



**Non-GAAP Financial Information**  
**Third 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 (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, and (6) related income tax effect.

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 nine months ended September 30, 2015 and 2014 (in thousands, except per-share amounts).

|   | <b>Three Months Ended</b> |                  | <b>Nine Months Ended</b> |                  |
|---|---------------------------|------------------|--------------------------|------------------|
|   | <b>September 30,</b>      |                  | <b>September 30,</b>     |                  |
|   | <b>2015</b>               | <b>2014</b>      | <b>2015</b>              | <b>2014</b>      |
| <b>Net (loss) income</b>                            | \$ (148,787)              | \$ 22,447        | \$ (168,345)             | \$ 29,185        |
| <b>Adjustments for certain items:</b>               |                           |                  |                          |                  |
| Unrealized (gain) loss on commodity derivatives     | (296)                     | (18,810)         | 22,929                   | (5,206)          |
| 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)                  | —                |
| Related income tax effect                           | (78,623)                  | 6,816            | (86,926)                 | 1,886            |
| <b>Adjusted net (loss) income</b>                   | <b>\$ (5,855)</b>         | <b>\$ 10,453</b> | <b>\$ (9,993)</b>        | <b>\$ 25,865</b> |
| <b>Adjusted net (loss) income per diluted share</b> | <b>\$ (0.14)</b>          | <b>\$ 0.27</b>   | <b>\$ (0.25)</b>         | <b>\$ 0.66</b>   |

**EBITDAX**

We define EBITDAX as net (loss) income, 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) interest expense, net, and (9) 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 nine months ended September 30, 2015 and 2014 (in thousands, except per-share amounts).

|   | <b>Three Months Ended</b> |                  | <b>Nine Months Ended</b> |                   |
|---|---------------------------|------------------|--------------------------|-------------------|
|   | <b>September 30,</b>      |                  | <b>September 30,</b>     |                   |
|   | <b>2015</b>               | <b>2014</b>      | <b>2015</b>              | <b>2014</b>       |
| <b>Net (loss) income</b>                        | \$ (148,787)              | \$ 22,447        | \$ (168,345)             | \$ 29,185         |
| Exploration                                     | 1,956                     | 891              | 4,211                    | 3,595             |
| Depletion, depreciation and amortization        | 31,222                    | 25,959           | 86,146                   | 78,138            |
| Share-based compensation                        | 1,708                     | 1,965            | 6,000                    | 5,726             |
| Impairment of oil and gas properties            | 220,197                   | —                | 220,197                  | —                 |
| Unrealized (gain) loss on commodity derivatives | (296)                     | (18,810)         | 22,929                   | (5,206)           |
| Gain on debt extinguishment                     | (1,483)                   | —                | (1,483)                  | —                 |
| Termination costs                               | 1,436                     | —                | 1,436                    | —                 |
| Interest expense, net                           | 6,465                     | 5,442            | 18,630                   | 15,936            |
| Income tax (benefit) provision                  | (81,756)                  | 12,756           | (93,121)                 | 16,590            |
| <b>EBITDAX</b>                                  | <b>\$ 30,662</b>          | <b>\$ 50,650</b> | <b>\$ 96,600</b>         | <b>\$ 143,964</b> |
| <b>EBITDAX per diluted share</b>                | <b>\$ 0.76</b>            | <b>\$ 1.29</b>   | <b>\$ 2.39</b>           | <b>\$ 3.66</b>    |

### 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. 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 nine months ended September 30, 2015 and 2014 (in thousands, except per-Boe amounts).

|  | <b>Three Months Ended</b> |                  | <b>Nine Months Ended</b> |                  |
|--|---------------------------|------------------|--------------------------|------------------|
|  | <b>September 30,</b>      |                  | <b>September 30,</b>     |                  |
|  | <b>2015</b>               | <b>2014</b>      | <b>2015</b>              | <b>2014</b>      |
| <b>Operating expenses</b>                | \$ 272,462                | \$ 45,525        | \$ 365,118               | \$ 141,236       |
| Exploration                              | (1,956)                   | (891)            | (4,211)                  | (3,595)          |
| Depletion, depreciation and amortization | (31,222)                  | (25,959)         | (86,146)                 | (78,138)         |
| Share-based compensation                 | (1,708)                   | (1,965)          | (6,000)                  | (5,726)          |
| Termination costs                        | (1,436)                   | —                | (1,436)                  | —                |
| Impairment of oil and gas properties     | (220,197)                 | —                | (220,197)                | —                |
| <b>Cash operating expenses</b>           | <b>\$ 15,943</b>          | <b>\$ 16,710</b> | <b>\$ 47,128</b>         | <b>\$ 53,777</b> |
| <b>Cash operating expenses per Boe</b>   | <b>\$ 10.45</b>           | <b>\$ 12.79</b>  | <b>\$ 11.21</b>          | <b>\$ 14.70</b>  |

### 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 September 30, 2015 (in thousands).

|   | <b>Liquidity at<br/>September 30, 2015</b> |                |
|---|--|----------------|
| Borrowing base  | \$   | 450,000        |
| Cash and cash equivalents                               |  | 319            |
| Senior secured credit facility – outstanding borrowings |  | (278,000)      |
| Outstanding letters of credit                           |  | (325)          |
| <b>Liquidity</b>  | \$   | <u>171,994</u> |