



**Non-GAAP Financial Information**  
**Second Quarter 2014**

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**Adjusted Net Income**

We provide the non-GAAP financial measures adjusted net income and adjusted net income per diluted share, which excludes an unrealized loss (gain) on commodity derivatives and related income tax effect.

The amounts included in the calculation of adjusted net income and adjusted net income per diluted share below were computed in accordance with GAAP. We believe adjusted net income and adjusted net 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 income and adjusted net income per diluted share to net income for the three and six months ended June 30, 2014 and 2013 (in thousands, except per-share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
<b>Net income</b>	\$ 3,793	\$ 7,787	\$ 6,738	\$ 7,440
<b>Adjustments for certain items:</b>				
Unrealized loss (gain) on commodity derivatives	7,678	(4,290)	13,604	(190)
Related income tax effect	(2,780)	1,459	(4,934)	65
<b>Adjusted net income</b>	\$ 8,691	\$ 4,956	15,408	7,315
<b>Adjusted net income per diluted share</b>	\$ 0.22	\$ 0.13	\$ 0.39	\$ 0.19

## **EBITDAX**

We define EBITDAX as net income, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) unrealized loss (gain) on commodity derivatives, (5) interest expense, net, and (6) income tax 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 income for the three and six months ended June 30, 2014 and 2013 (in thousands, except per-share amounts).

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Net income</b>	\$ 3,793	\$ 7,787	\$ 6,738	\$ 7,440
Exploration	1,966	557	2,704	817
Depletion, depreciation and amortization	28,573	18,482	52,179	35,538
Share-based compensation	1,107	1,533	3,761	3,790
Unrealized loss (gain) on commodity derivatives	7,678	(4,290)	13,604	(190)
Interest expense, net	5,357	2,451	10,494	3,680
Income tax provision	2,153	4,217	3,834	4,030
<b>EBITDAX</b>	<b>\$ 50,627</b>	<b>\$ 30,737</b>	<b>93,314</b>	<b>55,105</b>
<b>EBITDAX per diluted share</b>	<b>\$ 1.29</b>	<b>\$ 0.79</b>	<b>\$ 2.37</b>	<b>\$ 1.41</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, 2014 (in thousands).

	<b>Liquidity at June 30, 2014</b>
Borrowing base	\$ 450,000
Cash and cash equivalents	444
Credit facility – outstanding borrowings	(46,000)
Outstanding letters of credit	(325)
<b>Liquidity</b>	<b>\$ 404,119</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, 2014, and December 31, 2013 (in thousands).

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Long-term debt(1)	\$ 296,000	\$ 250,000
Total stockholders' equity	<u>720,751</u>	<u>710,495</u>
	\$ 1,016,751	\$ 960,495
<b>Long-term debt-to-capital</b>	<u>29.1%</u>	<u>26.0%</u>

- (1) Long-term debt at June 30, 2014, and December 31, 2013, includes \$250 million in 7% senior notes. In addition, we had \$46 million in outstanding borrowings under our revolving credit Facility as of June 30, 2014.