



Supplemental Non-GAAP Financial Information and Other Measures Fourth Quarter and Full-Year 2018

Adjusted Net Loss

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which excludes (1) non-cash fair value (gain) loss on commodity derivatives, (2) gain on debt extinguishment, (3) write-off of deferred tax assets, (4) acquisition related costs, (5) tax benefit related to federal tax law change, and (6) related income tax effect on adjustments and other discrete tax items.

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 income (loss) for the three and twelve months ended December 31, 2018 and 2017 (in thousands, except per-share amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 868	\$ 45,817	\$ (19,911)	\$ (112,359)
Adjustments for certain items:				
Non-cash fair value (gain) loss on derivatives	(10,111)	(1,500)	(6,729)	(4,097)
Gain on debt extinguishment	—	—	—	(5,053)
Write-off of deferred tax assets	—	—	—	139,090
Acquisition related costs	—	110	—	110
Tax benefit related to change in federal tax law	—	(51,939)	—	(51,939)
Tax effect and other discrete tax items (1)	2,318	1,446	1,677	4,443
Adjusted net loss	\$ (6,925)	\$ (6,066)	\$ (24,963)	\$ (29,805)
Adjusted net loss per diluted share	\$ (0.07)	\$ (0.07)	\$ (0.26)	\$ (0.36)

(1) The estimated income tax impacts on adjustments to net income (loss) are computed based upon a statutory rate of 21% and 35%, applicable to 2018 and 2017, respectively. Additionally, this includes the tax impact of a tax shortfall related to share-based compensation of \$0.2 million, and \$1 million for the three months ended December 31, 2018, and December 31, 2017, respectively; and \$0.3 million and \$1.3 million for the years ended December 31, 2018, and December 31, 2017, respectively.

EBITDAX

We define EBITDAX as net income (loss), plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) non-cash fair value (gain) loss on derivatives, (5) gain on debt extinguishment, (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

income (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 income (loss) for the three and twelve months ended December 31, 2018 and 2017 (in thousands).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net income (loss)	\$ 868	\$ 45,817	\$ (19,911)	\$ (112,359)
Exploration	411	406	420	3,657
Depletion, depreciation and amortization	14,403	16,173	61,432	70,521
Share-based compensation	923	1,138	3,047	4,656
Non-cash fair value (gain) loss on derivatives	(10,111)	(1,500)	(6,729)	(4,097)
Gain on debt extinguishment	—	—	—	(5,053)
Interest expense, net	6,595	5,370	25,117	21,053
Income tax provision (benefit)	406	(53,512)	(4,347)	76,421
EBITDAX	<u>\$ 13,495</u>	<u>\$ 13,892</u>	<u>\$ 59,029</u>	<u>\$ 54,799</u>

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 twelve months ended December 31, 2018 and 2017 (in thousands, except per-Boe amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Revenues	\$ 22,375	\$ 28,417	\$ 114,035	\$ 105,349
Production (Mboe)	963	1,064	4,082	4,232
Average realized price (per Boe)	\$ 23.24	\$ 26.71	\$ 27.94	\$ 24.89
Operating expenses	\$ 24,254	\$ 29,365	\$ 112,826	\$ 125,057
Exploration	(411)	(406)	(420)	(3,657)
Depletion, depreciation and amortization	(14,403)	(16,173)	(61,432)	(70,521)
Share-based compensation	(923)	(1,138)	(3,047)	(4,656)
Cash operating expenses	\$ 8,517	\$ 11,648	\$ 47,927	\$ 46,223
Cash operating expenses per Boe	\$ 8.85	\$ 10.95	\$ 11.75	\$ 10.92
Unhedged cash margin	\$ 13,858	\$ 16,769	\$ 66,108	\$ 59,126
Unhedged cash margin per Boe	\$ 14.39	\$ 15.76	\$ 16.19	\$ 13.97

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 twelve months ended December 31, 2018 and 2017 (in thousands, except per-Boe amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
General and administrative expense	\$ 2,693	\$ 5,491	\$ 20,922	\$ 24,333
Share-based compensation	(923)	(1,138)	(3,047)	(4,656)
Cash general and administrative expense	\$ 1,770	\$ 4,353	\$ 17,875	\$ 19,677
Cash general and administrative expense per Boe	\$ 1.84	\$ 4.09	\$ 4.38	\$ 4.65

PV-10

The present value of our proved reserves, discounted at 10% (“PV-10”), was estimated at \$761.8 million at December 31, 2018, and was calculated based on the first-of-the-month, 12-month average prices for oil, NGLs and gas, of \$65.68 per Bbl of oil, \$24.12 per Bbl of NGLs and \$3.17 per MMBtu of natural gas price during 2018.

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)	December 31, 2018
PV-10	\$ 761.8
Less income taxes:	
Undiscounted future income taxes	(478.2)
10% discount factor	376.4
Future discounted income taxes	(101.8)
Standardized measure of discounted future net cash flows	<u>\$ 660.0</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. 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, 2018 and 2017 (in thousands).

	Year Ended December 31,	
	2018	2017
Credit Facility commitments	\$ 325,000	\$ 325,000
Cash and cash equivalents	22	21
Long-term debt — Credit Facility	(301,500)	(291,000)
Undrawn letters of credit	(325)	(325)
Liquidity	<u>\$ 23,197</u>	<u>\$ 33,696</u>