



Supplemental Non-GAAP Financial Information and Other Measures Second Quarter 2017

Adjusted Net Loss

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which excludes (1) unrealized (gain) loss on commodity derivatives, (2) gain on debt extinguishment, (3) write-off of debt issuance costs, (4) write-off of deferred tax assets, and (5) related income tax effect.

The amounts included in the calculation of adjusted net loss and adjusted net loss per diluted share below were computed in accordance with GAAP. We believe adjusted net loss and adjusted net loss per diluted share are useful to investors because they provide readers with a more meaningful measure of our profitability before recording certain items whose timing or amount cannot be reasonably determined. However, these measures are provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our SEC filings and posted on our website.

The table below provides a reconciliation of adjusted net loss and adjusted net loss per diluted share to net loss for the three and six months ended June 30, 2017 and 2016 (in thousands, except per-share amounts).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net loss	\$ (8,896)	\$ (16,035)	\$ (149,664)	\$ (29,695)
Adjustments for certain items:				
Unrealized (gain) loss on commodity derivatives	(1,228)	8,076	(5,633)	9,033
Gain on debt extinguishment	-	-	(5,053)	-
Write-off of debt issuance costs	-	563	-	563
Write-off of deferred tax assets	-	-	139,090	-
Related income tax effect	430	(3,024)	3,740	(3,359)
Adjusted net loss	<u>\$ (9,694)</u>	<u>\$ (10,420)</u>	<u>\$ (17,520)</u>	<u>\$ (23,458)</u>
Adjusted net loss per diluted share	<u>\$ (0.11)</u>	<u>\$ (0.25)</u>	<u>\$ (0.22)</u>	<u>\$ (0.57)</u>

EBITDAX

We define EBITDAX as net loss, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) unrealized (gain) loss on commodity derivatives, (5) gain on debt extinguishment, (6) write-off of debt issuance costs, (7) interest expense, net, and (8) income tax (benefit) provision. EBITDAX is not a measure of net income or cash flow as determined by GAAP. The amounts included in the calculation of EBITDAX were computed in accordance with GAAP. EBITDAX is presented herein and reconciled to the GAAP measure of net loss because of its wide acceptance by the investment community as a financial indicator of a company's ability to internally fund development and exploration activities. This measure is provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our SEC filings and posted on our website.

The table below provides a reconciliation of EBITDAX to net loss for the three and six months ended June 30, 2017 and 2016 (in thousands).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net loss	\$ (8,896)	\$ (16,035)	\$ (149,664)	\$ (29,695)
Exploration	2,108	1,622	3,151	2,191
Depletion, depreciation and amortization	19,543	19,991	37,505	40,220
Share-based compensation	1,029	1,374	2,188	2,924
Unrealized (gain) loss on commodity derivatives	(1,228)	8,076	(5,633)	9,033
Gain on debt extinguishment	-	-	(5,053)	-
Write-off of debt issuance costs	-	563	-	563
Interest expense	4,916	6,808	10,379	13,106
Income tax (benefit) provision	(4,509)	(8,687)	134,191	(15,932)
EBITDAX	\$ 12,963	\$ 13,712	\$ 27,064	\$ 22,410

Unhedged Cash Margin and Cash Operating Expenses

We define unhedged cash margin as revenue, less cash operating expenses. We define cash operating expenses as operating expenses, excluding (1) exploration expense, (2) depletion, depreciation and amortization expense, and (3) share-based compensation expense. Unhedged cash margin and cash operating expenses are not measures of operating income or cash flows as determined by GAAP. The amounts included in the calculations of unhedged cash margin and cash operating expenses were computed in accordance with GAAP. Unhedged cash margin and cash operating expenses are presented herein and reconciled to the GAAP measures of revenue and operating expenses. We use unhedged cash margin and cash operating expenses as an indicator of the Company's profitability and ability to manage its operating income and cash flows. This measure is provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our SEC filings and posted on our website.

The table below provides a reconciliation of unhedged cash margin and cash operating expenses to revenues and operating expenses for the three and six months ended June 30, 2017 and 2016 (in thousands, except per-Boe amounts).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenues	\$ 24,969	\$ 22,433	\$ 51,324	\$ 40,048
Production (MBoe)	1,080	1,148	2,107	2,314
Average realized price (per Boe)	\$ 23.11	\$ 19.53	\$ 24.36	\$ 17.31
Operating expenses	\$ 34,689	\$ 34,534	\$ 66,149	\$ 69,403
Exploration	(2,108)	(1,622)	(3,151)	(2,191)
Depletion, depreciation and amortization	(19,543)	(19,991)	(37,505)	(40,220)
Share-based compensation	(1,029)	(1,374)	(2,188)	(2,924)
Cash operating expenses	\$ 12,009	\$ 11,547	\$ 23,305	\$ 24,068
Cash operating expenses per Boe	\$ 11.12	\$ 10.06	\$ 11.06	\$ 10.41
Unhedged cash margin	\$ 12,960	\$ 10,886	\$ 28,019	\$ 15,980
Unhedged cash margin per Boe	\$ 11.99	\$ 9.47	\$ 13.30	\$ 6.90

Cash General and Administrative Expense

We define cash general and administrative expense as general and administrative expense (“G&A”), excluding share-based compensation expense. Cash G&A is not a measure of expense as determined by GAAP. The amounts included in the calculation of cash G&A were computed in accordance with GAAP. Cash G&A is presented herein and reconciled to the GAAP measure of G&A. We use cash G&A as an indicator of the Company’s ability to manage its cash flows. This measure is provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our SEC filings and posted on our website.

The table below provides a reconciliation of cash G&A to G&A for the three and six months ended June 30, 2017 and 2016 (in thousands, except per-Boe amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
General and administrative expense	\$ 6,548	\$ 5,832	\$ 12,476	\$ 11,883
Share-based compensation	(1,029)	(1,374)	(2,188)	(2,924)
Cash general and administrative expense	\$ 5,519	\$ 4,458	\$ 10,288	\$ 8,959
Cash general and administrative expense per Boe	\$ 5.11	\$ 3.88	\$ 4.88	\$ 3.88

PV-10 and PV-10 at December 31, 2016 NYMEX Strip Prices

The present value of our proved reserves, discounted at 10% (“PV-10”), was estimated at \$307.9 million at December 31, 2016, and was calculated based on the first-of-the-month, twelve-month average prices for oil, NGLs and gas, of \$42.69 per Bbl of oil, \$14.12 per Bbl of NGLs and \$2.47 per MMBtu of natural gas, adjusted for basis differentials, grade and quality. At NYMEX strip pricing at December 31, 2016, PV-10 was estimated at \$730.2 million. The following table summarizes the NYMEX strip prices at December 31, 2016.

	2017	2018	2019	2020	2021⁽¹⁾
Oil (per Bbl)	\$ 56.19	\$ 56.59	\$ 56.10	\$ 56.05	\$ 56.21
Natural Gas (per MMBtu)	\$ 3.61	\$ 3.14	\$ 2.87	\$ 2.88	\$ 2.90

- (1) Subsequent year prices were held flat for the remaining lives of the properties.
- (2) NGLs prices per Bbl were estimated at 40% of the oil strip price.

PV-10 is our estimate of the present value of future net revenues from proved oil and gas reserves after deducting estimated production and ad valorem taxes, future capital costs and operating expenses, but before deducting any estimates of future income taxes. The estimated future net revenues are discounted at an annual rate of 10% to determine their “present value.” We believe PV-10 to be an important measure for evaluating the relative significance of our oil and gas properties and that the presentation of the non-GAAP financial measure of PV-10 provides useful information to investors because it is widely used by professional analysts and investors in evaluating oil and gas companies. Because there are many unique factors that can impact an individual company when estimating the amount of future income taxes to be paid, we believe the use of a pre-tax measure is valuable for evaluating the Company. We believe that PV-10 is a financial measure routinely used and calculated similarly by other companies in the oil and gas industry.

The table below reconciles PV-10 to our standardized measure of discounted future net cash flows, the most directly comparable measure calculated and presented in accordance with GAAP. PV-10 should not be considered as an alternative to the standardized measure as computed under GAAP.

(in millions)	<u>December 31, 2016</u>
PV-10	\$ 307.9
Less income taxes:	
Undiscounted future income taxes	(132.8)
10% discount factor	<u>122.7</u>
Future discounted income taxes	<u>(10.1)</u>
Standardized measure of discounted future net cash flows	<u><u>\$ 297.8</u></u>

Liquidity

Liquidity is calculated by adding the net funds available under our revolving credit facility and cash and cash equivalents. We use liquidity as an indicator of the Company's ability to fund development and exploration activities. However, this measurement has limitations. This measurement can vary from year-to-year for the Company and can vary among companies based on what is or is not included in the measurement on a company's financial statements and may further be subject to covenants in company's loan agreements. This measurement is provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our SEC filings and posted on our website.

The table below summarizes our liquidity at June 30, 2017 (in thousands).

	<u>Liquidity at</u>
	<u>June 30, 2017</u>
Borrowing base	\$ 325,000
Cash and cash equivalents	178
Revolving credit facility – outstanding borrowings	(287,000)
Outstanding letters of credit	<u>(325)</u>
Liquidity	<u><u>\$ 37,853</u></u>