in the Shelf Registration Statement, in the light of the circumstances under which such statements are made); provided, however, the Company shall have no such obligations or liabilities with respect to any information pertaining to any Holder furnished in writing to the Company by or on behalf of such Holder specifically for inclusion therein.

Section 2.02 Underwritten Shelf Offering Requests

a. In the event that any Holder or group of Holders elects to dispose of Registrable Shares under the Shelf Registration Statement pursuant to an Underwritten Offering and reasonably expects gross proceeds of at least $20,000,000 from such Underwritten Offering (including proceeds attributable to any Registrable Shares included in such Underwritten Offering by any Shelf Piggybacking Holders), the Company shall, at the request of a “Shelf Underwritten Offering Request” of such Holder or Holders (in such capacity, a “Requesting Holder”), enter into an underwriting agreement in a form as is customary in Underwritten Offerings of securities by the Company with the underwriter or underwriters selected pursuant to Section 2.03(d) and shall take all such other reasonable actions as are requested by the Managing Underwriter of such Underwritten Offering and/or the Requesting Holders in order to expedite or facilitate the disposition of, subject to Section 2.02(c), such Registrable Shares and the Registrable Shares requested to be included by any Shelf Piggybacking Holder (a “Shelf Underwritten Offering”); provided, however, that the Company shall have no obligation to facilitate or participate in more than one Shelf Underwritten Offering in any 180-day period or more than two Shelf Underwritten Offerings per calendar year.

b. If the Company receives a Shelf Underwritten Offering Request, it will give written notice of such proposed Shelf Underwritten Offering to each Holder (other than the Requesting Holder), which notice shall be held in strict confidence by such Holders and shall include the anticipated filing date of the related Underwritten Offering Filing and, if known, the number of Registrable Shares that are proposed to be included in such Shelf Underwritten Offering, and of such Holders’ rights under this Section 2.02(b). Such notice shall be given promptly (and in any event at least five (5) Business Days before the filing of the Underwritten Offering Filing or two (2) Business Days before the filing of the Underwritten Offering Filing in connection with a bought or overnight Underwritten Offering); provided, that if the Shelf Underwritten Offering is a bought or overnight Underwritten Offering and the Managing Underwriter advises the Company and the Requesting Holder in writing that the giving of notice pursuant to this Section 2.02(b) would adversely affect the offering, no such notice shall be required (and such Holders shall have no right to include Registrable Shares in such bought or overnight Underwritten Offering); and provided further, that the Company shall not so notify (or be required to so notify) any such other Holder that has notified the Company (and not revoked such notice) requesting that such Holder not receive notice from the Company of any proposed Shelf Underwritten Offering. Each such Holder shall then have four (4) Business Days (or one (1) Business Day in the case of a bought or overnight Underwritten Offering) after the date on which the Company delivered the notice pursuant to this Section 2.02(b) to request inclusion of Registrable Shares in the Shelf Underwritten Offering (which request shall specify the maximum number of Registrable Shares intended to be disposed of by such Holder and include such other information as is requested pursuant to clause (i) of Section 2.05(c) (any such Holder making such request, a “Shelf Piggybacking Holder”). If no request for inclusion from a Holder is received within such period, such Holder shall have no further right to participate in such Shelf Underwritten Offering.

c. If the Managing Underwriter of the Shelf Underwritten Offering shall inform the Company and the Requesting Holders in writing, with a copy to be provided upon request to any Shelf Piggybacking Holder, of its belief that the number of Registrable Shares requested to be included in such Shelf Underwritten Offering by the Requesting Holders and any Shelf Piggybacking Holders (and any other shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering) would materially adversely affect such offering, then the Company shall include in the Applicable Underwritten Offering Filing, to the extent of the total number of Registrable Shares that the Company is so advised can be sold in such Shelf Underwritten Offering without so materially adversely affecting such offering (the “Section 2.02 Maximum Number of Shares”), Registrable Shares in the following priority:

i. First, all Registrable Shares that the Requesting Holder and Shelf Piggybacking Holders requested to be included therein (the “Requesting Holder and Shelf Piggybacking Holder Securities”) (pro rata among the Requesting Holders and Shelf Piggybacking Holders based on the number of Registrable Shares each requested to be included); and

ii. Second, to the extent that the number of Requesting Holder and Shelf Piggybacking Holder Securities is less than the Section 2.02 Maximum Number of Shares, the shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering, pro rata among such other Persons based on the number of shares of Common Stock each requested to be included.
d. The Company shall select the Managing Underwriter and any other underwriters in connection with such Shelf Underwritten Offering. The Requesting Holders shall determine the pricing of the Registrable Shares offered pursuant to any Shelf Underwritten Offering and the applicable underwriting discounts and commissions, subject to Section 2.03.

Section 2.03 Delay and Suspension Rights.

Notwithstanding any other provision of this Agreement, the Company may (a) delay filing or effectiveness of the Shelf Registration Statement (or any amendment thereto) or effecting a Shelf Underwritten Offering or (b) suspend the Holders’ use of any prospectus that is a part of a Shelf Registration Statement upon written notice to each Holder whose Registrable Securities are included in such Shelf Registration Statement (provided that in no event shall such notice contain any material non-public information regarding the Company) (in which event such Holder shall immediately discontinue sales of Registrable Securities pursuant to such Registration Statement but may settle any then-contracted sales of Registrable Securities), in each case for a period of up to 60 days, if the Company determines (i) that such delay or suspension is in the best interest of the Company and its stakeholders generally due to a pending transaction involving the Company (including a pending securities offering by the Company, or any proposed financing, acquisition, merger, tender offer, business combination, corporate reorganization, consolidation or other significant transaction involving the Company), (ii) that such registration, offering or the use of any prospectus that is a part of a Shelf Registration Statement would render the Company unable to comply with applicable securities laws (including because of requirements to produce financial statements with regard to acquired businesses) or (iii) that such registration or offering would require disclosure of material information that the Company has a bona fide business purpose for preserving as confidential (any such period, a “Suspension Period”); provided, however, that in no event shall any Suspension Periods collectively exceed an aggregate of 90 days in any twelve-month period.

Section 2.04 Piggyback Registration Rights.

a. Subject to Section 2.04(c), if the Company at any time proposes to file an Underwritten Offering Filing for an Underwritten Offering of shares of Common Stock for its own account or for the account of any other Persons who have or have been granted registration rights (a "Piggyback Underwritten Offering"), it will give written notice of such Piggyback Underwritten Offering to each Holder, which notice shall be held in strict confidence by such Holders and shall include the anticipated filing date of the Underwritten Offering Filing and, if known, the number of shares of Common Stock that are proposed to be included in such Piggyback Underwritten Offering, and of such Holders’ rights under this Section 2.04(a). Such notice shall be given promptly (and in any event at least five (5) Business Days before the filing of the Underwritten Offering Filing or two (2) Business Days before the filing of the Underwritten Offering Filing in connection with a bought or overnight Underwritten Offering); provided, that if the Piggyback Underwritten Offering is a bought or overnight Underwritten Offering and the Managing Underwriter advises the Company in writing that the giving of notice pursuant to this Section 2.04(a) would adversely affect the offering, no such notice shall be required (and such Holders shall have no right to include Registrable Shares in such bought or overnight Underwritten Offering). Each such Holder shall then have four (4) Business Days (or one (1) Business Day in the case of a bought or overnight Underwritten Offering) after the date on which the Holders received notice pursuant to this Section 2.04(a) to request inclusion of Registrable Shares in the Piggyback Underwritten Offering (which request shall specify the maximum number of Registrable Shares intended to be disposed of by such Holder and include other information as is requested pursuant to clause (i) of Section 2.05(c)) (any such Holder making such request, a "Piggybacking Holder"). If no request for inclusion from a Holder is received within such period, such Holder shall have no further right to participate in such Piggyback Underwritten Offering. Subject to Section 2.04(c), the Company shall use commercially reasonable efforts to include in the Piggyback Underwritten Offering all Registrable Shares that the Company has so requested to include by the Piggybacking Holders; provided, however, that if, at any time after giving written notice of a proposed Piggyback Underwritten Offering pursuant to this Section 2.04(a) and prior to the execution of an underwriting agreement with respect thereto, the Company or such other Persons who have or have been granted registration rights, as applicable, shall determine for any reason not to proceed with or to delay such Piggyback Underwritten Offering, the Company shall give written notice of such determination to the Piggybacking Holders (which such Holders will hold in strict confidence) and (i) in the case of a determination not to proceed, shall be relieved of its obligation to include any Registrable Shares in such Piggyback Underwritten Offering (but not from any obligation of the Company to pay the Registration Expenses in connection therewith), and (ii) in the case of a determination to delay, shall be permitted to delay inclusion of any Registrable Shares for the same period as the delay in including the shares of Common Stock to be sold for the Company’s account or for the account of such other Persons who have or have been granted registration rights, as applicable.

b. Each Holder shall have the right to withdraw its request for inclusion of its Registrable Shares in any Piggyback Underwritten Offering at any time prior to the execution of an underwriting agreement with respect thereto by giving written notice to the Company of its request to withdraw; provided, that such withdrawal shall be irrevocable and, after making such withdrawal, a Holder shall no longer have any right to include Registrable Securities in the Piggyback Registration as to which such withdrawal was made.
The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.04 at any time in its sole discretion whether or not any Holder has elected to include Registrable Securities in such Registration Statement.

d. If the Managing Underwriter of the Piggyback Underwritten Offering shall inform the Company of its belief that the number of Registrable Shares requested to be included by each Piggyback Underwritten Offering, when added to the number of shares of Common Stock proposed to be offered by the Company or such other Persons who have or have been granted registration rights and (any other shares of Common Stock requested to be included by any other Persons having registration rights on parity with the Piggybacking Holders with respect to such offering), would materially adversely affect such offering, then the Company shall include in such Piggyback Underwritten Offering, to the extent of the total number of securities which the Company is so advised can be sold in such offering without so materially adversely affecting such offering (the "Section 2.04 Maximum Number of Shares"), shares of Common Stock in the following priority:

i. First, if the Piggyback Underwritten Offering is for the account of the Company, all shares of Common Stock that the Company proposes to include for its own account (the "Company Securities") or, if the Piggyback Underwritten Offering is for the account of any other Persons who have or have been granted registration rights, all shares of Common Stock that such Persons propose to include (the "Other Securities"); and

ii. Second, if the Piggyback Underwritten Offering is for the account of the Company, to the extent that the number of Company Securities is less than the Section 2.04 Maximum Number of Shares, the shares of Common Stock requested to be included by the Piggybacking Holders; and holders of any other shares of Common Stock requested to be included by Persons having rights of registration on parity with the Piggybacking Holders with respect to such offering, pro rata among the Piggybacking Holders and such other holders based on the number of shares of Common Stock each requested to be included and, if the Piggyback Underwritten Offering is for the account of any other Persons who have or have been granted registration rights, to the extent that the number of Other Securities is less than the Section 2.04 Maximum Number of Shares, the shares of Common Stock requested to be included by the Piggybacking Holders, pro rata among the Piggybacking Holders.

e. The Company or the other Persons who have or have been granted registration rights initiating such Piggyback Underwritten Offering (if so entitled pursuant to such registration rights), as applicable, shall select the underwriters in any Piggyback Underwritten Offering and shall determine the pricing of the shares of Common Stock offered pursuant to any Piggyback Underwritten Offering, the applicable underwriting discounts and commissions and the timing of any such Piggyback Underwritten Offering.

Section 2.05 Participation in Underwritten Offerings.

a. In connection with any Underwritten Offering contemplated by Section 2.02 or Section 2.04, the underwriting agreement into which each Selling Holder and the Company shall enter into shall contain such representations, covenants, indemnities (subject to Section 2.10) and other rights and obligations as are customary in Underwritten Offerings by the Company. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties, agreements or indemnities regarding such Selling Holder, such Selling Holder’s title in the securities being registered on its behalf, the Selling Holder’s authority to enter into such underwriting agreement and to sell, and information provided by such Selling Holder for inclusion in the Registration Statement relating thereto and its ownership of, the securities being registered on its behalf, its intended method of distribution and any other representation required by law.

b. Any participation by Holders in a Piggyback Underwritten Offering shall be in accordance with the plan of distribution of (i) the Company, if such Piggyback Underwritten Offering is for the account of the Company, or (ii) any other Persons who have or have been granted registration rights, if the Piggyback Underwritten Offering is for the account of such other Persons.

c. In connection with any Piggyback Underwritten Offering in which any Holder has the right to include Registrable Shares pursuant to Section 2.04, such Holder agrees (i) to supply any information reasonably requested by the Company in connection with the preparation of a Registration Statement and/or any other documents relating to such registered offering (including a Selling Holder Questionnaire) and (ii) to execute and deliver any agreements and instruments being executed by all holders on substantially the same terms reasonably requested by the Company or the Managing Underwriter, as applicable, to effectuate such registered offering, including, without limitation, underwriting agreements (subject to Section 2.05(a)), custody agreements, lock-up agreements pursuant to which such Holder agrees not to sell or purchase any securities of the Company for the same period of time following the registered offering as is agreed to by the Company and the other participating holders or such shorter period as the Managing Underwriter shall agree to, powers of attorney and questionnaires.
d. If the Company or the Managing Underwriter, as applicable, requests that the Holders take any of the actions referred to in clause (ii) of Section 2.05(c), the Holders shall take such action promptly but in any event within two (2) Business Days following the date of such request.

Section 2.06 Registration and Sale Procedures.

In connection with its obligations under this Article II and with respect to each Registration Statement that includes Registrable Securities, the Company will:

a. as promptly as reasonably practicable prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by the Registration Statement;

b. use commercially reasonable efforts to make available to each Selling Holder (i) as far in advance as reasonably practicable before filing the Registration Statement, any prospectus used in connection therewith or any amendment thereto, upon its reasonable request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits and each document incorporated by reference therein to the extent then required by the rules and regulations of the Commission), and provide each such Selling Holder the opportunity to object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder reasonably in advance of any such filing with respect to such information prior to filing the Registration Statement, prospectus or amendment thereto, and (ii) such number of copies of the Registration Statement and the prospectus included therein and any supplements and amendments thereto as such Selling Holder may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities covered thereby;

c. if applicable, use commercially reasonable efforts to register or qualify the Registrable Securities covered by the Registration Statement under the securities or blue sky laws of such jurisdictions as the Selling Holders shall reasonably request; provided, however, that the Company will not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify, take any action that would subject the Company to any material tax in any such jurisdiction where it is not then so subject, or to take any action that would subject it to general service of process in any such jurisdiction where it is not then so subject;

d. promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act, of (i) the filing of the Registration Statement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to the Registration Statement or any post-effective amendment thereto, when the same has become effective; and (ii) the receipt of any written comments from the Commission with respect to any filing referred to in clause (i) and any written request by the Commission for amendments or supplements to the Registration Statement or any prospectus or prospectus supplement thereto;

e. (i) immediately notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (A) the happening of any event as a result of which the prospectus or prospectus supplement contained in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained therein, in the light of the circumstances under which such statements were made); (B) the issuance or express threat of issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, or the initiation of any proceedings for that purpose; or (C) the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction; and (ii) subject to Section 2.03, following the provision of such notice, as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and take such other commercially reasonable action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

f. upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to the Registration Statement;
g. otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

h. use commercially reasonable efforts to cause all such Registrable Shares registered pursuant to this Agreement to be listed on the principal securities exchange or nationally recognized quotation system on which the Common Stock is then listed;

i. use commercially reasonable efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the Selling Holders to consummate the disposition of such Registrable Securities;

j. provide a transfer agent and registrar for all Registrable Shares covered by such registration statement not later than the effective date of the Registration Statement;

k. if requested by a Selling Holder, (i) incorporate in a prospectus supplement or post-effective amendment such information as such Selling Holder reasonably requests in writing to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering, and (ii) make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment;

l. in connection with an Underwritten Offering, use commercially reasonable efforts to provide to each Selling Holder a copy of any auditor “comfort” letters, customary legal opinions or reports of the independent petroleum engineers of the Company relating to the oil and gas reserves of the Company, in each case that have been provided to the Managing Underwriter in connection with the Underwritten Offering; and

m. make available upon reasonable notice at reasonable times and for reasonable periods for inspection by any Selling Holder of Registrable Securities, any underwriter participating in any disposition pursuant to such Registration Statement and any attorney, accountant or other agent retained by any such holder or underwriter (collectively, the “Inspectors”), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the “Records”), and cause the Company’s officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such Registration Statement, provided, that the Company need not disclose any non-public information to any such person unless and until such person has entered into a confidentiality agreement with the Company.

Each Selling Holder, upon receipt of notice from the Company of the happening of any event of the kind described in subsection (e) of this Section 2.06, shall forthwith discontinue offers and sales of the Registrable Securities by means of a prospectus or prospectus supplement until such Selling Holder’s receipt of the copies of the supplemented or amended prospectus contemplated by subsection (e) of this Section 2.06 or until it is advised in writing by the Company that the use of the prospectus may be resumed and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder will deliver to the Company (at the Company’s expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder’s possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

Section 2.07 Cooperation by Holders

The Company shall have no obligation to include Registrable Securities of a Holder in a Registration Statement who has failed to furnish, (i) within five (5) Business Days of a request by the Company, such information that the Company determines, after consultation with its counsel, is reasonably required in order for the Registration Statement or prospectus supplement, as applicable, to comply with the Securities Act or (ii) the items required pursuant to Section 2.05(c). The Company may require each Holder to furnish to the Company a written statement as to the aggregate principal amount of Second Lien Notes and/or the number of shares of Common Stock beneficially owned by such Holder. Without limiting the foregoing, with respect to the Shelf Registration Statement, each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex A (a “Selling Holder Questionnaire”) on a date that is not less than ten (10) Business Days after the Closing or three (3) Business Days following the date on which such Holder receives draft materials in accordance with Section 2.06(b).
If requested by the Managing Underwriter, each Holder agrees not to effect any public sale or distribution of Registrable Shares for a period of up to 90 days following completion of an Underwritten Offering of equity securities by the Company; provided that (i) the Company gives written notice to such Holder of the date of the commencement and termination of such period with respect to any such Underwritten Offering and (ii) the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters of such Underwritten Offering on the Company or on the officers or directors or any other shareholder of the Company on whom a restriction is imposed and (iii) the restrictions set forth in this Section 2.08 shall not apply to any Registrable Shares that are included in such Underwritten Offering by such Selling Holder; provided further, that this Section 2.08 shall not apply to any Holder that, together with such Holder’s Affiliates, holds less than 5% of the outstanding shares of Common Stock.

Section 2.09 Expenses
The Company will pay all reasonable Registration Expenses as determined in good faith. Each Selling Holder shall bear or pay its pro rata share of all Selling Expenses in connection with any sale of its Registrable Securities hereunder.

Section 2.10 Indemnification and Contribution
a. Indemnification by the Company. The Company will indemnify and hold harmless each Selling Holder, its directors, officers managers, employees, investment managers, agents and Affiliates and each other Person, if any, who controls such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any losses, claims, damages or liabilities, joint or several (collectively, “Losses”) to which such Selling Holder or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or any preliminary prospectus, free writing prospectus or final prospectus contained therein or related thereto, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in the light of the circumstances under which such statements were made), or (ii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law, or any rule or regulations promulgated under the Securities Act, or the Exchange Act or any state securities law applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance required under this Agreement, and the Company will reimburse such Selling Holder and each such director, officer, manager, employee, investment manager, agent, Affiliate and controlling person for reasonably and documented legal or any other expenses reasonably incurred by them in connection with investigating or defending any such Losses, actions or proceedings (collectively, “Expenses”); provided that the Company shall not be liable in any such case to the extent that (i) any such Losses or Expenses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Registration Statement, preliminary prospectus, free writing prospectus, final prospectus, amendment or supplement in reliance upon and in conformity with information furnished to the Company in writing or electronically by or on behalf of such Selling Holder expressly for use in the preparation thereof, (ii) the Selling Holder continued to use a Registration Statement or Prospectus after the Company notified such Selling Holder to cease such use pursuant to Section 2.06(e) or (iii) the Company provided a corrected, supplemented or amended Registration Statement or Prospectus but the Selling Holder continued to use the then outdated or uncorrected Registration Statement or Prospectus.

b. Indemnification by Selling Holders. Each Selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each director of the Company, its directors and officers and each other Person, if any, who controls the Company within the meaning of the Section 15 of the Securities Act or Section 20 of the Exchange from and against any Losses to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, and will reimburse them for any Expenses reasonably incurred by any of them (in each case in the same manner and to the same extent as set forth in Section 2.10(a)), insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) or Expenses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or any preliminary prospectus, free writing prospectus or final prospectus contained therein or related thereto, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in the light of the circumstances under which such statements were made), if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company in writing or electronically by or on behalf of such Selling Holder expressly for use in the preparation thereof (it being understood that any Selling Holder Questionnaire furnished by such Selling Holder is furnished expressly for this purpose). Such indemnity shall remain in full force.

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and effect, regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by such Selling Holder.

c. Notices of Claims; Indemnification Procedures. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 2.10(a) or Section 2.10(b), such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing (provided that the failure of the Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 2.10, except to the extent the Indemnifying Party is actually prejudiced by such failure to give notice), and the Indemnifying Party shall be entitled to participate in such proceeding and, unless in the reasonable opinion of outside counsel to the Indemnified Party a conflict of interest between the Indemnified Party and Indemnifying Party may exist in respect of such claim, to assume the defense thereof jointly with any other Indemnifying Party similarly notified, to the extent that it chooses, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party that it so chooses, the Indemnifying Party shall not be liable to such Indemnified Party for any legal or other Expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that (i) if the Indemnifying Party fails to assume the defense or employ counsel reasonably satisfactory to the Indemnified Party, (ii) if such Indemnified Party who is a defendant in any action or proceeding which is also brought against the Indemnifying Party reasonably shall have concluded that there may be one or more legal defenses available to such Indemnified Party that are not available to the Indemnifying Party or (iii) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct then, in any such case, the Indemnifying Party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all Indemnified Parties (plus one firm of local counsel for all Indemnified Parties in each relevant jurisdiction)), and the Indemnifying Party shall be liable for any Expenses therefor. No Indemnifying Party shall, without the written consent of the Indemnified Party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (A) includes an unconditional release of the Indemnified Party from all liability arising out of such action or claim and (B) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnified Party.

d. Contribution.

i. If the indemnification provided for in this Section 2.10 is unavailable to an Indemnified Party in respect of any Losses in respect of which indemnity is to be provided hereunder, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall to the fullest extent permitted by law contribute to the amount paid or payable by such Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of such party in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company (on the one hand) and any Selling Holder (on the other hand) shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or omission or alleged omission to state a material fact relates to information supplied by such party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

ii. The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 2.10(d) were determined by pro rata allocation or by any other method of allocation that does not take into account of the equitable considerations referred to in Section 2.10(d)(i). The amount paid or payable by an Indemnified Party as a result of the Losses referred to in Section 2.10(d)(i) shall be deemed to include, subject to the limitations set forth above, any Expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

e. Limitation of Holders' Liability. Notwithstanding the provisions of this Section 2.10, no Holder shall be liable for indemnification or contribution pursuant to this Section 2.10 for any amount in excess of the net proceeds received by such Holder from the sale of Registrable Securities pursuant to a Registration Statement.

f. Indemnification Payments. The indemnification and contribution required by this Section 2.10 shall be made by periodic payments of the amount of any such Losses or Expenses as and when bills are received or such Losses or Expenses are incurred.
Section 2.11  Rule 144 Reporting.

With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Securities to the public without registration, to the extent it shall be required to do so under the Exchange Act, the Company agrees to use its reasonable best efforts to:

a. make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times from and after the date hereof;

b. file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof; and

c. so long as a Holder owns any Registrable Securities, furnish, unless otherwise available via EDGAR, to such Holder forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

Section 2.12  Transfer or Assignment of Registration Rights.

The rights to cause the Company to register Registrable Securities granted to the Holders by the Company under this Article II may be transferred or assigned by the Holders only to one or more Permitted Transferees; provided, however, that (a) the Company is given written notice prior to such transfer or assignment, stating the name and address of each such Permitted Transferee and identifying the Registrable Securities with respect to which such registration rights are being transferred or assigned and (b) each such Permitted Transferee assumes in writing responsibility for its portion of the obligations of the transferor under this Agreement.

Section 2.13  Other Registration Rights.

From and after the date hereof, the Company shall not, without the prior written consent of the Majority Holders, enter into any agreement with any current or future holder of any securities of the Company that would allow such current or future holder to require the Company to include securities in any registration statement filed by the Company for the Holders on a basis other than expressly subordinate to the piggyback rights of the Holders hereunder.

ARTICLE III
MISCELLANEOUS

Section 3.01  Communications.

All notices and other communications provided for or permitted hereunder shall be made in writing by electronic mail, courier service or personal delivery:

(g) if to a Holder, to such Holder at its address set forth in its Administrative Questionnaire or provided pursuant to Section 2.12, as applicable; and

(h) if to the Company, to it at:

Northern Oil and Gas, Inc.
601 Carlson Pkwy - Suite 990
Minnetonka, Minnesota 55305
Attention: Chief Financial Officer
Fax: 952-476-9801

; or, in each case, to such other address for such party as shall have been communicated by such party by like notice.

All such notices and communications shall be deemed to have been received at the time delivered by hand, if personally delivered; when receipt acknowledged, if sent by electronic mail; and when actually received, if sent by courier service.
Section 3.02 Successors and Assigns.

This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein; provided, however, that all or any portion of the rights and obligations of any Holder under this Agreement may be transferred or assigned by such Holder only in accordance with Section 2.12.

Section 3.03 Recapitalization, Exchanges, Etc. Affecting the Shares.

The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all shares of the Company or any successor or assign of the Company (whether by merger, consolidation, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution of, the Registrable Shares, and shall be appropriately adjusted for combinations, share splits, recapitalizations, pro rata distributions of shares and the like occurring after the date of this Agreement.

Section 3.04 Aggregation of Registrable Securities.

All Registrable Securities held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights and applicability of any obligations under this Agreement.

Section 3.05 Specific Performance.

Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, will have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude any such Person from pursuing any other rights and remedies at law or in equity that such Person may have.

Section 3.06 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 3.07 Headings.

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.08 Governing Law.

THIS AGREEMENT, AND ALL CLAIMS OR CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT) THAT MAY BE BASED UPON, ARISE OUT OF OR RELATE TO THIS AGREEMENT OR THE NEGOTIATION, EXECUTION OR PERFORMANCE OF THIS AGREEMENT (INCLUDING ANY CLAIM OR CAUSE OF ACTION BASED UPON, ARISING OUT OF OR RELATED TO ANY REPRESENTATION OR WARRANTY MADE IN OR IN CONNECTION WITH THIS AGREEMENT), WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. ANY ACTION AGAINST ANY PARTY RELATING TO THE FOREGOING SHALL BE BROUGHT IN ANY FEDERAL OR STATE COURT OF COMPETENT JURISDICTION LOCATED WITHIN THE STATE OF NEW YORK, AND THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE NON-EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED WITHIN THE STATE OF NEW YORK OVER ANY SUCH ACTION. THE PARTIES HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH DISPUTE BROUGHT IN SUCH COURT OR ANY DEFENSE OF INCONVENIENT FORUM FOR THE MAINTENANCE OF SUCH DISPUTE. EACH OF THE PARTIES HERETO AGREES THAT A JUDGMENT IN ANY SUCH DISPUTE MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.
Section 3.09 Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.10 Entire Agreement.

This Agreement, the Exchange Agreement and the other Transaction Documents (as defined in the Exchange Agreement) is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company set forth herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.11 Amendment.

This Agreement may be amended only by means of a written amendment signed by the Company and the Holder or Holders of more than fifty percent (50%) of (a) the aggregate number of Registrable Shares or (b) the aggregate principal amount of Registrable Notes; provided, however, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.12 No Presumption.

If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.13 Obligations Limited to Parties to Agreement.

Each of the parties hereto covenants, agrees and acknowledges that no Person other than the Holders and the Company shall have any obligation hereunder and that, notwithstanding that one or more of the Holders may be a corporation, partnership or limited liability company, no recourse under this Agreement or under any documents or instruments delivered in connection herewith or therewith shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any Holder or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any Holder or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of the Holders under this Agreement or any documents or instruments delivered in connection herewith or therewith or for any claim based on, in respect of or by reason of such obligation or its creation, except in each case for any transferee or assignee of a Holder hereunder.

Section 3.14 Independent Nature of Holders’ Obligations.

The obligations of each Holder under this Agreement are several and not joint with the obligations of any other Holder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder under this Agreement. Nothing contained herein, and no action taken by any Holder pursuant thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to independently protect and enforce its rights, including without limitation, the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.
Article and Section references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The word “including” shall mean “including but not limited to.” Whenever any determination, consent or approval is to be made or given by a Holder under this Agreement, such action shall be in such Holder’s sole discretion unless otherwise specified.

[Signature pages follow]
IN WITNESS WHEREOF, the parties hereto execute this Agreement, effective as of the date first above written.

COMPANY:

NORTHERN OIL AND GAS, INC.

By: ____________________________
Name: __________________________
Title: __________________________

[SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT]
SEVERALLY AND NOT JOINTLY FOR EACH ENTITY LISTED BELOW:

[HOLDERS]

By: ____________________________
Name: __________________________
Title: __________________________
NORTHERN OIL AND GAS, INC.

Selling Holder Notice and Questionnaire

The undersigned beneficial owner of Second Lien Notes and/or Common Stock, as applicable (the “Registrable Securities”), of Northern Oil and Gas, Inc., a Delaware corporation (the “Company”), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the “Commission”) a registration statement (the “Registration Statement”) for the registration and resale under the Securities Act of 1933, as amended (the “Securities Act”), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the “Registration Rights Agreement”) to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the “Selling Holder”) of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.
   (a) Full Legal Name of Selling Holder
   (b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:
   (c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

2. Address for Notices to Selling Holder:

   ______________________________________

   ________________________________

   Telephone: __________________________
   Fax: _______________________________
   Contact Person: _____________________
3. Broker-Dealer Status:
   a. Are you a broker-dealer?
      Yes ☐ No ☐
   b. If “yes” to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?
      Yes ☐ No ☐
   c. Are you an affiliate of a broker-dealer?
      Yes ☐ No ☐
   d. If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?
      Yes ☐ No ☐

Note: If “no” to Section 3(b), the Commission’s staff has indicated that you should be identified as an underwriter in the Registration Statement.

Note: If “no” to Section 3(d), the Commission’s staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Holder.
   Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Exchange Agreement.
   a. Type and Amount of other securities beneficially owned by the Selling Holder:

5. Relationships with the Company:
   Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past two years.
   State any exceptions here:

The undersigned agrees to promptly notify the Company of any material inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective; provided, that the undersigned shall not be required to notify the Company of any changes to the number of securities held or owned by the undersigned or its affiliates.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.
IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: ______________________        Beneficial Owner: ______________________

By: ____________________________
Name: __________________________
Title: __________________________

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO:

Northern Oil and Gas, Inc.
601 Carlson Pkwy - Suite 990
Minnetonka, Minnesota 55305
Attention: Chief Financial Officer
Fax: 952-476-9801
ARTICLE ONE
The name of this corporation is Northern Oil and Gas, Inc. (the “Corporation”).

ARTICLE TWO
The registered office of the Corporation in the State of Delaware is located at [1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801]. The name of its registered agent at such address is [The Corporation Trust Company].

ARTICLE THREE
The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “Delaware General Corporation Law”).

ARTICLE FOUR
Section 1
Authorized Shares. The total number of shares of all classes of capital stock that the Corporation has authority to issue is 455,000,000 shares, consisting of:

(a) 5,000,000 shares of Preferred Stock, par value $0.001 per share (the “Preferred Stock”); and
(b) 450,000,000 shares of Common Stock, par value $0.001 per share (the “Common Stock”).

The Preferred Stock and the Common Stock shall have the rights, preferences and limitations set forth below.

Section 2
Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the “Board of Directors”) is authorized, to provide by resolution or resolutions from time to time for the issuance, out of the authorized but unissued shares of Preferred Stock, of all or any of the shares of Preferred Stock in one or more series, and to establish the number of shares to be included in each such series, and to fix the voting powers (full, limited or no voting powers), designations, powers, preferences, and relative, participating, optional or other rights, if any, and any qualifications, limitations or restrictions thereof, or such series, including, without limitation, that any such series may be (i) subject to redemption at such time or times and at such price or prices, (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes of capital stock, (iii) entitled to such rights upon the liquidation, dissolution or winding up of, or upon any distribution of the assets of, the Corporation or (iv) convertible into, or exchangeable for, shares of any other class or classes of capital stock, or of any other series of the same class of capital stock, of the Corporation at such price or prices or at such rates and with such adjustments; all as may be stated in such resolution or resolutions, which resolution or resolutions shall be set forth on a certificate of designations filed with the Secretary of State of the State of Delaware in accordance with the Delaware General Corporation Law. Except as otherwise provided in this Certificate of Incorporation (the “Certificate of Incorporation”), no vote of the holders of Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of any series of Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation. Notwithstanding the provisions of Section 242(b)(2) of the Delaware General Corporation Law, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the outstanding shares of capital stock of the Corporation entitled to vote, without the separate vote of the holders of the Preferred Stock as a class. Subject to Section 1 of this ARTICLE FOUR, the Board of Directors is also expressly authorized to increase or decrease the number of shares of any series of Preferred Stock subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. Unless otherwise expressly provided in the certificate of designations in respect of any series of Preferred Stock, in case the number of shares of such series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.
Section 3  Common Stock.

(a) Voting Rights. Except as otherwise provided by the Delaware General Corporation Law or this Certificate of Incorporation and subject to the rights of holders of Preferred Stock, all of the voting power of the stockholders of the Corporation shall be vested in the holders of the Common Stock, and each holder of Common Stock shall have one vote for each share held by such holder on all matters voted upon by the stockholders of the Corporation. Notwithstanding any other provision of this Certificate of Incorporation to the contrary, the holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designation in respect of any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separate or together as a class with the holders of one or more such other series, to vote thereon pursuant to this Certificate of Incorporation or the Delaware General Corporation Law.

(b) Dividends. Subject to the rights of the holders of any series of Preferred Stock, and to the other provisions of this Certificate of Incorporation, holders of Common Stock shall be entitled to receive equally, on a per share basis, such dividends and other distributions in cash, securities or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(c) Liquidation Rights. In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation’s debts and subject to the rights of the holders of shares of any series of Preferred Stock upon such dissolution, liquidation or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock equally on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or entity, or a sale, lease, exchange, conveyance or other disposition of all or any part of the assets of the Corporation shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Section 3(c).

(d) Conversion Rights. The Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation’s capital stock.

(e) Preemptive Rights. No holder of shares of Common Stock shall be entitled to preemptive or subscription rights pursuant to this Certificate of Incorporation.

ARTICLE FIVE

The Corporation shall have perpetual existence.

ARTICLE SIX

The name and mailing address of the sole incorporator are as follows:

<table>
<thead>
<tr>
<th>NAME</th>
<th>MAILING ADDRESS</th>
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<td>[*]</td>
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ARTICLE SEVEN

Section 1  Board of Directors, Number and Term. Unless otherwise provided by this Certificate of Incorporation or the Delaware General Corporation Law, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Subject to any rights of the holders of Preferred Stock to elect additional directors under specified circumstances, the number of directors which shall constitute the Board of Directors shall be fixed from time to time by resolution adopted by the Board of Directors. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 2  Term of Office. Subject to the rights of the holders of any series of Preferred Stock, the directors of the Corporation shall hold office until his or her successor shall have been duly elected and qualified, or until his or her earlier death, resignation, removal or retirement. Elections of directors need not be by written ballot unless the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “Bylaws”) shall so provide.
Section 3  **Newly-Created Directorships and Vacancies.** Subject to the rights of the holders of any series of Preferred Stock, any newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or any other cause shall be filled exclusively by the affirmative vote of a majority of the directors then in office, even if less than a quorum, or by the sole remaining director, and shall not be filled by stockholders. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until his or her successor is duly elected and qualified, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until his or her successor is duly elected and qualified, or, in each case, his or her earlier death, resignation, removal or retirement.

Section 4  **Removal of Directors.** Subject to the rights of the holders of any series of Preferred Stock, any director may be removed from office at any time, at a meeting called for that purpose, by the affirmative vote of the holders of at least 75% of the voting power of all outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

Section 5  **Rights of Holders of Preferred Stock.** Notwithstanding the provisions of this ARTICLE SEVEN, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of designations or certificates of designations governing such series.

Section 6  **No Cumulative Voting.** Except as may otherwise be set forth in the resolution or resolutions of the Board of Directors providing the issue of one or more series of Preferred Stock, and then only with respect to such series of Preferred Stock, cumulative voting in the election of directors is specifically denied.

**ARTICLE EIGHT**

**Section 1  Limitation of Liability.** To the fullest extent permitted by the Delaware General Corporation Law as it now exists or may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty or other act or omission as a director; provided, however, that nothing contained in this ARTICLE EIGHT shall eliminate or limit the liability of a director (a) for any breach of the director’s duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) pursuant to the provisions of Section 174 of the Delaware General Corporation Law, or (d) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended hereafter to permit the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Section 1 of ARTICLE EIGHT shall not adversely affect any right or protection of a director of the Corporation existing hereunder with respect to any act or omission occurring at or prior to the time of such repeal or modification.

**Section 2  Right to Indemnification.** Each person who was or is made a party to or is threatened to be made a party to or is otherwise subject to or involved in any claim, demand, action, suit or proceeding, whether civil, criminal, administrative or investigative (a “Proceeding”), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified by the Corporation to the fullest extent permitted or required by the Delaware General Corporation Law and any other applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith (“Indemifiable Losses”); provided, however, that, except as provided in Section 5 of this ARTICLE EIGHT with respect to Proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Indemnitee pursuant to this Section 2 in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board of Directors.
Section 3 Right to Advancement of Expenses. The right to indemnification conferred in Section 2 of this ARTICLE EIGHT shall include the right to advancement by the Corporation of any and all expenses (including, without limitation, attorneys' fees and expenses) incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"), provided, however, that, if the Delaware General Corporation Law so requires, an Advancement of Expenses incurred by an Indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnitee, including without limitation service to an employee benefit plan) shall be made pursuant to this Section 3 only upon delivery to the Corporation of an undertaking (an "Undertaking") by or on behalf of such Indemnitee, to repay, without interest, all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "Final Adjudication") that such Indemnitee is not entitled to be indemnified for such expenses under this Section 3. An Indemnitee’s right to an Advancement of Expenses pursuant to this Section 3 is not subject to the satisfaction of any standard of conduct and is not conditioned upon any prior determination that Indemnitee is entitled to indemnification under Section 2 of this ARTICLE EIGHT with respect to the related Proceeding or the absence of any prior determination to the contrary.

Section 4 Contract Rights. The rights to indemnification and to the Advancement of Expenses conferred in Sections 2 and 3 of this ARTICLE EIGHT shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the Indemnitee’s heirs, executors and administrators.

Section 5 Right of Indemnitee to Bring Suit. If a claim under Section 2 or 3 of this ARTICLE EIGHT is not paid in full by the Corporation within 60 calendar days after a written claim has been received by the Corporation, except in the case of a claim for an Advancement of Expenses, in which case the applicable period shall be 20 calendar days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to the fullest extent permitted or required by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader reimbursements of prosecution or defense expenses than such law permitted the Corporation to provide prior to such amendment), to be paid also the expense of prosecuting or defending such suit.

Section 6 Non-Exclusivity of Rights. The rights to indemnification and to the Advancement of Expenses conferred in this ARTICLE EIGHT shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise. Nothing contained in this ARTICLE EIGHT shall limit or otherwise affect any such other right or the Corporation’s power to confer any such other right.

Section 7 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 8 No Duplication of Payments. The Corporation shall not be liable under this ARTICLE EIGHT to make any payment to an Indemnitee in respect of any Indemnifiable Losses to the extent that the Indemnitee has otherwise actually received payment (net of any expenses incurred in connection therewith and any repayment by the Indemnitee made with respect thereto) under any insurance policy or from any other source in respect of such Indemnifiable Losses.

ARTICLE NINE

Section 1. Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation at a duly called annual or special meeting of stockholders of the Corporation may be effected by unanimous consent in writing by such stockholders.

Section 2. Annual Meetings of Stockholders. Except as otherwise expressly provided by law, the annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at the place and time, if any, as shall be determined exclusively by resolution of the Board of Directors in its sole and absolute discretion. Advance notice of stockholder nominations for election of directors and other business to be brought by stockholders at any meeting of stockholders shall be given in the manner provided in the Bylaws.
Section 3. **Special Meetings of Stockholders.** Subject to any special rights of the holders of any series of Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation shall be called exclusively by or at the direction of the Board of Directors pursuant to a written resolution adopted by a majority of the total number of directors which the Corporation would have if there were no vacancies and shall not be called by stockholders. Any business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

**ARTICLE TEN**

Section 1. **Certificate of Incorporation.** The Corporation reserves the right at any time from time to time to alter, amend, repeal or change any provision contained in this Certificate of Incorporation, and to adopt any other provision authorized by the Delaware General Corporation Law, in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights, preferences and privileges conferred upon stockholders, directors and other persons herein are granted subject to this reservation.

Section 2. **Bylaws.** In furtherance and not in limitation of the powers conferred by law, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the Bylaws without any action on the part of the stockholders. Any adoption, alteration, amendment or repeal of the Bylaws by the Board of Directors shall require the approval of a majority of the Board of Directors then in office, provided a quorum is otherwise present. Any Bylaws adopted or amended by the Board of Directors, and any powers conferred thereby, may be amended, altered or repealed by the stockholders.

**ARTICLE ELEVEN**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have subject-matter jurisdiction, another state or federal court within the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Corporation to the Corporation or the Corporation’s stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the Delaware General Corporation Law, the Certificate of Incorporation or Bylaws or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. If any stockholder files an action within the scope of the preceding sentence in a court other than a court located within the State of Delaware (a “Foreign Action”), such stockholder shall be deemed to have consented to (a) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the preceding sentence and (b) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the Corporation (including, without limitation, shares of Common Stock) shall be deemed to have notice of and to have consented to the provisions of this ARTICLE ELEVEN.

**ARTICLE TWELVE**

If any provision (or any part thereof) of this Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provision in any other circumstance and of the remaining provisions of this Certificate of Incorporation (including, without limitation, each portion of any section of this Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Certificate of Incorporation (including, without limitation, any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.
IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Incorporation on this [*] day of [*], 2018.

By: ______________
Name: [*]
Title: Sole Incorporator

[Signature Page to Certificate of Incorporation - Northern Oil and Gas, Inc.]
OFFICER'S CERTIFICATE
OF
NORTHERN OIL AND GAS, INC.

__________, 2018

This Officer’s Certificate (this “Certificate”) is delivered by Northern Oil and Gas, Inc., a Delaware corporation (the “Company”), to each of Noteholders (as defined therein), pursuant to Section 6(b)(iv) of that certain Exchange Agreement, dated January 31, 2018 (the “Exchange Agreement”), by and between the Company and the Noteholders. Capitalized terms used herein, and not otherwise defined herein, have the respective meanings given to such terms in the Exchange Agreement.

The undersigned officer of the Company hereby certifies on behalf of the Company, solely in his capacity as an authorized officer of the Company, and not in any individual capacity, as follows:

1. Each of the representations and warranties of the Company contained in Section 4 were true and correct in all respects as of the date of the Exchange Agreement and as of the date of Closing, with the same force and effect as though made on and as of Closing.

2. The Company has complied with and performed in all material respects all covenants and agreements required to be performed or complied with by it under the Exchange Agreement at or prior to the Closing, except for the covenants set forth in Section 2(a) of the Exchange Agreement (to the extent required to be complied with at or prior to the Closing), which the Company has performed and complied with in all respects.

3. To the undersigned’s knowledge, as of the date of this Certificate, the condition specified in Section 6(b)(vii) of the Exchange Agreement is satisfied.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the undersigned has executed this Certificate on behalf of the Company as of the date first stated above.

NORTHERN OIL AND GAS, INC.

By: __________________________
Name: _______________________
Title: ________________________

[Signature Page to Officer’s Certificate of the Company]
THE UNDERSIGNED HEREBY CERTIFIES, IN SUCH PERSON’S CORPORATE AND NOT INDIVIDUAL CAPACITY, ON BEHALF OF THE ISSUER AS FOLLOWS:

1. I am the Chief Financial Officer of Northern Oil and Gas, Inc. a Delaware corporation (the “Issuer”).

2. Reference is made to that certain Indenture, dated as of _________, 2018 (as amended, supplemented or otherwise modified from time to time, the “Indenture”), by and among the Issuer and __________, as trustee and collateral agent. Capitalized terms used but not defined herein have the meanings assigned in the Indenture.

3. I have reviewed the definitions and provisions contained in the Indenture and the other Note Documents that are relevant to the matters certified by me in Paragraph 4 below, and, in my opinion, have made, or have caused to be made under my supervision, such examination or investigation as is necessary to enable me to express an informed opinion as to the matters referred to herein.

4. Based upon my review and examination described in Paragraph 3 above, I certify that as of the date hereof, after giving effect to the consummation of the “Transactions” as defined in, contemplated by and described in the Indenture and the other transactions contemplated by the Note Documents, (i) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Issuer, taken as a whole, will exceed the aggregate Debt (as defined in the Indenture) of the Issuer on a consolidated basis, as the Debt becomes absolute and matures, (ii) the Issuer will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by the Issuer and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures and (iii) the Issuer will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business. For purposes hereof, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the undersigned has executed this Certificate on behalf of the Company as of the date first stated above.

NORTHERN OIL AND GAS, INC.

By: ____________________________
Name: __________________________
Title: __________________________
This JOINDER AGREEMENT, dated as of ________________, 2018 (this “Joinder”), is delivered pursuant to that certain Exchange Agreement, dated as of January 31, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Exchange Agreement”), by and among Northern Oil and Gas, Inc., a Minnesota corporation (the “Company”), and the Noteholders named therein. Capitalized terms used but not otherwise defined herein have the respective meanings set forth in the Exchange Agreement.

1. The undersigned hereby represents and warrants to the Company that, as of the date hereof, the undersigned is the Beneficial Owner of $________ aggregate principal amount of Notes, which were acquired from [Selling Noteholder].

2. The undersigned hereby represents and warrants to the Company that it is (i) either (A) an “accredited investor” as defined in Regulation D under the Securities Act or (B) a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act and (ii) is not an affiliate of the Company within the meaning of Rule 144 under the Securities Act.

3. Upon the execution of this Joinder by the undersigned and delivery hereof to the Company, the undersigned hereby is and hereafter will be a Noteholder under the Exchange Agreement, with all the rights, privileges and responsibilities of a Noteholder thereunder. The undersigned hereby agrees that it shall comply with and be fully bound by the terms of the Exchange Agreement as if it had been a signatory there to as of the date thereof.

4. All terms and conditions of the Exchange Agreement are hereby incorporated by reference in this Joinder as if set forth herein in full.

[Remainder of Page Intentionally Left Blank]
IN WITNESS WHEREOF, the undersigned has executed this Certificate on behalf of the Company as of the date first stated above.

[NAME OF NEW PARTY]

By: __________________________
Name: ________________________
Title: ________________________

Acknowledged and agreed as of the date first set forth above:

NORTHERN OIL AND GAS, INC.

By: __________________________
Name: ________________________
Title: ________________________

[Signature page to Joinder Agreement]
Calculation of Ratio of Earnings to Fixed Charges
Northern Oil and Gas, Inc.

<table>
<thead>
<tr>
<th>Earnings (Deficit) Before Income</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$84,834,650</td>
<td>$263,112,945</td>
<td>$(1,177,778,745)</td>
<td>$(294,895,887)</td>
<td>$(10,763,788)</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Charges</td>
<td>38,688,300</td>
<td>46,517,384</td>
<td>59,869,939</td>
<td>64,854,615</td>
<td>70,450,324</td>
</tr>
<tr>
<td>Subtract:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>5,976,981</td>
<td>4,409,544</td>
<td>1,506,172</td>
<td>356,196</td>
<td>147,775</td>
</tr>
<tr>
<td>Total Earnings (Deficit) Before Fixed Charges</td>
<td>117,545,969</td>
<td>305,220,785</td>
<td>(1,119,414,978)</td>
<td>(230,397,468)</td>
<td>59,538,761</td>
</tr>
<tr>
<td>Fixed Charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>32,709,056</td>
<td>42,105,676</td>
<td>58,360,387</td>
<td>64,485,623</td>
<td>70,286,341</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>5,976,981</td>
<td>4,409,544</td>
<td>1,506,172</td>
<td>356,196</td>
<td>147,775</td>
</tr>
<tr>
<td>Estimated Interest Component of Rent</td>
<td>2,263</td>
<td>2,164</td>
<td>3,380</td>
<td>12,796</td>
<td>16,208</td>
</tr>
<tr>
<td>Total Fixed Charges</td>
<td>38,688,300</td>
<td>46,517,384</td>
<td>59,869,939</td>
<td>64,854,615</td>
<td>70,450,324</td>
</tr>
</tbody>
</table>

**Ratio of Earnings (Deficit) to Fixed Charges**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>6.6x</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>(18.7)x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3.6)x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.9x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The Company had no preferred stock outstanding for any period presented, and accordingly, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

(2) Earnings were insufficient to cover fixed charges by approximately $10.9 million for the year ended December 31, 2017. Earnings were insufficient to cover fixed charges by approximately $295.3 million and $1,179.3 million for the years ended December 31, 2016 and 2015, respectively, due primarily to a non-cash impairment charge.
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 23, 2018, with respect to the financial statements and internal control over financial reporting included in the Annual Report of Northern Oil and Gas, Inc. on Form 10-K for the year ended December 31, 2017. We consent to the incorporation by reference of said reports in the Registration Statements of Northern Oil and Gas, Inc. on Forms S-8 (File No. 333-148333, File No. 333-160602, File No. 333-175100, File No. 333-188999, File No. 333-205617, and File No. 333-212929), on Forms S-3 (File No. 333-146596, File No. 333-158320, File No. 333-163779, File No. 333-167049, File No. 333-188423, and File No. 333-205619), and on Form S-4 (File No. 333-216887).

/s/ GRANT THORNTON LLP

Minneapolis, Minnesota
February 23, 2018
CONSENT OF RYDER SCOTT COMPANY, L.P.

Northern Oil and Gas, Inc.
601 Carlson Pkwy – Suite 990
Minnetonka, Minnesota 55305

The undersigned hereby consents to the references to our firm in the form and context in which they appear in the Annual Report on Form 10-K of Northern Oil and Gas, Inc. for the year ended December 31, 2017 (the "Annual Report"). We hereby further consent to the inclusion in the Annual Report of estimates of oil and gas reserves contained in our report dated, February 2, 2018, and to the inclusion of such report as an exhibit to the Annual Report. We further consent to the incorporation by reference thereof into Northern Oil and Gas, Inc.'s Registration Statements on Form S-8 (Nos. 333-148333, 333-160602, 333-175100, 333-188999, 333-205617, and 333-212929) and on Form S-3 (Nos. 333-146596, 333-158320, 333-163779, 333-167049, 333-188423, and 333-205619) and on Form S-4 (File No. 333-216887).

RYDER SCOTT COMPANY, L.P.

/s/ Ryder Scott Company, L.P.

Denver, Colorado
February 23, 2018
CERTIFICATION

I, Brandon Elliott, certify that:

1. I have reviewed this annual report on Form 10-K of Northern Oil and Gas, Inc. for the year ended December 31, 2017;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 23, 2018

By: /s/ Brandon Elliott
Brandon Elliott
Principal Executive Officer
CERTIFICATION

I, Chad Allen, certify that:

1. I have reviewed this annual report on Form 10-K of Northern Oil and Gas, Inc. for the year ended December 31, 2017;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 23, 2018

By: /s/ Chad Allen
Chad Allen
Principal Financial Officer
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Northern Oil and Gas, Inc. (the "Company"), on Form 10-K for the period ended December 31, 2017, as filed with the United States Securities and Exchange Commission on the date hereof, (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 23, 2018

By: /s/ Brandon Elliott
Brandon Elliott
Principal Executive Officer

Dated: February 23, 2018

By: /s/ Chad Allen
Chad Allen
Principal Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
February 2, 2018

Northern Oil and Gas, Inc.
601 Carlson Parkway, Suite 990
Minnetonka, Minnesota  55305

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold and royalty interests of Northern Oil and Gas, Inc. (Northern) as of December 31, 2017. The subject properties are located in the states of Montana and North Dakota. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on February 2, 2018 and presented herein, was prepared for public disclosure by Northern in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Northern as of December 31, 2017.

The estimated reserves and future net income amounts presented in this report, as of December 31, 2017, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the “as of date” of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized as follows.

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**SEC PARAMETERS**
Estimated Net Reserves and Income Data
Certain Leasehold and Royalty Interests of
Northern Oil and Gas, Inc.
As of December 31, 2017

| Net Remaining Reserves | Proved | | | | |
|-----------------------|-------|---|---|---|
|                       | Developed | | | |
|                       | Producing | Non-Producing | Undeveloped | Total Proved |
| Oil/Condensate – MBBL | 33,334 | 5,258 | 24,220 | 62,812 |
| Gas – MMCF            | 40,296 | 6,222 | 31,603 | 78,121 |

<table>
<thead>
<tr>
<th>Income Data (M$)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Gross Revenue</td>
<td>$1,509,918</td>
<td>$237,515</td>
<td>$1,104,155</td>
<td>$2,851,588</td>
</tr>
<tr>
<td>Deductions</td>
<td>645,578</td>
<td>74,992</td>
<td>662,299</td>
<td>1,382,869</td>
</tr>
<tr>
<td>Future Net Income (FNI)</td>
<td>$864,340</td>
<td>$162,523</td>
<td>$441,856</td>
<td>$1,468,719</td>
</tr>
<tr>
<td>Discounted FNI @ 10%</td>
<td>$510,086</td>
<td>$101,270</td>
<td>$146,644</td>
<td>$758,000</td>
</tr>
</tbody>
</table>
Liquid hydrocarbons are expressed in thousands of standard 42 gallon barrels (MBBL). All gross 8/8ths gas production volumes are forecast before shrinkage and net gas production volumes are reported on an “as sold basis” expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package ARIES™ Petroleum Economics and Reserves Software, a copyrighted program of Halliburton. The program was used at the request of Northern. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, re-completion costs, development costs, and certain abandonment costs net of salvage. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist, nor does it include any adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 92 percent and gas reserves account for the remaining 8 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Total Proved</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>$1,005,219</td>
</tr>
<tr>
<td>8</td>
<td>$841,008</td>
</tr>
<tr>
<td>12</td>
<td>$689,908</td>
</tr>
<tr>
<td>15</td>
<td>$608,263</td>
</tr>
</tbody>
</table>

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

**Reserves Included in This Report**

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission’s Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled “Petroleum Reserves Definitions” is included as an attachment to this report.

The various proved reserve status categories are defined under the attachment entitled “Petroleum Reserves Status Definitions and Guidelines” in this report. The proved developed non-producing reserves included herein consist of wells that are waiting on completion, behind pipe or shut-in.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes presented herein do not include volumes of gas consumed in operations as reserves.

Reserves are “estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations.” All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Northern’s request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are “those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward”. The proved reserves included herein were estimated using deterministic methods. The SEC has defined reasonable certainty for proved reserves, when based on deterministic methods, as a “high degree of confidence that the quantities will be recovered”.

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that “as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.” Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Northern’s operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and
production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Northern owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission’s Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used individually or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the “quantities actually recovered are much more likely than not to be achieved.” The SEC states that “probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.” The SEC states that “possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves.” All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.
The proved reserves for the properties included herein were estimated by performance methods or analogy. One hundred percent of the proved producing reserves attributable to producing wells were estimated by performance methods. These performance methods include, but may not be limited to, decline curve analysis which utilized extrapolations of historical production data available through November 2017 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Northern and were considered sufficient for the purpose thereof.

One hundred percent of the proved developed non-producing and undeveloped reserves included herein were estimated by analogy methods. The data utilized from the existing producing wells to develop analogues were considered sufficient for the purpose thereof.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Northern has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Northern with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, production taxes, recompletion and development costs, development plans, abandonment costs after salvage, product prices based on the SEC regulations, adjustments or differentials to product prices. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Northern. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the “SEC Regulations.” In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

**Future Production Rates**

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Northern. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.
Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the “as of date” of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month unweighted arithmetic average as previously described.

Northern furnished us with the above mentioned average prices in effect on December 31, 2017. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the “benchmark prices” and “price reference” used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions or distance from market, referred to herein as “differentials.” The differentials used in the preparation of this report were furnished to us by Northern. The differentials furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Northern to determine these differentials.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the “average realized prices.” The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Product</th>
<th>Price Reference</th>
<th>Average Benchmark Prices</th>
<th>Average Realized Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>Oil/Condensate</td>
<td>WTI Cushing</td>
<td>$51.34/Bbl</td>
<td>$45.90/Bbl</td>
</tr>
<tr>
<td>United States</td>
<td>Gas</td>
<td>Henry Hub</td>
<td>$2.98/MMBTU</td>
<td>$3.34/MCF</td>
</tr>
</tbody>
</table>

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report were furnished by Northern and are based on the operating expense reports of Northern and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs for non-operated properties include the COPAS overhead costs that are allocated directly to the leases and wells under terms of operating agreements. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Northern. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Northern and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Northern were accepted without independent verification.
The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Northern’s plans to develop these reserves as of December 31, 2017. The implementation of Northern’s development plans as presented to us and incorporated herein is subject to the approval process adopted by Northern’s management. As the result of our inquiries during the course of preparing this report, Northern has informed us that the development activities included herein have been subjected to and received the internal approvals required by Northern’s management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Northern. Additionally, Northern has informed us that they are not aware of any legal, regulatory or political obstacles that would significantly alter their plans. While these plans could change from those under existing economic conditions as of December 31, 2017, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Current costs used by Northern were held constant throughout the life of the properties.

**Standards of Independence and Professional Qualification**

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1937. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer’s license or a registered or certified professional geoscientist’s license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Northern. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

**Terms of Usage**

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Northern.

Northern makes periodic filings on Form 10-K with the SEC under the 1934 Exchange Act. Furthermore, Northern has certain registration statements filed with the SEC under the 1933 Securities Act into which any subsequently filed Form 10-K is incorporated by reference. We have consented to the incorporation by reference in the registration statements on Forms S-3 and/or S-8 of Northern of the references to our name as well as to the references to our third party report for Northern, which appears in the December 31, 2017 annual report on Form 10-K of Northern. Our written consent for such use is included as a separate exhibit to the filings made with the SEC by Northern.

We have provided Northern with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Northern and the original signed report letter, the original signed report letter shall control and supersede the digital version.
The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

/s/ James L. Baird
James L. Baird, P.E.
Colorado License No. 41521
Managing Senior Vice President

/s/ Clark D. Parrott
Clark D. Parrott, P.E.
Colorado License No. 35262
Senior Petroleum Engineer
Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. James Larry Baird was the primary technical person responsible for overseeing the estimate of the reserves.

Mr. Baird, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 2006, is a Managing Senior Vice President and also serves as Manager of the Denver office, responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Baird served in a number of engineering positions with Gulf Oil Corporation (1970-1973), Northern Natural Gas (1973-1975) and Questar Exploration & Production (1975-2006). For more information regarding Mr. Baird’s geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mr. Baird earned a Bachelor of Science degree in Petroleum Engineering from the University of Missouri at Rolla in 1970. He is a registered Professional Engineer in the States of Colorado and Utah. He is also a Legion of Honor member of the Society of Petroleum Engineers.

In addition to gaining experience and competency through prior work experience, several State Boards of Professional Engineers require a minimum number of hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Baird fulfills as part of his registration in two states. As part of his continuing education, Mr. Baird attends internally presented training as well as public forums relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, and Final Rule released January 14, 2009 in the Federal Register. Mr. Baird attends additional hours of formalized internal and external training covering such topics as the SPE/WPC/AAPG/SPEE Petroleum Resources Management System, reservoir engineering and petroleum economics evaluation methods, various analysis software and ethics for consultants.

Based on his educational background, professional training and more than 48 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Baird has attained the professional qualifications as a Reserves Estimator and Reserves Auditor set forth in Article III of the “Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information” promulgated by the Society of Petroleum Engineers as of February 19, 2007.