UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K/A

(AMENDMENT NO. 1)

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010
Or

o **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.)*

315 Manitoba Avenue Suite 200, Wayzata, Minnesota 55391
(*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 Amex Equities Market

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

None
(*Title of Class*)

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

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

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 x No o

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 o No o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	o	Accelerated Filer	x
Non-Accelerated Filer	o	Smaller Reporting Company	o
(Do not check if a smaller reporting company)			

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter.

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 Amex Equities Market) was approximately $583 million.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

As of March 1, 2011, the registrant had 63,103,424 shares of common stock issued and outstanding.

EXPLANATORY NOTE

Northern Oil and Gas, Inc. is filing this Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, originally filed with the Securities and Exchange Commission (the SEC) on March 4, 2011 (the Original Report).

This Amendment is being filed to (i) amend Item 1 of Part I and Note 1 to the financial statements included in Item 8 of Part II to eliminate the references to the total number of wells in which we may potentially participate and (ii) amend Items 11 and 13 of Part III to enhance certain disclosures incorporated by reference into the Original Report from our proxy statement for the Annual Meeting of Shareholders held June 8, 2011. Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, this Amendment sets forth the complete text of each item as amended.

Except as expressly set forth above, the Original Report has not been amended, updated or otherwise modified. This Amendment does not reflect events occurring after the filing of the Original Report or update those disclosures regarding events that occurred subsequent to the end of the fiscal year ended December 31, 2010. All other information is unchanged and reflects the disclosures made at the time of the filing of the Original Report.

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 barrel or barrels.

BOE barrels of crude oil equivalent.

Boepd barrels of crude oil equivalent per day.

MBbl thousand barrels.

MBoe thousand barrels of crude oil equivalent.

Mcf thousand cubic feet of gas.

Mcfe thousand cubic feet of gas equivalent.

MMBbls million barrels.

MMBoe million barrels of crude oil equivalent.

MMcf million cubic feet of gas.

MMcfe million cubic feet of gas equivalent.

MMcfepd million cubic feet of gas equivalent per day.

MMcfpd million cubic feet of gas per day.

Terms used to describe our interests in wells and acreage:

Developed acreage means 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 is a well drilled within the proved area of a crude oil or natural gas reservoir to the depth of stratigraphic horizon (rock layer or formation) noted to be productive for the purpose of extracting proved crude oil or natural gas reserves.

Dry hole is an exploratory or development well found to be incapable of producing either crude oil or natural gas in sufficient quantities to justify completion as a crude oil or natural gas well.

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

Gross acres refer to the number of acres in which we own a gross working interest.

Gross well is a well in which we own a working interest.

Infill well is a subsequent well drilled in an established spacing unit to the addition 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 represent our percentage ownership of gross acreage. 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 acres under the bit means those leased acres on which wells are spud, drilling, drilled, awaiting completion or completing, and not yet classified as developed acreage, regardless of whether or not such acreage contains proved reserves. Acreage included in spacing units of infill wells is not considered under the bit because such acreage was already previously classified as developed acreage when the initial well was completed in the subject spacing unit.

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

Productive well is an exploratory or a development well that is not a dry hole.

Undeveloped acreage means those leased acres on which wells have not been drilled or completed to a point that would permit the production of economic quantities of crude oil and natural gas, regardless of whether or not such acreage contains proved reserves. Undeveloped acreage includes net acres under the bit until a productive well is established in the spacing unit.

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

Proved reserves or ***reserves*** Proved crude oil and natural gas reserves are those quantities of crude oil and natural gas, which, by analysis of geoscience 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 developed reserves (PDP s) Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional crude oil 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 s) Proved crude oil 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 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 (PUD s) Proved crude oil and natural gas 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 certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proven effective by actual tests in the area and in the same reservoir.

Probable reserves are those 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.

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

Pre-tax PV-10 means 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.

Standardized Measure means estimated future net revenue, discounted at a rate of 10% per annum, after income taxes and with no price or cost escalation, calculated in accordance with Accounting Standards Codification (ASC) 932, formerly Statement of Financial Accounting Standards No. 69 Disclosures About Oil and Gas Producing Activities.

NORTHERN OIL AND GAS, INC.

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NORTHERN OIL AND GAS, INC.

PART I

Item 1. ***Business***

Overview

Our company took its present form on March 20, 2007, when Northern Oil and Gas, Inc. (Northern), a Nevada corporation engaged in our current business, merged with and into our subsidiary, with Northern remaining as the surviving corporation (the Merger). Northern then merged into us, and we were the surviving corporation. We then changed our name to Northern Oil and Gas, Inc. As a result of the Merger, Northern was deemed to be the acquiring company for financial reporting purposes and the transaction has been accounted for as a reverse merger. Our primary operations are now those formerly operated by Northern as well as other business activities since March 2007.

On June 30, 2010, Northern completed its reincorporation 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 current articles of incorporation and bylaws.

Our common stock commenced trading on the American Stock Exchange (AMEX) on March 26, 2008 under the symbol NOG. Our common stock commenced trading on the New York Stock Exchange (NYSE) on the NYSE Amex Equities Market platform upon completion of NYSE Euronext s acquisition of the AMEX.

Business

We are a growth-oriented independent energy company engaged in the acquisition, exploration, development and production of crude oil and natural gas properties, primarily in the Bakken and Three Forks formations within the Williston Basin in North Dakota and Montana. As of March 1, 2011, we controlled 147,407 net acres in the Williston Basin targeting the Bakken and Three Forks formations and owned working interests in 337 successful discoveries, consisting of 332 targeting the Bakken and Three Forks formations and five targeting Red River structures. Our current Bakken and Three Forks prospective acreage position will allow us to drill approximately 921 net wells based on six net wells per 960-acre spacing units. As of March 1, 2011, we had developed 23,279 net acres and had 11,596 net acres under the bit. We reaffirm our focus and commitment to only the Williston Basin Bakken, Three Forks and Red River plays.

We believe that we are able to create value via strategic acreage acquisitions and convert that value or portion thereof into production by utilizing experienced industry partners specializing in the specific areas of interest. We have targeted specific prospects and began drilling for crude oil in the Williston Basin region in the fourth fiscal quarter of 2007.

As an exploration company, our business strategy is to identify and exploit the crude oil producing Bakken and Three Forks formation. We intend to take advantage of our expertise in aggressive land acquisition to pursue exploration and development projects as a non-operating working interest partner, participating in drilling activities primarily on a heads-up basis proportionate to our working interest. Our business does not depend upon any intellectual property, licenses or other proprietary property unique to our company, but instead revolves around our ability to acquire mineral rights and participate in drilling activities by virtue of our ownership of such rights and through the relationships we have developed with our operating partners.

We believe our competitive advantage lies in our ability to acquire property in the Williston Basin in a nimble and efficient fashion. We historically have acquired properties by purchasing individual or small groups of leases directly from mineral owners or from landmen or lease brokers, as well as purchasing lease packages in identified project areas controlled by specific operators. We continue to utilize a variety of methods to acquire properties, and are increasingly focusing our efforts on acquiring properties subject to specific drilling projects or included in permitted or drilling spacing units.

We are focused on maintaining a low overhead structure. We believe we are in a position to most efficiently exploit and identify high production crude oil and natural gas properties due to our unique non-operator model through which we are able to diversify our risk and participate in the evolution of technology by the collective expertise of those operators with which we partner. We intend to continue to carefully pursue the acquisition of properties that fit our profile.

Reserves

We completed our initial reservoir engineering calculations in the first fiscal quarter of 2008 and recently completed our most current reservoir engineering calculation as of December 31, 2010. Based on our independent reservoir engineering firm s calculation of proved undeveloped reserves as of December 31, 2009, approximately 22% of our proved undeveloped reserves were converted to proved developed reserves during 2010.

Based on the results of our December 31, 2010 reserve analysis, our proved reserves increased approximately 158% during 2010 primarily as a result of increased drilling activity involving our acreage and our acquisition of acreage subject to specific drilling projects or included in permitted or drilling spacing units. We incurred approximately $124 million of capital expenditures for drilling activities during the year ended December 31, 2010, all of which directly contributed to the increase in our proved developed reserves. No other expenditures materially contributed to the development of proved developed reserves in 2010. 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. We do not have any material amounts of proved undeveloped reserves that have remained undeveloped for five years or more.

At year-end, we had developed approximately 15% of our Bakken and Three Forks prospective acreage. At year end we had 10,748 net acres under the bit, for a total of approximately 31,974 net acres or 23% of our prospective Bakken and Three Forks position which consisted of both developed acreage and net acres under the bit. The value of our reserves is calculated by determining the present value of estimated future revenues to be generated from the production of our proved reserves, net of estimated lease operating expenses, production taxes and future development costs. All of our proved reserves are located in North Dakota and Montana.

Preparation of our reserve report is outlined in our Sarbanes-Oxley Act Section 404 internal control procedures. Our procedures require that our reserve report be prepared by a third-party registered independent engineering firm at the end of every year based on information we provide to such engineer. We accumulate historical production data for our wells, calculate historical lease operating expenses and differentials, update working interests and net revenue interests, obtain updated authorizations for expenditure (AFEs) from our operations department and obtain geological and geophysical information from operators. This data is forwarded to our third-party engineering firm for review and calculation. Our Chief Executive Officer provides a final review of our reserve report and the assumptions relied upon in such report.

We have utilized Ryder Scott Company, LP (Ryder Scott), an independent reservoir engineering firm, as our third-party engineering firm beginning with the preparation of our December 31, 2008 reserve report. The selection of Ryder Scott is approved by our Audit Committee annually. Ryder Scott is one of the largest reservoir-evaluation consulting firms and evaluates crude 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 proved reserves tables below summarize our estimated proved reserves as of December 31, 2010, based upon reports prepared by Ryder Scott. 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, 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 crude 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 of 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 crude oil and natural gas that cannot be measured in an exact manner. There are numerous uncertainties inherent in estimating crude 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 crude 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 crude 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 Estimates of crude oil and natural gas reserves that we make may be inaccurate and our actual revenues may be lower than our financial projections.

Ryder Scott prepared two separate reserve reports valuing our proved reserves at December 31, 2010. The reports value only our proved reserves and do not value our probable reserves or our possible reserves. Both tables account for straight-line pricing of crude oil and natural gas at constant prices over the expected life of our wells. Our SEC Pricing Proved Reserves were calculated using crude oil and natural gas price parameters established by current SEC guidelines and Financial Accounting Standard Board guidance. Our Sensitivity Case Proved Reserves were calculated using higher assumed values for crude oil and natural gas selected at our discretion to better reflect our current expectations because the SEC pricing parameters are significantly lower than current market prices and our average realized price per barrel at December 31, 2010. The Sensitivity Case Proved Reserves table provided below is intended to illustrate reserve sensitivities to the commodity prices. The Sensitivity Case using the constant average price of $88.91 represents the February 25, 2010 closing WTI crude oil price less our weighted average deduction from spot price for the fiscal year end of 2010. The Sensitivity Case Proved Reserves should not be confused with SEC Pricing Proved Reserves as outlined below and does not comply with SEC pricing assumptions, but does comply with all other definitions.

SEC Pricing Proved Reserves[(1)]

	Crude Oil (barrels)	Natural Gas (cubic feet)	Total (BOE)[(2)]	Pre-Tax PV10% Value[(3)]
PDP Properties	4,857,272	2,698,401	5,307,006	$ 160,307,688
PDNP Properties	983,474	815,026	1,119,312	$ 30,829,818
PUD Properties	8,152,953	6,936,538	9,309,043	$ 104,374,016
Total Proved Properties:	13,993,699	10,449,965	15,735,361	$ 295,511,522

Sensitivity Case Proved Reserves[(1)]

	Crude Oil (barrels)	Natural Gas (cubic feet)	Total (BOE)[(2)]	Pre-Tax PV10% Value[(3)]
PDP Properties	4,960,356	2,746,567	5,418,117	$ 206,160,609
PDNP Properties	1,001,776	829,924	1,140,096	$ 39,942,594
PUD Properties	8,269,365	7,035,487	9,441,946	$ 172,593,734
Total Proved Properties:	14,231,497	10,611,978	16,000,159	$ 418,696,937

(1) The SEC Pricing Proved Reserves table above values crude oil and natural gas reserve quantities and related discounted future net cash flows as of December 31, 2010 assuming a constant realized price of $70.46 per barrel of crude oil and a constant realized price of $5.04 per Mcf of natural gas.

The Sensitivity Case Proved Reserves table above values crude oil and natural gas reserve quantities and related discounted future net cash flows as of December 31, 2010 assuming a constant realized price of $88.91 per barrel of crude oil and a constant realized price of $5.04 per Mcf of natural gas, which prices are consistent with prior SEC pricing methodology.

The Sensitivity Case Proved Reserves table is intended to illustrate reserve sensitivities to the commodity prices. The Sensitivity Case Proved Reserves should not be confused with SEC Pricing Proved Reserves as outlined above and does not comply with SEC pricing assumptions, but does comply with all other definitions. Based on Ryder Scott s reserve analysis, the increase in the Sensitivity Case reserves is primarily attributed to the positive correlation between higher prices per barrel and longer well lives.

The values presented in both tables above were calculated by Ryder Scott.

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

(3) Pre-tax PV10% 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 standardized financial measure. Pre-tax PV10% is computed on the same basis as the standardized measure of discounted future net cash flows but without deducting future income taxes. We believe Pre-tax PV10% is a useful measure for investors for evaluating the relative monetary significance of our crude oil and natural gas properties. We further believe investors may utilize our Pre-tax PV10% as a basis for comparison of the relative size and value of our reserves to other companies because many factors that are unique to each individual company impact the amount of future income taxes to be paid. Our management uses this measure when assessing the potential return on investment related to our crude oil and natural gas properties and acquisitions. However, Pre-tax PV10% is not a substitute for the standardized measure of discounted future net cash flows. Our Pre-tax PV10% and the standardized measure of discounted future net cash flows do not purport to present the fair value of our crude oil and natural gas reserves. The pre-tax PV10% values of our Total Proved Properties in the tables above differ from the tables reconciling our pre-tax PV10% value on the following page of this Annual Report due to rounding differences in certain tables of Ryder Scott s reserve report.

Our December 31, 2010 reserve report includes an assessment of proven undeveloped locations for only Bakken and Three Forks prospective acreage, which includes approximately 85% of our Bakken and Three Forks undeveloped acreage.

The tables above assume 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 Pre-tax PV10% values of our proved reserves presented in the foregoing tables may be considered a non-GAAP financial measure as defined by the SEC.

The following table reconciles the pre-tax PV10% value of our SEC Pricing Proved Reserves to the standardized measure of discounted future net cash flows.

SEC Pricing Proved Reserves

Standardized Measure Reconciliation	
Pre-tax Present Value of estimated future net revenues (Pre-tax PV10%)	$ 295,511,531
Future income taxes, discounted at 10%	(84,898,740)
Standardized measure of discounted future net cash flows	$ (210,612,791)

The following table reconciles the pre-tax PV10% value of our Sensitivity Case Proved Reserves to the standardized measure of discounted future net cash flows.

Sensitivity Case Proved Reserves

Standardized Measure Reconciliation	
Pre-tax Present Value of estimated future net revenues (Pre-tax PV10%)	$ 418,696,969
Future income taxes, discounted at 10%	(131,118,861)
Standardized measure of discounted future net cash flows	$ 287,578,108

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 crude 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 crude oil and natural gas is not likely to average the pricing parameters used to calculate our proved reserves. As such, the crude 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 to our financial statements included later in this report.

Recent Developments

During 2010, we continued to focus our operations on acquiring leaseholds and drilling exploratory and developmental wells in the Williston Basin. We acquired an aggregate of 56,858 additional net mineral acres during 2010, for an average cost of $1,043 per net acre, primarily in Billings, Burke, Divide, Dunn, Golden Valley, McKenzie, Mountrail, Williams, and Stark Counties, of North Dakota but also in Richland, and Roosevelt of Montana. During 2010, we participated in the completion of 170 gross wells with a 100% success rate in the Bakken and Three Forks formations. As of December 31, 2010, our principal assets included approximately 145,220 net acres located in the Williston Basin region of the northern United States and approximately 7,950 net acres located in Yates County, New York, as more fully described under the heading Properties Leasehold Properties in Item 2.

During 2010, we continued to acquire interests in crude oil, gas and mineral leases with the intention of increasing our acreage positions in desired prospects of the Williston Basin. A complete discussion of our significant acquisitions during the past fiscal year is included under the heading Properties Recent Acreage Acquisitions in Item 2.

Production Methods

We primarily engage in crude oil and natural gas exploration and production by participating on a heads-up basis alongside third-party interests in wells drilled and completed in spacing units that include our acreage. 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 crude 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. In 2010, we participated in the drilling of all new wells that included any of our acreage. We will assess each drilling opportunity on a case-by-case basis going forward and participate in wells that we expect to meet our return thresholds based upon our estimates of ultimate recoverable crude oil and natural gas, expertise of the operator and completed well cost from each project, as well as other factors. At the present time we expect to participate pursuant to our working interest in substantially all, if not all, of the wells proposed to us.

We do not manage our commodities marketing activities internally, but our operating partners generally market and sell crude oil and natural gas produced from wells in which we have an interest. Our operating partners coordinate the transportation of our crude oil production from our wells to appropriate pipelines 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 crude 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 2010 was $8.97 per barrel below New York Mercantile Exchange (NYMEX) pricing. Our weighted average differential was approximately $10.09 during the fourth quarter of 2010. This differential represents the imbedded transportation costs in moving the crude oil from wellhead to refinery and will fluctuate based on availability of pipeline, rail and other transportation methods.

Competition

The crude oil and natural gas industry is intensely competitive, and we compete with numerous other crude 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 crude 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. The operations of other companies may be able to pay more for exploratory prospects and productive crude 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 have the resources to be better able to absorb the burden of existing, and any changes to federal, state, and local laws and regulations more easily 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 crude 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.

Marketing and Customers

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

Our crude oil production is expected to be sold at prices tied to the spot crude 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 involve 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.

Principal Agreements Affecting Our Ordinary Business

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. All lease arrangements that comprise our acreage positions are established using industry-standard terms that have been established and used in the crude 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 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 well is considered held by production, meaning the lease continues as long as crude oil is being produced. 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 crude oil and natural gas exploration and production industry as whole.

Regulation of Crude Oil and Natural Gas Production

Our crude oil and natural gas exploration, production and related operations, when developed, 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 crude oil and natural gas. Such states may also have statutes or regulations addressing conservation matters, including provisions for the unitization or pooling of crude oil and natural gas properties, the establishment of maximum rates of production from wells, and the regulation of spacing, plugging and abandonment of such wells. Failure to comply with any such rules and regulations can result in substantial penalties. The regulatory burden on the crude oil and natural gas industry will most likely increase our cost of doing business and may affect our profitability. Although we believe we are currently in substantial compliance with all applicable laws and regulations, 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.

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 crude 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 crude 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.

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 the Act. 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 will be in substantial compliance with such statutes, any change in these statutes or any reclassification of a species as endangered could subject our company to significant expenses to modify our operations or could force our company to discontinue certain operations altogether.

Climate Change

Significant studies and research have been devoted to climate change and global warming, 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 crude oil and natural gas exploration and production. Many states and the federal government have enacted legislation directed at controlling greenhouse gas emissions, and future legislation and regulation could impose additional restrictions or requirements in connection with our drilling and production activities and favor use of alternative energy sources, which could increase operating costs and demand for crude oil products. As such, our business could be materially adversely affected by domestic and international legislation targeted at controlling climate change.

Employees

We currently have 11 full time employees. Our Chief Executive Officer and Chairman, Michael L. Reger, and our President, Ryan R. Gilbertson, are responsible for all material policy-making decisions. They are assisted in the implementation of our company s business by our Chief Financial Officer and our Chief Operating Officer and General Counsel. All employees have entered into written employment agreements. As drilling production activities continue to increase, we may hire additional technical or administrative personnel as appropriate. We do not expect a significant change in the number of full time employees over the next 12 months based upon our currently-projected drilling plan. We are using and will continue to use the services of independent consultants and contractors to perform various professional services, particularly in the area of land services and reservoir engineering. 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 315 Manitoba Avenue, Suite 200, Wayzata, Minnesota 55391. Our office space consists of 3,044 square feet leased pursuant to a five-year office lease agreement that commenced in February 2008. We believe our current office space is sufficient to meet our needs for the foreseeable future.

Financial Information about Segments and Geographic Areas

We have not segregated our operations into geographic areas given the fact that all of our production activities occur within the Williston Basin.

Available Information Reports to Security Holders

Our website address is www.northernoil.com. We make available on this website under Investor Relations, free of charge, our annual reports on Form 10-K (formerly Form 10-KSB), quarterly reports on Form 10-Q (formerly Form 10-QSB), current reports on Form 8-K 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.

PART II

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.

PART III

Item 11. ***Executive Compensation***

Compensation Discussion and Analysis

Named Executive Officers

This Compensation Discussion and Analysis provides information about the 2010 compensation program for the following named executive officers:

Michael L. Reger	Chief Executive Officer, Chairman of the Board and Director
Ryan R. Gilbertson	President and Director
Chad D. Winter	Chief Financial Officer
James R. Sankovitz	Chief Operating Officer, General Counsel and Secretary

Overview

Our compensation committee is responsible for establishing director and executive officer compensation, policies and programs to insure that they are consistent with our compensation philosophy and corporate governance guidelines. The compensation committee is authorized to make plan awards to our employees to recognize individual and company-wide achievements as the committee deems appropriate. Our compensation committee has annually reviewed and approved base salary and incentive compensation levels, employment agreements and benefits of executive officers and other key executives.

We have implemented a compensation program that is designed to reward our management for maximizing shareholder value and ensuring the long-term stability of our company. Our compensation program is intended to reward individual accomplishments, team success and corporate results. It also recognizes the varying responsibilities and contributions of each employee and is intended to foster an ownership mentality among our management team.

Compensation Consultant

In 2010, the compensation committee engaged BDO Seidman (BDO) as an independent consultant to prepare an analysis of peer company compensation practices and advise the compensation committee on the reasonableness and appropriateness of compensation for the leadership employees of our company. The benchmarks used for the executive compensation comparisons included various publicly-traded crude oil and natural gas exploration and production companies that it has deemed to be peer companies, including (in alphabetical order) Abraxas Petroleum Corp., Callon Petroleum Co., Carrizo Oil & Gas, Inc., Double Eagle Petroleum Co., Energy XXI (Bermuda) Limited, EV Energy Partners LP, GMX Resources Inc., Goodrich Petroleum Corp., Kodiak Oil and Gas, PetroQuest Energy Inc., Rex Energy Corporation Stone Energy Corp. and Swift Energy Co.

BDO Seidman concluded that the award of equity, in combination with prior year awards and a continuation of cash compensation at levels suggested by our compensation committee, sets our executive officers compensation at market-competitive levels for the next four years, and the vesting terms of the awards establish a meaningful incentive to remain with our company. The four-year incentive plan represents a multi-year plan designed to incentivize our executive team over a long-term basis.

Role of Executives in Establishing Compensation

The compensation committee makes the final determination of all compensation paid to our named executive officers and is involved in all compensation decisions affecting our executive officers. However, management also plays a role in the determination of executive compensation levels. At the beginning of each year, at the request of the compensation committee, management proposes certain corporate and executive performance objectives for executive management. Management also participates in the discussion of peer companies to be used to benchmark named executive officers compensation. All management recommendations are reviewed and modified as necessary by the compensation committee, and approved by the compensation committee. The compensation committee meets regularly in executive session without management present.

Compensation Philosophy

In order to recruit and retain the most qualified and competent individuals as senior executives, we strive to maintain a compensation program that is competitive in our market and with respect to the general profession of our executives. We remain committed to hiring and retaining qualified, motivated employees at all levels within the organization while ensuring that all forms of compensation are aligned with business needs. The purpose of our compensation program is to reward exceptional organizational and individual performance. Our compensation system is designed to support the successful attainment of our vision, values and business objectives.

The following compensation objectives are considered in setting the compensation components for our senior executives:

- Attract and retain key executives responsible not only for our continued growth and profitability, but also for ensuring proper corporate governance and carrying out the goals and plans of our company;
- Motivate management to enhance long-term stockholder value and to align our executives interests with those of our stockholders;
- Correlate a portion of management s compensation to measurable performance, including specific financial and operating goals;
- Evaluate and rate performance relative to the existing market conditions during the measurement period; and
- Set compensation and incentive levels that reflect competitive market practices.

The principal components of our executive compensation program are base salary, annual incentive bonuses and long-term incentive awards. We blend these elements in order to formulate compensation packages which provide competitive pay, reward the achievement of financial, operational and strategic objectives on a short- and long-term basis, and align the interests of our executive officers and other senior personnel with those of our stockholders.

We have traditionally utilized stock incentives as a means to align the interests of our management with the interests of our shareholders and motivate our management to enhance shareholder value. Stock issuances to-date have been designed to serve as both short-term rewards and long-term incentives. As a result, each of our named executive officers holds a significant number of shares of our outstanding common stock.

Employment Agreements

All employees, including the officers named in the Summary Compensation table below, have entered into written employment agreements with our company. All such agreements provide that year-end cash bonuses are at the discretion of the compensation committee or board of directors, to be determined according to our achievement of specified predetermined and mutually agreed upon performance objectives each year.

Elements of Compensation

The total compensation and benefits program for our senior executives generally consists of the following components:

- base salaries;
- annual bonus incentive plan;
- discretionary bonuses;

long-term equity-based incentive compensation;

retirement, health and welfare benefits;

perquisites; and

severance payments/change of control.

Base Salaries

We provide base salaries to compensate our senior executives and other employees for services performed during the fiscal year. This provides a level of financial certainty and stability in an industry with historical volatility and cyclicality. The base salaries are designed to reflect the experience, education, responsibilities and contribution of the individual executive officers. This form of compensation is eligible for annual merit increases, and is initially established for each executive through individual negotiation and is reflected in his or her employment agreement. Thereafter, salaries are reviewed annually, based on a number of factors, both quantitative, including detailed organizational and competitive analyses, and qualitative, including the compensation committee s perception of the executive s experience, performance and contribution to our business objectives and corporate values.

At the request of management, effective January 1, 2011, Mr. Reger and Mr. Gilbertson elected to not receive any cash compensation, meaning they will be compensated solely through incentive stock grants on a going-forward basis. Receiving only stock compensation is intended to further align our executive officers personal performance and success with interests and success of our shareholders.

Annual Bonus Incentive Plan

The annual stock bonus incentive plan provides variable compensation earned only when established performance goals are achieved. It is designed to reward the plan participants, including the named executive officers, who have achieved certain corporate and executive performance objectives and have contributed to the achievement of certain objectives of our company.

Under this compensation program, each executive has the opportunity to earn a incentive compensation bonus up to a maximum of 100% of base salary, based on the achievement of pre-determined operating and financial performance measures and other performance objectives established by the compensation committee. The goals include a financial target and other targets.

Discretionary Bonuses

In addition to bonuses under the incentive plan discussed above, the compensation committee may also approve the payment of discretionary bonuses to officers and other employees in recognition of significant achievements.

2010 Bonuses

Near the end of 2010, the compensation committee met on multiple occasions to consider the performance of our named executive officers and make year-end compensation decisions. In evaluating the performance of our named executive officers, the committee primarily focused on the accomplishments and overall performance of our company during 2010. Based primarily on the growth of our company between March 2010 and the end of 2010, the compensation committee revised the applicable group of peer companies and used publicly available data to compare the compounded annual growth rate of those peers to that of our company to inform the committee in connection with the determination of 2010 bonuses and year-end compensation decisions. The committee evaluated the compounded annual growth rate of our company to a group of peer companies that included Kodiak Oil and Gas, Carrizo Oil & Gas, Inc., Swift Energy Co., Energy XXI (Bermuda) Limited, Oasis Oil and Gas Corporation, Bill Barrett Corporation, Berry Oil, Rosetta Resources, Inc., Brigham Exploration Company, St. Mary s County Oil Companies, Whiting Petroleum Corporation and Continental Oil and Gas. Notable accomplishments in 2010 taken into account by the compensation committee included the closing of a $100 million credit facility with Macquarie Bank Limited (Macquarie) the raising of over $280 million in equity capital at successively accretive levels, the substantial increase in production and revenues from 2009 to 2010, the efficient expansion of our acreage position throughout 2010 and the realization of more than a 125% stock appreciation during 2010.

We did not pay any cash bonuses in 2010. All bonus compensation during 2010 was provided through the issuance of shares of our common stock under our 2009 Equity Incentive Plan. On November 30, 2010, in recognition of the contributions by the named executive officers and the accomplishments of our company during 2010, the compensation committee approved the issuance of 43,326 shares of fully vested common stock to each of Mr. Reger and Mr. Gilbertson. The grant date fair value of the shares was $989,999 to each of Mr. Reger and Mr. Gilbertson. The compensation committee also approved the issuance of 30,854 shares to Mr. Sankovitz, having a grant date fair value of $705,014, and 20,569 shares to Mr. Winter, having a grant date fair value of $470,002. The total bonus amount for each executive officer was determined by the compensation committee on a post hoc basis based on the compensation committee s assessment of Mr. Reger, Mr. Gilbertson, Mr. Sankovitz and Mr. Winter s contributions to our accomplishments noted below under the heading *Year-End Compensation Decisions*.

Year-End Compensation Decisions

The compensation committee translated its qualitative assessment of our company s notable accomplishments in 2010, as disclosed under the heading 2010 Bonuses, into share issuance amounts by evaluating the performance of our named executive officers and the accomplishments and overall performance of our company during the 2010 fiscal year. Based on these accomplishments and the growth rate of our company compared to peer companies, the compensation committee granted bonuses to our named executive officers equal to three times the base salaries of Messrs. Reger, Gilbertson and Sankovitz and twice the base salary of Mr. Winter. The shares issued to our named executive officers in connection with their 2010 year-end bonuses were determined by dividing those amounts by the market value of our common stock on the date the resulting bonus shares were issued. The grant date fair value of the bonus shares is disclosed under the heading 2010 Bonuses.

In order to maximize the incentive attributes of the total compensation of our chief executive officer and president, the compensation committee granted 162,000 shares of restricted stock to each of Mr. Reger and Mr. Gilbertson on January 14, 2011, vesting over a period of three years. The compensation committee determined to utilize a multi-year vesting schedule to create both short term and long term incentive goals and align such vesting with our goal of managing lease expirations over the ensuing years. As such, 6,500 shares vested immediately upon grant and the remaining 155,500 shares vests in 11 equal installments of 6,500 shares on the first of every month starting February 1, 2011. Commencing January 1, 2012, an additional 3,500 shares shall vest per month on the first day of each succeeding calendar month until all shares granted to Messrs. Reger and Gilbertson are fully vested.

Long-Term Equity-Based Incentive Compensation

The purpose of our long-term incentive compensation is to align the interests of our executives with those of our stockholders. Since equity awards may vest and grow in value over time, this component of our compensation plan is designed to provide incentives to reward performance over a sustained period.

Restricted stock awards represent awards of actual shares of our common stock that include vesting provisions which are contingent upon continued employment and occasionally achievement of certain performance objectives. We believe that awards of restricted stock provide a significant incentive for executives to achieve and maintain high levels of performance over multi-year periods, and strengthen the connection between executive and stockholder interests. We believe that restricted shares are a powerful tool for helping us retain executive talent. The higher value of a share of restricted stock in comparison to a stock option allows us to issue fewer total shares in order to arrive at a competitive total long-term incentive award value. Furthermore, we believe that the use of restricted stock reflects competitive practice among other exploration and production companies with whom we compete for executive talent.

2010 Long Term Equity Incentive

Based on the analysis performed by BDO, on March 17, 2010, the compensation committee approved the issuance of 250,000 shares of common stock to each of our named executive officers vesting variably over four years. The shares vest in quarterly installments to the extent of 20% in year one, 25% in year two and three, and 30% in year four contingent on continued employment and achievement of certain predetermined performance objectives. The one-time grant was implemented to recognize the increase in responsibilities assumed by Mr. Winter upon promotion to chief financial officer and Mr. Sankovitz upon promotion to chief operating officer, and the continued contributions of Mr. Reger and Mr. Gilbertson. Such grants were intended as a one-time grant made to significantly increase each executive officer s personal stake in our company, thereby further aligning their interests with those of our shareholders. In addition, the four year vesting period will provide our executive officers with a strong incentive to remain employed with our company for the long-term. The four year variable vesting schedule also creates both short term and long term incentive goals and aligns such vesting with our goal of managing lease expirations over the ensuing years.

Retirement, Health and Welfare Benefits

We offer a variety of retirement, health and welfare programs to all eligible employees. Under the terms of their employment agreements, the named executive officers are eligible for the same broad-based benefit programs on the same basis as the rest of our employees. Our health and welfare programs include medical, pharmacy, dental and long and short term disability.

We maintain a 401(k) plan for our employees. Under the 401(k) plan, eligible employees may elect to contribute up to 6% of their eligible compensation on a pre-tax basis in accordance with the limitations imposed under the Internal Revenue Code of 1986, as amended, or the Code. We also provide a match contribution equal to 100% of an eligible employee s deferral contribution, up to 6% of the employee s earnings up to $16,500.

Perquisites

Additional perquisites paid for named executive officers in 2010 include personal use of company-leased vehicles, reimbursement of certain approved personal travel and entertainment expenses, and tax gross ups. Maximum combined perquisite dollar limits exist for all named executive officers on an annual basis. Our costs associated with providing these benefits for named executive officers in 2010 are reflected in the Summary Compensation Table and related disclosures below.

Effective January 1, 2011, tax gross ups have been eliminated for all named executive officers.

Severance Payments/Change of Control

We have employment agreements in place with each of the named executive officers providing for lump sum severance compensation if the executive s employment is terminated for a variety of reasons, including a change of control of our company. We have provided more information about these benefits, along with estimates of the value under various circumstances, in the Summary Compensation Table and related disclosures below.

COMPENSATION COMMITTEE REPORT

Compensation Committee Activities

The compensation committee of our board consists of three independent directors. As the compensation committee, we authorize and evaluate programs and, where appropriate, establish relevant performance criteria to determine management compensation. Our compensation committee charter grants the compensation committee full authority to review and approve annual base salary and incentive compensation levels, employment agreements and benefits of executive officers and other key employees. We intend to adopt performance criteria to measure the performance of our executive management and determine the appropriateness of awarding year-end cash bonuses based on performance company performance.

Review of Compensation Discussion and Analysis

The compensation committee has reviewed and discussed the compensation discussion and analysis presented on the preceding pages. Based on its review and discussions, the compensation committee recommended to the board of directors that the compensation discussion and analysis be included in this proxy statement.

The name of each person who serves as a member of our compensation committee is set forth below.

Loren J. O Toole	Robert Grabb	Lisa Meier

Risks Arising from Compensation Policies and Practices

In connection with year-end procedures for 2010, our management recently conducted an evaluation of the risks arising from our company-wide compensation policies and practices with respect to employees. Management prepared a report and analysis of our compensation policies and practices and concluded that they do not create risks that are reasonably likely to have a material adverse effect on our company. In connection with its risk oversight role, our compensation committee reviewed management s analysis and conclusions.

Summary Compensation Table

The table below shows compensation for our named executive officers for services in all capacities to our company during fiscal years 2008, 2009 and 2010. Compensation, as reflected in this table and the tables which follow, is presented on the basis of rules of the SEC and does not, in the case of certain stock-based awards or accruals, necessarily represent the amount of compensation realized or which may be realized in the future. For more information regarding our salary policies and executive compensation plans, please review the information under the caption Compensation Discussion and Analysis.