



Non-GAAP Financial Information
First Quarter 2016

Adjusted Net Loss

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which excludes (1) unrealized loss on commodity derivatives, (2) rig termination fees, and (3) 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 months ended March 31, 2016 and 2015 (in thousands, except per-share amounts).

	Three Months Ended	
	March 31,	
	2016	2015
Net loss	\$ (13,660)	\$ (7,708)
Adjustments for certain items:		
Unrealized loss on commodity derivatives	957	9,321
Rig termination fees	–	498
Related income tax effect	(335)	(3,437)
Adjusted net loss	<u>\$ (13,038)</u>	<u>\$ (1,326)</u>
Adjusted net loss per diluted share	<u>\$ (0.32)</u>	<u>\$ (0.03)</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) interest expense, net, and (6) 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 and EBITDAX per diluted share to net loss for the three months ended March 31, 2016 and 2015 (in thousands, except per-share amounts).

	Three Months Ended	
	March 31,	
	2016	2015
Net loss	\$ (13,660)	\$ (7,708)
Exploration	569	1,090
Depletion, depreciation and amortization	20,229	26,520
Share-based compensation	1,550	2,217
Unrealized loss on commodity derivatives	957	9,321
Interest expense, net	6,298	5,922
Income tax benefit	(7,245)	(3,996)
EBITDAX	\$ 8,698	\$ 33,366
EBITDAX per diluted share	\$ 0.21	\$ 0.83

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. Cash operating expenses is not a measure of operating expenses as determined by GAAP. The amounts included in the calculation of cash operating expenses were computed in accordance with GAAP. Cash operating expenses is presented herein and reconciled to the GAAP measure of operating expenses. We use cash operating expenses as an indicator of the Company's 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 cash operating expenses to operating expenses for the three months ended March 31, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended	
	March 31,	
	2016	2015
Operating expenses	\$ 34,869	\$ 45,686
Exploration	(569)	(1,090)
Depletion, depreciation and amortization	(20,229)	(26,520)
Share-based compensation	(1,550)	(2,217)
Cash operating expenses	\$ 12,521	\$ 15,859
Cash operating expenses per Boe	\$ 10.74	\$ 12.32

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 March 31, 2016, and pro forma for the third amendment to our revolving credit facility at March 31, 2016 (in thousands).

	Liquidity at March 31,	
	2016	Pro forma
Borrowing base	\$ 450,000	\$ 325,000
Cash and cash equivalents	840	840
Revolving credit facility – outstanding borrowings	(272,000)	(272,000)
Outstanding letters of credit	(325)	(325)
Liquidity	\$ 178,515	\$ 53,515

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 March 31, 2016 and December 31, 2015 (in thousands).

	March 31, 2016	December 31, 2015
Long-term debt (1)	\$ 495,959	\$ 496,587
Total stockholders' equity	595,851	607,967
	\$ 1,091,810	\$ 1,104,554
Long-term debt-to-capital	45.4%	45.0%

- (1) Long-term debt is net of debt issuance costs of \$6.4 million and \$6.7 million at March 31, 2016 and December 31, 2015, respectively.