



**Supplemental Non-GAAP Financial Information and Other Measures  
Second Quarter 2016**

---

**Adjusted Net Loss**

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which exclude (1) unrealized loss on commodity derivatives, (2) write-off of debt issuance costs, (3) rig termination fees, and (4) 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 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, 2016 and 2015 (in thousands, except per-share amounts).

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Net loss</b>	\$ (16,035)	\$ (11,850)	\$ (29,695)	\$ (19,558)
<b>Adjustments for certain items:</b>				
Unrealized loss on commodity derivatives	8,076	13,904	9,033	23,225
Write-off of debt issuance costs	563	—	563	—
Rig termination fee	—	—	—	498
Related income tax effect	(3,024)	(4,866)	(3,359)	(8,303)
<b>Adjusted net loss</b>	<u>\$ (10,420)</u>	<u>\$ (2,812)</u>	<u>\$ (23,458)</u>	<u>\$ (4,138)</u>
<b>Adjusted net loss per diluted share</b>	<u>\$ (0.25)</u>	<u>\$ (0.07)</u>	<u>\$ (0.57)</u>	<u>\$ (0.10)</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 loss on commodity derivatives, (5) write-off of debt issuance costs, (6) interest expense, net, and (7) income tax benefit. 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, 2016 and 2015 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Net loss</b>	\$ (16,035)	\$ (11,850)	\$ (29,695)	\$ (19,558)
Exploration	1,622	1,165	2,191	2,255
Depletion, depreciation and amortization	19,991	28,404	40,220	54,924
Share-based compensation	1,374	2,075	2,924	4,292
Unrealized loss on commodity derivatives	8,076	13,904	9,033	23,225
Write-off of debt issuance costs	563	—	563	—
Interest expense, net	6,808	6,243	13,106	12,165
Income tax benefit	(8,687)	(7,369)	(15,932)	(11,365)
<b>EBITDAX</b>	<b>\$ 13,712</b>	<b>\$ 32,572</b>	<b>\$ 22,410</b>	<b>\$ 65,938</b>

### 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 net 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 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 unhedged cash margin and cash operating expenses to revenues and operating expenses for the three and six months ended June 30, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenues</b>	\$ 22,433	\$ 38,605	\$ 40,048	\$ 71,903
<b>Production (MBoe)</b>	1,148	1,391	2,314	2,677
<b>Average realized price (per Boe)</b>	\$ 19.53	\$ 27.76	\$ 17.31	\$ 26.86
<b>Operating expenses</b>	\$ 34,534	\$ 46,970	\$ 69,403	\$ 92,656
Exploration	(1,622)	(1,165)	(2,191)	(2,255)
Depletion, depreciation and amortization	(19,991)	(28,404)	(40,220)	(54,924)
Share-based compensation	(1,374)	(2,075)	(2,924)	(4,292)
<b>Cash operating expenses</b>	<b>\$ 11,547</b>	<b>\$ 15,326</b>	<b>\$ 24,068</b>	<b>\$ 31,185</b>
<b>Cash operating expenses per Boe</b>	<b>\$ 10.06</b>	<b>\$ 11.02</b>	<b>\$ 10.40</b>	<b>\$ 11.65</b>
<b>Unhedged cash margin</b>	<b>\$ 10,886</b>	<b>\$ 23,279</b>	<b>\$ 15,980</b>	<b>\$ 40,718</b>
<b>Unhedged cash margin per Boe</b>	<b>\$ 9.47</b>	<b>\$ 16.74</b>	<b>\$ 6.91</b>	<b>\$ 15.21</b>

## 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, 2016 and 2015 (in thousands, except per-Boe amounts).

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>General and administrative expense</b>	\$ 5,832	\$ 7,510	\$ 11,883	\$ 15,612
Share-based compensation	(1,374)	(2,075)	(2,924)	(4,292)
<b>Cash general and administrative expense</b>	<b>\$ 4,458</b>	<b>\$ 5,435</b>	<b>\$ 8,959</b>	<b>\$ 11,320</b>
<b>Cash general and administrative expense per Boe</b>	<b>\$ 3.88</b>	<b>\$ 3.91</b>	<b>\$ 3.88</b>	<b>\$ 4.23</b>

## 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 June 30, 2016 (in thousands).

	<b>Liquidity at June 30, 2016</b>
Borrowing base	\$ 325,000
Cash and cash equivalents	893
Revolving credit facility – outstanding borrowings	(275,000)
Outstanding letters of credit	(325)
<b>Liquidity</b>	<b>\$ 50,568</b>

## 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 June 30, 2016 and December 31, 2015 (in thousands).

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Long-term debt(1)	\$ 499,677	\$ 496,587
Total stockholders' equity	<u>581,182</u>	<u>607,967</u>
	\$ 1,080,859	\$ 1,104,554
<b>Long-term debt-to-capital</b>	<u>46.2%</u>	<u>45.0%</u>

(1) Long-term debt is net of debt issuance costs of \$5.6 million and \$6.7 million as of June 30, 2016 and December 31, 2015, respectively.

## **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.

<b>(in millions)</b>	<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:

<b>Cost summary (in thousands)</b>	
Property acquisition costs	
Unproved properties	\$ 653
Proved properties	—
Exploration costs	4,439
Development costs	146,237
Total costs incurred	<u>\$ 151,329</u>
<b>Reserve summary (MBoe)</b>	
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>
<b>Finding and development costs (\$/Boe)</b>	
All-in F&D cost	\$ 5.78
Drill-bit F&D cost	\$ 4.32
<b>Reserve replacement ratio</b>	
Extensions and discoveries / Production	603%

(1) Production includes 1,530 MMcf related to field fuel.