



Non-GAAP Financial Information
Third Quarter 2014

Adjusted Net Income

We provide the non-GAAP financial measures adjusted net income and adjusted net income per diluted share, which excludes an unrealized (gain) loss 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 nine months ended September 30, 2014 and 2013 (in thousands, except per-share amounts).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$ 22,447	\$ 495	\$ 29,185	\$ 7,935
Adjustments for certain items:				
Unrealized (gain) loss on commodity derivatives	(18,810)	3,438	(5,206)	3,248
Related income tax effect	6,816	(1,169)	1,886	(1,104)
Adjusted net income	\$ 10,453	\$ 2,764	\$ 25,865	\$ 10,079
Adjusted net income per diluted share	\$ 0.27	\$ 0.07	\$ 0.66	\$ 0.26

EBITDAX

We define EBITDAX as net income, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) unrealized (gain) loss 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 nine months ended September 30, 2014 and 2013 (in thousands, except per-share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 22,447	\$ 495	\$ 29,185	\$ 7,935
Exploration	891	1,193	3,595	2,010
Depletion, depreciation and amortization	25,959	19,413	78,138	54,951
Share-based compensation	1,965	1,599	5,726	5,389
Unrealized (gain) loss on commodity derivatives	(18,810)	3,438	(5,206)	3,248
Interest expense, net	5,442	5,179	15,936	8,859
Income tax provision	12,756	270	16,590	4,300
EBITDAX	\$ 50,650	\$ 31,587	\$ 143,964	\$ 86,692
EBITDAX per diluted share	\$ 1.29	\$ 0.81	\$ 3.66	\$ 2.22

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, 2014 (in thousands).

	Liquidity at September 30, 2014
Borrowing base	\$ 450,000
Cash and cash equivalents	1,634
Credit facility – outstanding borrowings	(89,500)
Outstanding letters of credit	(325)
Liquidity	\$ 361,809

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 September 30, 2014, and December 31, 2013 (in thousands).

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Long-term debt(1)	\$ 339,500	\$ 250,000
Total stockholders' equity	<u>745,086</u>	<u>710,495</u>
	<u>\$ 1,084,586</u>	<u>\$ 960,495</u>
Long-term debt-to-capital	<u>31.3%</u>	<u>26.0%</u>

- (1) Long-term debt at September 30, 2014, and December 31, 2013, includes \$250 million in 7% senior notes. In addition, we had \$89.5 million in outstanding borrowings under our revolving credit facility as of September 30, 2014.