



**Supplemental Non-GAAP Financial Information and Other Measures
Third Quarter 2016**

Adjusted Net Loss

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which exclude (1) unrealized (gain) loss on commodity derivatives, (2) rig termination fees, (3) impairment of oil and gas properties, (4) termination costs, (5) gain on debt extinguishment, (6) write-off of debt issuance costs, and (7) 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 and nine months ended September 30, 2016 and 2015 (in thousands, except per-share amounts).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net loss	\$ (9,073)	\$ (148,787)	\$ (38,768)	\$ (168,345)
Adjustments for certain items:				
Unrealized (gain) loss on commodity derivatives	(760)	(296)	8,273	22,929
Rig termination fees	—	1,701	—	2,199
Impairment of oil and gas properties	—	220,197	—	220,197
Termination costs	—	1,436	—	1,436
Gain on debt extinguishment	—	(1,483)	—	(1,483)
Write-off of debt issuance costs	—	—	563	—
Related income tax effect	266	(78,623)	(3,093)	(86,926)
Adjusted net loss	\$ (9,567)	\$ (5,855)	\$ (33,025)	\$ (9,993)
Adjusted net loss per diluted share	\$ (0.23)	\$ (0.14)	\$ (0.80)	\$ (0.25)

EBITDAX

We define EBITDAX as net loss, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) impairment of oil and gas properties, (5) unrealized (gain) loss on commodity derivatives, (6) gain on debt extinguishment, (7) termination costs, (8) write-off of debt issuance costs, (9) interest expense, net, and (10) 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 to net loss for the three and nine months ended September 30, 2016 and 2015 (in thousands).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net loss	\$ (9,073)	\$ (148,787)	\$ (38,768)	\$ (168,345)
Adjustments for certain items:				
Exploration	1,047	1,956	3,238	4,211
Depletion, depreciation and amortization	19,422	31,222	59,642	86,146
Share-based compensation	1,357	1,708	4,281	6,000
Impairment of oil and gas properties	—	220,197	—	220,197
Unrealized (gain) loss on commodity derivatives	(760)	(296)	8,273	22,929
Gain on debt extinguishment	—	(1,483)	—	(1,483)
Termination costs	—	1,436	—	1,436
Write-off of debt issuance costs	—	—	563	—
Interest expense, net	7,067	6,465	20,173	18,630
Income tax benefit	(4,915)	(81,756)	(20,847)	(93,121)
EBITDAX	\$ 14,145	\$ 30,662	\$ 36,555	\$ 96,600

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, (3) share-based compensation expense, (4) termination costs, and (5) impairment of oil and gas properties. 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, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues	\$ 23,749	\$ 33,941	\$ 63,797	\$ 105,844
Production (MBoe)	1,117	1,525	3,431	4,202
Average realized price (per Boe)	\$ 21.26	\$ 22.26	\$ 18.59	\$ 25.19
Operating expenses	\$ 32,201	\$ 272,462	\$ 101,604	\$ 365,118
Exploration	(1,047)	(1,956)	(3,238)	(4,211)
Depletion, depreciation and amortization	(19,422)	(31,222)	(59,642)	(86,146)
Share-based compensation	(1,357)	(1,708)	(4,281)	(6,000)
Termination costs	—	(1,436)	—	(1,436)
Impairment of oil and gas properties	—	(220,197)	—	(220,197)
Cash operating expenses	\$ 10,375	\$ 15,943	\$ 34,443	\$ 47,128
Cash operating expenses per Boe	\$ 9.29	\$ 10.45	\$ 10.03	\$ 11.21

Unhedged cash margin	\$ 13,374	\$ 17,998	\$ 29,354	\$ 58,716
Unhedged cash margin per Boe	\$ 11.97	\$ 11.81	\$ 8.56	\$ 13.98

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, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
General and administrative expense	\$ 5,825	\$ 7,270	\$ 17,708	\$ 22,882
Share-based compensation	(1,357)	(1,708)	(4,281)	(6,000)
Cash general and administrative expense	\$ 4,468	\$ 5,562	\$ 13,427	\$ 16,882
Cash general and administrative expense per Boe	\$ 4.00	\$ 3.65	\$ 3.91	\$ 4.02

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, 2016 (in thousands).

	Liquidity at
	September 30, 2016
Borrowing base	\$ 325,000
Cash and cash equivalents	2,708
Revolving credit facility – outstanding borrowings	(275,000)
Outstanding letters of credit	(325)
Liquidity	\$ 52,383

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Long-term debt(1)	\$ 500,011	\$ 496,587
Total stockholders' equity	<u>573,463</u>	<u>607,967</u>
	\$ 1,073,474	\$ 1,104,554
Long-term debt-to-capital	<u>46.6%</u>	<u>45.0%</u>

(1) Long-term debt is net of debt issuance costs of \$5.3 million and \$6.7 million as of September 30, 2016 and December 31, 2015, respectively.

PV-10

The present value of our proved reserves, discounted at 10% ("PV-10"), was estimated at \$504 million at December 31, 2015, and was calculated based on the first-of-the-month, twelve-month average prices for oil, NGLs and gas, of \$50.16 per Bbl of oil, \$15.13 per Bbl of NGLs and \$2.64 per MMBtu of natural gas, adjusted for basis differentials, grade and quality.

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)	<u>December 31, 2015</u>
PV-10	\$ 504
Less income taxes:	
Undiscounted future income taxes	(307)
10% discount factor	<u>263</u>
Future discounted income taxes	<u>(44)</u>
Standardized measure of discounted future net cash flows	<u>\$ 460</u>

Finding and Development Costs

All-in finding and development ("F&D") costs are calculated by dividing the sum of property acquisition costs, exploration costs and development costs for the year by the sum of reserve extensions and discoveries, purchases of minerals in place and total revisions for the year.

Drill-bit F&D costs are calculated by dividing the sum of exploration costs and development costs for the year by the total of reserve extensions and discoveries for the year.

We believe that providing the above measures of F&D cost is useful to assist in an evaluation of how much it costs the Company, on a per Boe basis, to add proved reserves. 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 previous SEC filings and to be included in our annual report on Form 10-K to be filed with the SEC on or before March 15, 2016. Due to various factors, including timing differences, F&D costs do not necessarily reflect precisely the costs associated with particular reserves. For example, exploration costs may be recorded in periods before the periods in which related increases in reserves are recorded, and development costs may be recorded in periods after the periods in which related increases in reserves are recorded. In addition, changes in commodity prices can affect the magnitude of recorded increases (or decreases) in reserves independent of the related costs of such increases.

As a result of the above factors and various factors that could materially affect the timing and amounts of future increases in reserves and the timing and amounts of future costs, including factors disclosed in our filings with the SEC, we cannot assure you that the Company's future F&D costs will not differ materially from those set forth above. Further, the methods used by us to calculate F&D costs may differ significantly from methods used by other companies to compute similar measures. As a result, our F&D costs may not be comparable to similar measures provided by other companies.

The table below reconciles our estimated F&D costs for 2015 to the information required by paragraphs 11 and 21 of ASC 932-235:

Cost summary (in thousands)	
Property acquisition costs	
Unproved properties	\$ 653
Proved properties	—
Exploration costs	4,439
Development costs	146,237
Total costs incurred	<u>\$ 151,329</u>
Reserve summary (MBoe)	
Balance—December 31, 2014	146,248
Extensions and discoveries	34,895
Production(1)	(5,787)
Revisions to previous estimates	(8,710)
Balance—December 31, 2015	<u>166,646</u>
Finding and development costs (\$/Boe)	
All-in F&D cost	\$ 5.78
Drill-bit F&D cost	\$ 4.32
Reserve replacement ratio	
Extensions and discoveries / Production	603%

(1) Production includes 1,530 MMcf related to field fuel.

Leverage Ratio and Interest Coverage Ratio

Leverage ratio is calculated by dividing total debt (principal amount) by EBITDAX for the trailing 12 months. We use the leverage ratio as a measurement of our overall financial leverage, which impacts our ability to incur more debt. 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.

Interest coverage ratio is calculated by dividing EBITDAX for the trailing 12 months by cash interest expense for the trailing 12 months. We use the interest coverage ratio as a measurement of our ability to make interest payments on our outstanding debt. Additionally, this ratio is utilized in determining our compliance with covenants under our revolving credit facility. 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.

Trailing 12 months 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. 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.

The table below provides a reconciliation of EBITDAX to net loss and cash interest expense to interest expense for the three months ended December 31, 2015, March 31, 2016, June 30, 2016, and September 30, 2016, and 12 months ended September 30, 2016 (in thousands).

	Three Months Ended				Twelve Months Ended
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	September 30, 2016
Net loss	\$ (5,759)	\$ (13,660)	\$ (16,035)	\$ (9,073)	\$ (44,527)
Exploration	228	569	1,622	1,047	3,466
Depletion, depreciation and amortization	23,173	20,229	19,991	19,422	82,815
Share-based compensation	1,954	1,550	1,374	1,357	6,235
Unrealized loss (gain) on commodity derivatives	10,285	957	8,076	(760)	18,558
Gain on debt extinguishment	(9,080)	—	—	—	(9,080)
Write-off of debt issuance costs	—	—	563	—	563
Interest expense, net	6,436	6,298	6,808	7,067	26,609
Income tax benefit	(284)	(7,245)	(8,687)	(4,915)	(21,131)
EBITDAX	\$ 26,953	\$ 8,698	\$ 13,712	\$ 14,145	\$ 63,508
Interest expense	\$ 6,436	\$ 6,298	\$ 6,808	\$ 7,067	\$ 26,609
Amortization of debt issuance costs	(383)	(372)	(346)	(340)	(1,441)
Cash interest expense	\$ 6,053	\$ 5,926	\$ 6,462	\$ 6,727	\$ 25,168

Leverage Ratio

The table below summarizes our leverage ratio at September 30, 2016 (in thousands).

	September 30, 2016
Total debt (principal amount)	\$ 505,320
Trailing twelve month EBITDAX	63,508
Leverage ratio	8.0x

Interest Coverage Ratio

The table below summarizes our interest coverage ratio at September 30, 2016 (in thousands).

	<u>September 30, 2016</u>
Trailing twelve month EBITDAX	\$ 63,508
Cash interest expense	<u>25,168</u>
Interest coverage ratio	<u>2.5x</u>