



**Supplemental Non-GAAP Financial Information and Other Measures  
Third Quarter 2017**

**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 (gain) on commodity derivatives, (2) gain on debt extinguishment, (3) write-off of debt issuance costs, (4) write-off of deferred tax assets, and (5) 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 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, 2017 and 2016 (in thousands, except per-share amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net loss</b>	\$ (8,512)	\$ (9,073)	\$ (158,176)	\$ (38,768)
<b>Adjustments for certain items:</b>				
Unrealized loss (gain) on commodity derivatives	3,037	(760)	(2,596)	8,273
Gain on debt extinguishment	—	—	(5,053)	—
Write-off of debt issuance costs	—	—	—	563
Write-off of deferred tax assets	—	—	139,090	—
Tax effect	(1,063)	266	2,677	(3,093)
<b>Adjusted net loss</b>	\$ (6,538)	\$ (9,567)	\$ (24,058)	\$ (33,025)
<b>Adjusted net loss per diluted share</b>	\$ (0.08)	\$ (0.23)	\$ (0.30)	\$ (0.80)

**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 (gain) on commodity derivatives, (5) gain on debt extinguishment, (6) write-off of debt issuance costs, (7) interest expense, net, and (8) 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, 2017 and 2016 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Net loss</b>	\$ (8,512)	\$ (9,073)	\$ (158,176)	\$ (38,768)
Exploration	100	1,047	3,251	3,238
Depletion, depreciation and amortization	16,843	19,422	54,348	59,642
Share-based compensation	1,330	1,357	3,518	4,281
Unrealized loss (gain) on commodity derivatives	3,037	(760)	(2,596)	8,273
Gain on debt extinguishment	—	—	(5,053)	—
Write-off of debt issuance costs	—	—	—	563
Interest expense, net	5,304	7,067	15,683	20,173
Income tax (benefit) provision	(4,258)	(4,915)	129,933	(20,847)
<b>EBITDAX</b>	<u>\$ 13,844</u>	<u>\$ 14,145</u>	<u>\$ 40,908</u>	<u>\$ 36,555</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, 2017 and 2016 (in thousands, except per-Boe amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Revenues</b>	\$ 25,608	\$ 23,749	\$ 76,932	\$ 63,797
<b>Production (Mboe)</b>	1,061	1,117	3,168	3,431
<b>Average realized price (per Boe)</b>	\$ 24.14	\$ 21.26	\$ 24.28	\$ 18.59
<b>Operating expenses</b>	\$ 29,543	\$ 32,201	\$ 95,692	\$ 101,604
Exploration	(100)	(1,047)	(3,251)	(3,238)
Depletion, depreciation and amortization	(16,843)	(19,422)	(54,348)	(59,642)
Share-based compensation	(1,330)	(1,357)	(3,518)	(4,281)
<b>Cash operating expenses</b>	\$ 11,270	\$ 10,375	\$ 34,575	\$ 34,443
<b>Cash operating expenses per Boe</b>	\$ 10.62	\$ 9.29	\$ 10.92	\$ 10.03
<b>Unhedged cash margin</b>	\$ 14,338	\$ 13,374	\$ 42,357	\$ 29,354
<b>Unhedged cash margin per Boe</b>	\$ 13.52	\$ 11.97	\$ 13.36	\$ 8.56

### 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, 2017 and 2016 (in thousands, except per-Boe amounts).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>General and administrative expense</b>	\$ 6,366	\$ 5,825	\$ 18,842	\$ 17,708
Share-based compensation	(1,330)	(1,357)	(3,518)	(4,281)
<b>Cash general and administrative expense</b>	\$ 5,036	\$ 4,468	\$ 15,324	\$ 13,427
<b>Cash general and administrative expense per Boe</b>	\$ 4.75	\$ 4.00	\$ 4.84	\$ 3.91

### 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 and may further be subject to covenants in company’s loan agreements. 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, 2017 (in thousands).

	<b>Liquidity at September 30, 2017</b>
Borrowing base	\$ 325,000
Cash and cash equivalents	21
Long-term debt – Credit Facility	(292,000)
Undrawn letters of credit	(325)
Liquidity	<u>\$ 32,696</u>