



**Supplemental Non-GAAP Financial Information and Other Measures
Fourth Quarter and Full-Year 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) write-off of debt issuance costs, (3) rig termination fees, (4) impairment of oil and gas properties, (5) termination costs, (6) gain on debt extinguishment, 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 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 twelve months ended December 31, 2016 and 2015 (in thousands, except per-share amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net loss	\$ (13,475)	\$ (5,759)	\$ (52,243)	\$ (174,104)
Adjustments for certain items:				
Unrealized loss on commodity derivatives	3,343	10,285	11,616	33,214
Write-off of debt issuance costs	-	-	563	-
Rig termination fees	-	-	-	2,199
Impairment of oil and gas properties	-	-	-	220,197
Termination costs	-	-	-	1,436
Gain on debt extinguishment	-	(9,080)	-	(10,563)
Related income tax effect	(1,170)	(422)	(4,263)	(87,348)
Adjusted net loss	\$ (11,302)	\$ (4,976)	\$ (44,327)	\$ (14,969)
Adjusted net loss per diluted share	\$ (0.27)	\$ (0.12)	\$ (1.07)	\$ (0.37)

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) impairment of oil and gas properties, (6) termination costs, (7) gain on debt extinguishment, (8) write-off of debt issuance costs, (9) interest expense, net, and (9) 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 twelve months ended December 31, 2016 and 2015 (in thousands).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net loss	\$ (13,475)	\$ (5,759)	\$ (52,243)	\$ (174,104)
Exploration	685	228	3,923	4,439
Depletion, depreciation and amortization	19,402	23,173	79,044	109,319
Share-based compensation	1,998	1,954	6,279	7,954
Unrealized loss on commodity derivatives	3,343	10,285	11,616	33,214
Impairment of oil and gas properties	—	—	—	220,197
Termination costs	—	—	—	1,436
Gain on debt extinguishment	—	(9,080)	—	(10,563)
Write-off of debt issuance costs	—	—	563	—
Interest expense, net	7,086	6,436	27,259	25,066
Income tax benefit	(3,571)	(284)	(24,418)	(93,405)
EBITDAX	\$ 15,468	\$ 26,953	\$ 52,023	\$ 123,553

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 twelve months ended December 31, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Revenues	\$ 26,505	\$ 25,492	\$ 90,302	\$ 131,336
Production (MBoe)	1,106	1,330	4,537	5,532
Average realized price (per Boe)	\$ 23.96	\$ 19.17	\$ 19.90	\$ 23.74
Operating expenses	\$ 33,564	\$ 38,671	\$ 135,168	\$ 403,789
Exploration	(685)	(228)	(3,923)	(4,439)
Depletion, depreciation and amortization	(19,402)	(23,173)	(79,044)	(109,319)
Share-based compensation	(1,998)	(1,954)	(6,279)	(7,954)
Termination costs	—	—	—	(1,436)
Impairment of oil and gas properties	—	—	—	(220,197)
Cash operating expenses	\$ 11,479	\$ 13,316	\$ 45,922	\$ 60,444
Cash operating expenses per Boe	\$ 10.38	\$ 10.01	\$ 10.12	\$ 10.93

Unhedged cash margin	\$ 15,026	\$ 12,176	\$ 44,380	\$ 70,892
Unhedged cash margin per Boe	\$ 13.58	\$ 9.16	\$ 9.78	\$ 12.81

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 twelve months ended December 31, 2016 and 2015 (in thousands, except per-Boe amounts).

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
General and administrative expense	\$ 7,026	\$ 5,459	\$ 24,734	\$ 28,341
Share-based compensation	(1,998)	(1,954)	(6,279)	(7,954)
Cash general and administrative expense	\$ 5,028	\$ 3,505	\$ 18,455	\$ 20,387
Cash general and administrative expense per Boe	\$ 4.55	\$ 2.63	\$ 4.07	\$ 3.68

PV-10 and PV-10 at December 31, 2016 NYMEX Strip Prices

The present value of our proved reserves, discounted at 10% (“PV-10”), was estimated at \$307.9 million at December 31, 2016, and was calculated based on the first-of-the-month, twelve-month average prices for oil, NGLs and gas, of \$42.69 per Bbl of oil, \$14.12 per Bbl of NGLs and \$2.47 per MMBtu of natural gas, adjusted for basis differentials, grade and quality. At NYMEX strip pricing at December 31, 2016, PV-10 was estimated at \$730.2 million. The following table summarizes the NYMEX strip prices at December 31, 2016.

	2017	2018	2019	2020	2021⁽¹⁾
Oil (per Bbl)	\$ 56.19	\$ 56.59	\$ 56.10	\$ 56.05	\$ 56.21
Natural Gas (per MMBtu)	\$ 3.61	\$ 3.14	\$ 2.87	\$ 2.88	\$ 2.90

(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)	December 31, 2016
PV-10	\$ 307.9
Less income taxes:	
Undiscounted future income taxes	(132.8)
10% discount factor	122.7
Future discounted income taxes	(10.1)
Standardized measure of discounted future net cash flows	<u>\$ 297.8</u>

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 December 31, 2016 and 2015 (in thousands).

	Liquidity at December 31,	
	2016	2015
Borrowing base	\$ 325,000	\$ 450,000
Cash and cash equivalents	21	600
Senior secured credit facility	(273,000)	(273,000)
– outstanding borrowings		
Outstanding letters of credit	(575)	(325)
Liquidity	<u>\$ 51,446</u>	<u>\$ 177,275</u>

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 December 31, 2016 and 2015 (in thousands).

	Long-Term Debt-to-Capital at	
	December 31,	
	2016	2015
Long-term debt (1)	\$ 498,349	\$ 496,587
Total stockholders' equity	562,952	607,967
	\$ 1,061,301	\$ 1,104,554
Long-term debt-to-capital	<u>47%</u>	<u>45%</u>

- (1) Long-term debt is net of debt issuance costs of \$5 million and \$6.7 million at December 31, 2016 and 2015, respectively.