



Non-GAAP Financial Information
Fourth Quarter and Full-Year 2015

Adjusted Net (Loss) Income

We provide the non-GAAP financial measures adjusted net (loss) income and adjusted net (loss) income per diluted share, which excludes (1) unrealized loss (gain) on commodity derivatives, (2) rig termination fees, (3) impairment of oil and gas properties, (4) termination costs, (5) gain on debt extinguishment, and (6) related income tax effect.

The amounts included in the calculation of adjusted net (loss) income and adjusted net (loss) income per diluted share below were computed in accordance with GAAP. We believe adjusted net (loss) income and adjusted net (loss) income 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) income and adjusted net (loss) income per diluted share to net (loss) income for the three and twelve months ended December 31, 2015 and 2014 (in thousands, except per-share amounts).

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Net (loss) income	\$ (5,759)	\$ 26,987	\$ (174,104)	\$ 56,172
Adjustments for certain items:				
Unrealized loss (gain) on commodity derivatives	10,285	(36,907)	33,214	(42,113)
Rig termination fees	—	—	2,199	—
Impairment of oil and gas properties	—	—	220,197	—
Termination costs	—	—	1,436	—
Gain on debt extinguishment	(9,080)	—	(10,563)	—
Related income tax effect	(422)	13,287	(87,348)	15,161
Adjusted net (loss) income	\$ (4,976)	\$ 3,367	\$ (14,969)	\$ 29,220
Adjusted net (loss) income per diluted share	\$ (0.12)	\$ 0.08	\$ (0.37)	\$ 0.74

EBITDAX

We define EBITDAX as net (loss) income, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) impairment of oil and gas properties, (5) unrealized loss (gain) on commodity derivatives, (6) gain on debt extinguishment, (7) termination costs, (8) interest expense, net, and (9) 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 income 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 and EBITDAX per diluted share to net (loss) income for the three and twelve months ended December 31, 2015 and 2014 (in thousands, except per-share amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Net (loss) income	\$ (5,759)	\$ 26,987	\$ (174,104)	\$ 56,172
Exploration	228	236	4,439	3,831
Depletion, depreciation and amortization	23,173	28,664	109,319	106,802
Share-based compensation	1,954	2,521	7,954	8,247
Impairment of oil and gas properties	—	—	220,197	—
Unrealized loss (gain) on commodity derivatives	10,285	(36,907)	33,214	(42,113)
Gain on debt extinguishment	(9,080)	—	(10,563)	—
Termination costs	—	—	1,436	—
Interest expense, net	6,436	5,715	25,066	21,651
Income tax (benefit) provision	(284)	17,102	(93,405)	33,692
EBITDAX	\$ 26,953	\$ 44,318	\$ 123,553	\$ 188,282
EBITDAX per diluted share	\$ 0.66	\$ 1.12	\$ 3.05	\$ 4.78

Cash Operating Expenses

We define cash operating expenses as operating expenses, excluding (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) termination costs, and (5) impairment of oil and gas properties. Cash operating expenses is not a measure of operating expenses as determined by GAAP. The amounts included in the calculation of cash operating expenses were computed in accordance with GAAP. Cash operating expenses is presented herein and reconciled to the GAAP measure of operating expenses. We use cash operating expenses as an indicator of the Company's ability to manage its operating expenses 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 cash operating expenses to operating expenses for the three and twelve months ended December 31, 2015 and 2014 (in thousands, except per-Boe amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Operating expenses	\$ 38,671	\$ 50,136	\$ 403,789	\$ 191,372
Exploration	(228)	(236)	(4,439)	(3,831)
Depletion, depreciation and amortization	(23,173)	(28,664)	(109,319)	(106,802)
Share-based compensation	(1,954)	(2,521)	(7,954)	(8,247)
Termination costs	—	—	(1,436)	—
Impairment of oil and gas properties	—	—	(220,197)	—
Cash operating expenses	\$ 13,316	\$ 18,715	\$ 60,444	\$ 72,492
Cash operating expenses per Boe	\$ 10.01	\$ 13.47	\$ 10.93	\$ 14.36

PV-10

The present value of our proved reserves, discounted at 10% ("PV-10"), was estimated at \$504 million at December 31, 2015, and was calculated based on the first-of-the-month, twelve-month average prices for oil, NGLs and gas, of \$50.16 per Bbl of oil, \$15.13 per Bbl of NGLs and \$2.64 per MMBtu of natural gas, adjusted for basis differentials, grade and quality.

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, 2015</u>
PV-10	\$ 504
Less income taxes:	
Undiscounted future income taxes	(307)
10% discount factor	<u>263</u>
Future discounted income taxes	<u>(44)</u>
Standardized measure of discounted future net cash flows	<u>\$ 460</u>

Finding and Development Costs

All-in finding and development (“F&D”) costs are calculated by dividing the sum of property acquisition costs, exploration costs and development costs for the year by the sum of reserve extensions and discoveries, purchases of minerals in place and total revisions for the year.

Drill-bit F&D costs are calculated by dividing the sum of exploration costs and development costs for the year by the total of reserve extensions and discoveries for the year.

We believe that providing the above measures of F&D cost is useful to assist in an evaluation of how much it costs the Company, on a per Boe basis, to add proved reserves. 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 previous SEC filings and to be included in our annual report on Form 10-K to be filed with the SEC on or before March 15, 2016. Due to various factors, including timing differences, F&D costs do not necessarily reflect precisely the costs associated with particular reserves. For example, exploration costs may be recorded in periods before the periods in which related increases in reserves are recorded, and development costs may be recorded in periods after the periods in which related increases in reserves are recorded. In addition, changes in commodity prices can affect the magnitude of recorded increases (or decreases) in reserves independent of the related costs of such increases.

As a result of the above factors and various factors that could materially affect the timing and amounts of future increases in reserves and the timing and amounts of future costs, including factors disclosed in our filings with the SEC, we cannot assure you that the Company’s future F&D costs will not differ materially from those set forth above. Further, the methods used by us to calculate F&D costs may differ significantly from methods used by other companies to compute similar measures. As a result, our F&D costs may not be comparable to similar measures provided by other companies.

The table below reconciles our estimated F&D costs for 2015 to the information required by paragraphs 11 and 21 of ASC 932-235:

Cost summary (in thousands)

Property acquisition costs	
Unproved properties	\$ 653
Proved properties	—
Exploration costs	4,439
Development costs	146,237
Total costs incurred	<u>\$ 151,329</u>

Reserve summary (MBoe)

Balance—December 31, 2014	146,248
Extensions and discoveries	34,895
Production(1)	(5,787)
Revisions to previous estimates	(8,710)
Balance—December 31, 2015	<u>166,646</u>

Finding and development costs (\$/Boe)

All-in F&D cost	\$ 5.78
Drill-bit F&D cost	\$ 4.32

Reserve replacement ratio

Extensions and discoveries / Production	603%
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(1) Production includes 1,530 MMcf related to field fuel.

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. 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 December 31, 2015 and 2014 (in thousands).

	Liquidity at December 31,	
	2015	2014
Borrowing base	\$ 450,000	\$ 450,000
Cash and cash equivalents	600	432
Senior secured credit facility	(273,000)	(150,000)
– outstanding borrowings		
Outstanding letters of credit	(325)	(325)
Liquidity	<u>\$ 177,275</u>	<u>\$ 300,107</u>

Long-Term Debt-to-Capital

Long-term debt-to-capital ratio is calculated by dividing long-term debt (GAAP) by the sum of total stockholders' equity (GAAP) and long-term debt (GAAP). We use the long-term debt-to-capital ratio as a measurement of our overall financial leverage. However, this ratio has limitations. This ratio can vary from year-to-year for the Company and can vary among companies based on what is or is not included in the ratio on a company's financial statements. This ratio 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 long-term debt-to-capital ratio at December 31, 2015 and 2014 (in thousands).

	Long-Term Debt-to-Capital at December 31,	
	<u>2015</u>	<u>2014</u>
Long-term debt (1)	\$ 496,587	\$ 391,311
Total stockholders' equity	<u>607,967</u>	<u>774,327</u>
	\$ 1,104,554	\$ 1,165,638
Long-term debt-to-capital	<u>45.0%</u>	<u>33.6%</u>

- (1) Long-term debt is net of debt issuance costs of \$6.7 million and \$8.7 million at December 31, 2015 and 2014, respectively.