



Non-GAAP Financial Information
Second Quarter 2015

Adjusted Net (Loss) Income

We provide the non-GAAP financial measures adjusted net (loss) income and adjusted net (loss) income per diluted share, which excludes an unrealized loss on commodity derivatives, a rig termination fee and related income taxes.

The amounts included in the calculation of adjusted net (loss) income and adjusted net (loss) income per diluted share below were computed in accordance with GAAP. We believe adjusted net (loss) income and adjusted net (loss) 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 (loss) income and adjusted net (loss) income per diluted share to net (loss) income for the three and six months ended June 30, 2015 and 2014 (in thousands, except per-share amounts).

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net (loss) income	\$ (11,850)	\$ 3,793	\$ (19,558)	\$ 6,738
Adjustments for certain items:				
Unrealized loss on commodity derivatives	13,904	7,678	23,225	13,604
Rig termination fee	—	—	498	—
Related income tax effect	(4,866)	(2,780)	(8,303)	(4,934)
Adjusted net (loss) income	<u>\$ (2,812)</u>	<u>\$ 8,691</u>	<u>\$ (4,138)</u>	<u>\$ 15,408</u>
Adjusted net (loss) income per diluted share	<u>\$ (0.07)</u>	<u>\$ 0.22</u>	<u>\$ (0.10)</u>	<u>\$ 0.39</u>

EBITDAX

We define EBITDAX as net (loss) income, 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) 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 (loss) income for the three and six months ended June 30, 2015 and 2014 (in thousands, except per-share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net (loss) income	\$ (11,850)	\$ 3,793	\$ (19,558)	\$ 6,738
Exploration	1,165	1,966	2,255	2,704
Depletion, depreciation and amortization	28,404	28,573	54,924	52,179
Share-based compensation	2,075	1,107	4,292	3,761
Unrealized loss on commodity derivatives	13,904	7,678	23,225	13,604
Interest expense, net	6,243	5,357	12,165	10,494
Income tax (benefit) provision	(7,369)	2,153	(11,365)	3,834
EBITDAX	\$ 32,572	\$ 50,627	\$ 65,938	\$ 93,314
EBITDAX per diluted share	\$ 0.80	\$ 1.29	\$ 1.63	\$ 2.37

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 and six months ended June 30, 2015 and 2014 (in thousands, except per-Boe amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating expenses	\$ 46,970	\$ 50,812	\$ 92,656	\$ 95,711
Exploration	(1,165)	(1,966)	(2,255)	(2,704)
Depletion, depreciation and amortization	(28,404)	(28,573)	(54,924)	(52,179)
Share-based compensation	(2,075)	(1,107)	(4,292)	(3,761)
Cash operating expenses	\$ 15,326	\$ 19,166	\$ 31,185	\$ 37,067
Cash operating expenses per Boe	\$ 11.02	\$ 14.90	\$ 11.65	\$ 15.75

Liquidity

Liquidity is calculated by adding the net funds available under our senior secured 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, 2015 (in thousands).

	Liquidity at June 30, 2015	
Lender commitments	\$	450,000
Cash and cash equivalents		752
Senior secured credit facility – outstanding borrowings		(257,000)
Outstanding letters of credit		(325)
Liquidity	\$	193,427

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, 2015 and December 31, 2014 (in thousands).

	June 30, 2015	December 31, 2014
Long-term debt(1)	\$ 499,098	\$ 391,311
Total stockholders' equity	758,961	774,327
	\$ 1,258,059	\$ 1,165,638
Long-term debt-to-capital	39.7%	33.6%

- (1) Long-term debt is net of debt issuance costs of \$7.9 million and \$8.7 million as of June 30, 2015 and December 31, 2014, respectively.