



Supplemental Non-GAAP Financial Information and Other Measures Second Quarter 2019

Adjusted Net Loss

We provide the non-GAAP financial measures adjusted net loss and adjusted net loss per diluted share, which excludes (1) non-cash fair value loss on commodity derivatives, (2) restructuring expenses, (3) impairment, and (4) related income tax effect on adjustments and other discrete tax items.

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 six months ended June 30, 2019, and 2018 (in thousands, except per-share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Loss	\$ (13,597)	\$ (9,072)	\$ (30,393)	\$ (16,518)
Adjustments for certain items:				
Non-cash fair value loss on derivatives	284	2,902	4,606	3,299
Restructuring expenses	142	—	6,424	—
Impairment	—	—	300	—
Tax effect and other discrete tax items (1)	(77)	(610)	(2,378)	(623)
Adjusted net loss	\$ (13,248)	\$ (6,780)	\$ (21,441)	\$ (13,842)
Adjusted net loss per diluted share	\$ (0.14)	\$ (0.07)	\$ (0.23)	\$ (0.15)

(1) The estimated income tax impacts on adjustments to net loss are computed based upon a statutory rate of 21%, for the three and six months ended June 30, 2019, and June 30, 2018, respectively. Additionally, this includes the tax impact of a tax shortfall related to share-based compensation of \$12,000 and \$70,000 for the three months ended June 30, 2019, and the six months ended June 30, 2018, respectively.

EBITDAX

We define EBITDAX as net loss, plus (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) non-cash fair value loss on derivatives, (5) restructuring expenses, (6) impairment, (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 six months ended June 30, 2019, and 2018 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net Loss	\$ (13,597)	\$ (9,072)	\$ (30,393)	\$ (16,518)
Exploration	1,439	3	1,448	3
Depletion, depreciation and amortization	13,068	16,849	26,674	32,529
Share-based compensation	281	656	(113)	1,484
Non-cash fair value loss on derivatives	284	2,902	4,606	3,299
Restructuring expenses	142	—	6,424	—
Impairment	—	—	300	—
Interest expense, net	7,412	6,184	14,185	12,070
Income tax benefit	(3,420)	(2,222)	(7,699)	(3,832)
EBITDAX	<u>\$ 5,609</u>	<u>\$ 15,300</u>	<u>\$ 15,432</u>	<u>\$ 29,035</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 non-cash items and other non-recurring items, (1) exploration expense, (2) depletion, depreciation and amortization expense, (3) share-based compensation expense, (4) restructuring expenses and (5) impairment. 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 six months ended June 30, 2019, and 2018 (in thousands, except per-Boe amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 14,720	\$ 30,326	\$ 33,963	\$ 59,098
Production (Mboe)	875	1,056	1,781	2,076
Average realize price per Boe	\$ 16.83	\$ 28.73	\$ 19.07	\$ 28.47
Operating expenses	\$ 24,680	\$ 30,539	\$ 55,379	\$ 60,554
Exploration	(1,439)	(3)	(1,448)	(3)
Depletion, depreciation and amortization	(13,068)	(16,849)	(26,674)	(32,529)
Share-based compensation	(281)	(656)	113	(1,484)
Restructuring expenses	(142)	—	(6,424)	—
Impairment	—	—	(300)	—
Cash operating expenses	\$ 9,750	\$ 13,031	\$ 20,646	\$ 26,538
Cash operating expenses per Boe	<u>\$ 11.15</u>	<u>\$ 12.34</u>	<u>\$ 11.63</u>	<u>\$ 12.78</u>
Unhedged cash margin	\$ 4,970	\$ 17,295	\$ 13,317	\$ 32,560
Unhedged cash margin per Boe	<u>\$ 5.68</u>	<u>\$ 16.39</u>	<u>\$ 7.44</u>	<u>\$ 15.69</u>

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 six months ended June 30, 2019, and 2018 (in thousands, except per-Boe amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
General and administrative expense	\$ 4,315	\$ 6,086	\$ 8,077	\$ 12,653
Share-based compensation	(281)	(656)	113	(1,484)
Cash general and administrative expense	\$ 4,034	\$ 5,430	\$ 8,190	\$ 11,169
Cash general and administrative expense per Boe	\$ 4.61	\$ 5.14	\$ 4.60	\$ 5.38

PV-10 and PV-10 at December 31, 2017 NYMEX Strip Prices

The present value of our proved reserves, discounted at 10% (“PV-10”), was estimated at \$521 million at December 31, 2017, and was calculated based on the first-of-the-month, 12-month average prices for oil, NGLs and gas, of \$51.34 per Bbl of oil, \$18.67 per Bbl of NGLs and \$2.99 per MMBtu of natural gas price during 2017, adjusted for basis differentials, grade and quality. At NYMEX strip pricing at December 31, 2017, PV-10 was estimated at \$582.2 million. The following table summarizes the NYMEX strip prices at December 31, 2017.

	2018	2019	2020	2021	2022(1)
Oil (per Bbl)	\$ 59.55	\$ 56.19	\$ 53.76	\$ 52.29	\$ 51.67
Natural gas (per MMBtu)	\$ 2.84	\$ 2.81	\$ 2.82	\$ 2.85	\$ 2.89

(1) Subsequent year prices were held flat for the remaining lives of the properties.

(2) NGLs prices per Bbl were estimated at 40% of the oil strip price.

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, 2017</u>
PV-10	\$ 521.0
Less income taxes:	
Undiscounted future income taxes	(323.3)
10% discount factor	263.3
Future discounted income taxes	(60.0)
Standardized measure of discounted future net cash flows	<u>\$ 461.0</u>