



Supplemental Non-GAAP Financial Information and Other Measures Third Quarter 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 loss (gain) on commodity derivatives, (2) gain on debt extinguishment, (3) write-off of deferred tax assets, and (4) 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 loss for the three and nine months ended September 30, 2018, and 2017 (in thousands, except per-share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Loss	\$ (4,261)	\$ (8,512)	\$ (20,779)	\$ (158,176)
Adjustments for certain items:				
Non-cash fair value loss (gain) on derivatives	84	3,037	3,383	(2,596)
Gain on debt extinguishment	—	—	—	(5,053)
Write-off of deferred tax assets	—	—	—	139,090
Tax effect and other discrete tax items (1)	(17)	(1,055)	(640)	2,997
Adjusted net loss	\$ (4,194)	\$ (6,530)	\$ (18,036)	\$ (23,738)
Adjusted net loss per diluted share	\$ (0.04)	\$ (0.08)	\$ (0.19)	\$ (0.29)

(1) The estimated income tax impacts on adjustments to net loss are computed based upon a statutory rate of 21% and 35%, for the three and nine months ended September 30, 2018, and three and nine months ended September 30, 2017, respectively. Additionally, this includes the tax impact of a tax shortfall related to share-based compensation of \$8,000, \$0.3 million, and \$70,000, for the three months ended September 30, 2017, nine months ended September 30, 2017, and nine months ended September 30, 2018, respectively.

EBITDAX

We define EBITDAX as net loss, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) non-cash fair value loss (gain) on derivatives, (5) gain on debt extinguishment, (6) interest expense, net, and (7) 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 nine months ended September 30, 2018, and 2017 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Loss	\$ (4,261)	\$ (8,512)	\$ (20,779)	\$ (158,176)
Exploration	6	100	9	3,251
Depletion, depreciation and amortization	14,500	16,843	47,029	54,348
Share-based compensation	640	1,330	2,124	3,518
Non-cash fair value loss (gain) on derivatives	84	3,037	3,383	(2,596)
Gain on debt extinguishment	—	—	—	(5,053)
Interest expense, net	6,452	5,304	18,522	15,683
Income tax (benefit) provision	(921)	(4,258)	(4,753)	129,933
EBITDAX	<u>\$ 16,500</u>	<u>\$ 13,844</u>	<u>\$ 45,535</u>	<u>\$ 40,908</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 nine months ended September 30, 2018, and 2017 (in thousands, except per-Boe amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues	\$ 32,562	\$ 25,608	\$ 91,660	\$ 76,932
Production (Mboe)	1,043	1,061	3,119	3,168
Average realize price per Boe	\$ 31.21	\$ 24.14	\$ 29.39	\$ 24.28
Operating expenses	\$ 28,018	\$ 29,543	\$ 88,572	\$ 95,692
Exploration	(6)	(100)	(9)	(3,251)
Depletion, depreciation and amortization	(14,500)	(16,843)	(47,029)	(54,348)
Share-based compensation	(640)	(1,330)	(2,124)	(3,518)
Cash operating expenses	\$ 12,872	\$ 11,270	\$ 39,410	\$ 34,575
Cash operating expenses per Boe	<u>\$ 12.33</u>	<u>\$ 10.62</u>	<u>\$ 12.63</u>	<u>\$ 10.92</u>
Unhedged cash margin	\$ 19,690	\$ 14,338	\$ 52,250	\$ 42,357
Unhedged cash margin per Boe	<u>\$ 18.88</u>	<u>\$ 13.52</u>	<u>\$ 16.76</u>	<u>\$ 13.36</u>

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 nine months ended September 30, 2018, and 2017 (in thousands, except per-Boe amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
General and administrative expense	\$ 5,576	\$ 6,366	\$ 18,229	\$ 18,842
Share-based compensation	(640)	(1,330)	(2,124)	(3,518)
Cash general and administrative expense	\$ 4,936	\$ 5,036	\$ 16,105	\$ 15,324
Cash general and administrative expense per Boe	\$ 4.73	\$ 4.75	\$ 5.16	\$ 4.84

PV-10 and PV-10 at December 31, 2017 NYMEX Strip Prices

The present value of our proved reserves, discounted at 10% ("PV-10"), was estimated at \$521 million at December 31, 2017, and was calculated based on the first-of-the-month, 12-month average prices for oil, NGLs and gas, of \$51.34 per Bbl of oil, \$18.67 per Bbl of NGLs and \$2.99 per MMBtu of natural gas price during 2017, adjusted for basis differentials, grade and quality. At NYMEX strip pricing at December 31, 2017, PV-10 was estimated at \$582.2 million. The following table summarizes the NYMEX strip prices at December 31, 2017.

	2018	2019	2020	2021	2022(1)
Oil (per Bbl)	\$ 59.55	\$ 56.19	\$ 53.76	\$ 52.29	\$ 51.67
Natural gas (per MMBtu)	\$ 2.84	\$ 2.81	\$ 2.82	\$ 2.85	\$ 2.89

- (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)	December 31, 2017
PV-10	\$ 521.0
Less income taxes:	
Undiscounted future income taxes	(323.3)
10% discount factor	263.3
Future discounted income taxes	(60.0)
Standardized measure of discounted future net cash flows	\$ 461.0

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 September 30, 2018 (in thousands).

	Liquidity at September 30, 2018
Borrowing base	\$ 325,000
Cash and cash equivalents	22
Long-term debt – Credit Facility	(295,500)
Undrawn letters of credit	(325)
Liquidity	<u>\$ 29,197</u>