

**Reconciliation of Net cash provided by operations – under GAAP and Cash flow from operations – a Non-GAAP measure**

Cash flow from operations before changes in working capital is widely accepted by the investment community as a financial indicator of an oil and gas company's ability to generate cash to internally fund exploration and development activities and to service debt. Cash flow from operations before changes in working capital is also useful because it is widely used by professional research analysts in valuing, comparing, rating, and providing investment recommendations of companies in the oil and gas exploration and production industry. In turn, many investors use this published research in making investment decisions. Cash flow from operations before changes in working capital is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operations, investing, or financing activities as an indicator of cash flows or as a measure of liquidity. The table below reconciles net cash provided by operations under GAAP to cash flow before changes in working capital as used in this annual report.

Generally cash flow from operations before changes in working capital adjusts for the working capital change during the period, adds back exploration expenses which are part of the Company's capital expenditures that are expensed under successful efforts accounting and other adjustments primarily being non-cash adjustments associated with compensation and sales of assets.

(\$ in thousands)	Years Ended December 31,					
	1993	1994	1995	1996	1997	1998
Net cash provided by operations-GAAP	\$ 4,305	\$ 11,241	\$ 16,561	\$ 38,445	\$ 77,066	\$ 45,022
Working capital	962	1,130	2,824	(545)	(5,987)	473
Exploration expenses	86	359	512	1,460	2,527	11,265
Call premium on 8.75% Notes	-	-	-	-	-	-
Non-cash compensation	-	-	-	-	-	(796)
Gain on sale of assets and other	621	471	1,564	3,123	8,180	-
Cash flow - a non-GAAP measure	<u>\$ 5,974</u>	<u>\$ 13,201</u>	<u>\$ 21,461</u>	<u>\$ 42,483</u>	<u>\$ 81,786</u>	<u>\$ 55,964</u>

(\$ in thousands)	Years Ended December 31,					Six Months Ended June 30,
	1999	2000	2001	2002	2003	2004
Net cash provided by operations-GAAP	\$ 50,187	\$ 74,879	\$ 130,572	\$ 114,472	\$ 125,477	\$ 81,350
Working capital	8,715	15,915	(4,385)	(1,225)	5,830	423
Exploration expenses	2,409	3,187	4,905	6,245	10,370	4,338
Call premium on 8.75% Notes	-	-	-	-	2,006	-
Non-cash compensation	(2,057)	(961)	(1,176)	(1,457)	133	(187)
Gain on sale of assets and other	624	706	1,933	-	-	-
Cash flow - a non-GAAP measure	<u>\$ 59,878</u>	<u>\$ 93,726</u>	<u>\$ 131,849</u>	<u>\$ 118,035</u>	<u>\$ 143,816</u>	<u>\$ 85,924</u>