

## Clear Harbor Asset Management Urges Northern Oil and Gas to Initiate Share Buyback

Written by Australian Business

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NEW YORK--( [BUSINESS WIRE](#) )--On August 22, 2013, Clear Harbor Asset Management, LLC sent an open letter to the Board of Directors of Northern Oil and Gas, Inc. recommending the initiation of a share buyback program.

August 22, 2013

Mr. Michael L. Reger  
Chairman of the Board of Directors and Chief Executive Officer  
Northern Oil and Gas, Inc. Board of Directors  
315 Manitoba Avenue – Suite 200  
Wayzata, Minnesota 55391

Dear Mr. Reger and Board of Directors:

Clear Harbor Asset Management, LLC is the investment advisor to accounts that beneficially own 744,769 shares of Northern Oil and Gas, Inc. (“Northern” or the “Company”), which represents approximately 1.2% of Northern’s outstanding shares. We have been Northern shareholders since 2009. Our long-term investment in the Company reflects the tremendous value we see in Northern’s business and its oil and gas holdings. Our research process involves conducting rigorous fundamental analysis to determine a business’ intrinsic value. We are concerned by the widening gap between Northern’s market value and our assessment of the Company’s intrinsic value. Due to the stock price’s significant underperformance and deep discount to intrinsic value, we intend to engage in active conversations with Northern’s management and the Board of Directors on the strategic options available to create shareholder value and close the market discount that currently exists. As explained below, we recommend that Northern establish and execute upon a \$100.0 million share buyback program. We will issue a copy of this letter to the public as well.

As of August 21, 2013, Northern’s stock price is down 28.9% year-to-date and is down 56.1% since the beginning of 2011. Over the same periods, the NYSE Arca Oil Index is up 8.2% and 10.7%, respectively, which represents an underperformance by Northern of 37.0% and 66.8%, respectively. Though we acknowledge that investors have been frustrated due to recent production guidance misses and well cost overruns, we believe the intrinsic value of the Company has increased over these periods.

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We estimate that the fair value of Northern's stock is in excess of \$21 per share, which is approximately 70% greater than its current trading price. Key inputs for this valuation include Bakken transaction comparisons, peer company valuations, estimated acreage value and the reserve engineer's reserve reports. In addition, it is important to note that our valuation does not include specific value for Northern's hedge book covering the vast majority of next year's production or the franchise value of acquiring additional acreage at below market prices.

We urge the board of directors to take advantage of the existing stock price discount to intrinsic value with a share buyback program of \$100.0 million. At the current stock price, Northern could repurchase approximately 13.1% of its outstanding shares with \$100.0 million. With undrawn revolving credit facility availability of \$400.0 million (which represents over 50% of the current market capitalization), Northern has substantial liquidity available to execute on a share buyback program without limiting its ability to meet capital expenditure plans, service debt or opportunistically acquire additional acreage. In our view, at the current price level, the accretion from repurchasing shares is superior to that of acquiring additional acreage. As evidenced by the fact that Northern's current enterprise value is below the PV10 value in its 2012 reserve report, the market is assigning negative value to Northern for its undeveloped acreage and unbooked drilling locations. Repurchasing shares today is effectively equivalent to buying Northern's existing acreage at zero cost. We suggest that you carefully analyze acquiring further acreage for its accretive value relative to buying back the Company's shares.

We applaud management and the board's efforts to date in building an enviable position in core areas of the Bakken at an extremely attractive price. We doubt that anyone looking to recreate such a land position could do so at anywhere near the Company's cost or the current enterprise value. We are confident that Northern will once again trade at a premium to, or in line with, its peer group. In the meantime, as stewards of our capital, it is your responsibility to take the necessary actions to protect and maximize shareholder value. Recent stock performance clearly indicates that the status quo is not acceptable, and a change of capital allocation strategy is warranted.

We look forward to discussing this matter with you further. We welcome your response at your earliest convenience.

Sincerely yours,

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Aaron J. Kennon  
Founder and Chief Executive Officer  
(212) 867-7310

D. Roger B. Liddell  
Vice-Chairman and Portfolio Manager  
(212) 867-7310

John Talbott  
Portfolio Manager  
(214) 780-0795