Jones Energy, Inc. Announces 2017 Fourth Quarter and Full Year Financial and Operating Results

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AUSTIN, Texas, Feb. 27, 2018 (GLOBE NEWSWIRE) -- Jones Energy Inc. (NYSE:JONE) (“Jones Energy” or “the Company”) today announced financial and operating results for the quarter and full year ended December 31, 2017.

Highlights

- Bone 2H Meramec well achieved peak IP30 rate of 1,255 Boe/d which is 287 Boe/d per 1,000’ of lateral (67% oil, 2-stream). This well set a new Company record for highest peak IP30 oil rate (835 Bbls/d) achieved in the Merge.
- Two Meramec wells on recent Gamble pad achieved average peak to-date rate of 226 Boe/d per 1,000’ of lateral (65% oil, 2-stream) which is 50% above type curve expectations.
- Production for the full year 2017 of 7.8 MMBoe (21,332 MBoe/d).
- Net income for the fourth quarter 2017 of $41.6 million, or $0.51 per share. Non-GAAP adjusted net loss[1] of $28.8 million, or a loss of $0.33 per share.
- Net loss for the full year 2017 of $178.8 million and EBITDAX for the full year 2017 of $186.4 million[1].

Jones Energy Founder, Chairman, and CEO, Jonny Jones commented, “2017 was a pivotal year for Jones Energy as we transitioned our focus to the Merge. During the fourth quarter, we had continued strong well results from the Merge, with production reaching roughly a quarter of total Company-wide production. Operationally, I could not be more pleased with our recent results. In particular, our Rosewood, Bone, and Gamble pads continue to meet or exceed type curves. During the fourth quarter, we also made significant progress with our lending group, receiving covenant relief and much-needed flexibility. We further increased flexibility with our successful senior secured first lien offering a few weeks ago. It is our strategic objective in 2018 to continue to exercise capital discipline and reduce cash flow outspend while enhancing the value of our assets.”

Financial Results

Total operating revenues for the three months ended December 31, 2017 were $54.5 million as compared to $39.5 million for the three months ended December 31, 2016. For the full year 2017, operating revenues were $188.6 million as compared to $127.8 million for the full year 2016. Total revenues including current period settlements of matured derivative contracts were $255.4 million for the full year 2017 as compared to $251.1 million for the full year 2016.

Total operating expenses for the three months ended December 31, 2017 were $60.8 million as compared to $62.3 million for the three months ended December 31, 2016. For the full year 2017, operating expenses were $405.4 million, which includes impairment chages of $149.6 million. Omitting the 2017 full year impairment charges, total operating expenses would have been $255.7 million as compared to total operating expenses of $232.1 million for the full year 2016.

For the fourth quarter ended December 31, 2017, the Company reported net income of $41.6 million, or $0.51 per share attributable to common shareholders, compared to fourth quarter of 2016 net loss of $52.2 million, or net loss of $0.49 per share attributable to common shareholders. For the full year 2017 the Company reported a net loss of $178.8 million, or a net loss of $1.51 per share compared to full year 2016 net loss of $84.8 million, or a net loss of $1.04 per share attributable to common shareholders.

Excluding, on a tax-adjusted basis, certain items that the Company does not view as indicative of its ongoing financial performance, and adjusting for non-controlling interest, the Company had an adjusted net loss[2] for the fourth quarter 2017 of $28.8 million, or an adjusted net loss per share of $0.33, as compared to adjusted net loss of $5.3 million, or adjusted net loss per share of $0.06 for the three months ended December 31, 2016. Adjusted net loss for the full year 2017 was $31.1 million, or an adjusted net loss per share of $0.42 attributable to common shareholders as compared to adjusted net loss of $15.5 million, or adjusted net loss per share of $0.19 attributable to common shareholders for the full year 2016.

Earnings before interest, income taxes, depreciation, amortization, and exploration expense (“EBITDAX”) for the fourth quarter and full year 2017 was $37.7 million and $186.4 million, respectively[3]. This compares to fourth quarter and full year 2016 EBITDAX of $43.8 million and $188.0 million, respectively.

Full year 2017 lease operating expense (“LOE”) was $36.6 million compared to the Company’s full year 2016 LOE of $32.6 million. Fourth quarter 2017 LOE of $8.9 million was approximately 4% higher than fourth quarter 2016 LOE of $8.6 million. On a dollar per Boe basis, full year 2017 LOE was $4.71 per Boe compared to full year 2016 LOE which was $4.64 per boe. Fourth quarter 2017 LOE of $4.59 per Boe was approximately 6% lower than fourth quarter 2016 LOE of $4.87.

Impact of Recent Tax Reform

In December 2017, the Tax Cuts and Jobs Act was enacted, which included among its provisions, a reduction of the U.S. federal corporate income tax rate from 35% to 21%. The lower tax rate led to a remeasurement of the Company’s deferred tax assets and liabilities, and resulted in the recognition of a tax benefit of $17.2 million during the fourth quarter. The amount of the estimated liability under the Tax Receivable Agreement (“TRA”) has also been reduced and is now recorded on the Company’s balance sheet at $61.2 million as of December 31, 2017 and the Company recognized a $59.5 million benefit in other income related to the reduction in the TRA liability in the fourth quarter of 2017 as a result of the enacted tax legislation.

Operating Results

Eastern Anadarko (Merge)

The Company is pleased to announce that its four-well Gamble pad has recently been placed on production. The pad is located in southern Canadian County, OK near the Company’s previously announced Garrett well. While the Gamble wells have not yet reached peak rates, two of the Meramec wells on the pad have achieved an average peak to-date rate of 226 Boe/d per 1,000’ of lateral (65% oil, 2-stream), which is 50% above Company expectations. Furthermore, the Company’s Bone 2H Meramec well that previously achieved a peak IP24 rate of 1,474 Boe/d, which is 337 Boe/d per 1,000’ of lateral (69% oil, 2-stream), has now achieved a peak IP30 rate for both its oil and gas streams of 1,255 Boe/d, which is 287 Boe/d per 1,000’ of lateral (67% oil, 2-stream). To-date the Company’s combined average of all eight of its Meramec wells that have achieved peak IP30 rates is 229 Boe/d per 1,000’ of lateral (47% oil, 2-stream). The Company has three Gen-3 Woodford wells that have reached peak IP30 rates, which have achieved a combined average of 153 Boe/d per 1,000’ of lateral (43% oil, 2-stream).

During the fourth quarter, the Company drilled a total of six wells and completed a total of 10 wells in the Merge as it continued with a two-rig program. The Company drilled its fastest well to-date in the Merge during the quarter, drilling a single section lateral in 8.3 days, surpassing its previous record which was set earlier in the fourth quarter of 9.2 days from Spud to TD. The Company exited the year with 17 wells producing and 12 wells in various stages of drilling and completion.

Western Anadarko (Cleveland)

During October 2017, the Company drilled one well in the Cleveland and then released its last remaining rig in the Western Anadarko. The Company completed and placed online six wells that had been carried into the quarter.

Fourth Quarter and Full Year 2017 Production

As previously reported, Jones Energy produced 1,951 MBoe, or 21,207 Boe/d during the fourth quarter of 2017 with total liquids volumes representing 59% of production. Merge production continued to increase quarter-over-quarter, representing approximately 24% of total Company production for the fourth quarter of 2017 as compared to approximately 17% of total Company production for the third quarter of 2017, excluding volumes related to the Arkoma divestiture in the third quarter. Quarter-over-quarter oil volumes also continued to increase. Oil production for the fourth quarter of 2017 was 29.3% of total volumes as compared to 24.6% for the third quarter of 2017, representing an increase of 4.7%.

A breakout of fourth quarter production is shown in the table below.

	Three months ended December 31, 2017:				
	Oil (MBbls)	Natural Gas (MMcf)	NGLs (MBbls)	Total (MBoe)	% of Total
Cleveland	426	3,210	417	1,378	71 %
Merge	138	1,110	136	459	24 %
Other	8	443	32	114	6 %
Total	572	4,763	585	1,951	100 %

For the full year 2017, Jones Energy produced 21,332 Boe/d with total liquids volumes of 56%. For the full year 2017, the Company’s production grew 22% as compared to average 2016 production, excluding production from the Arkoma from both years. The Company drilled 41 gross (38.3 net) wells in the Cleveland formation and 27 gross (17.4 net) wells in the Merge.

Capital Expenditures for the Fourth Quarter and Full Year 2017

Jones Energy previously disclosed total fourth quarter 2017 capital expenditures of $63.3 million, with $57.3 million, or 91%, related to drilling and completing operated wells. The remaining $6.0 million was primarily related to participation in non-op drilling.

For the full year 2017, the Company previously disclosed total capital expenditures of $248.0 million, of which $126 million (or 51%) was spent in the Merge. For the full year 2017, 83% of total capital expenditures was related to drilling and completing wells.

Hedging Update

The following table summarizes the Company’s net commodity derivative contracts outstanding as of February 27, 2018:

	2018	2019	2020
Oil Hedges			
Swaps Sold (MBbl)	2,364	1,020	660
Price ($/Bbl)	$51.08	$50.04	$50.00
Collars (MBbl)	-	810	-
Floor ($/Bbl)	-	$48.52	-
Ceiling ($/Bbl)	-	$59.64	-
Gas Hedges			
Swaps Sold (MMcf)	18,190	7,260	8,400

Price ($/Mcf)	$2.98	$2.84	$2.79
Collars (MMcf)	-	11,890	-
Floor ($/Mcf)	-	$2.55	-
Ceiling ($/Mcf)	-	$3.19	-
NGL Swaps (MBbl)			
Ethane	-	-	-
Propane	850	-	-
Iso Butane	120	-	-
Butane	335	-	-
Natural Gasoline	360	-	-
Total NGLs	1,665	-	-
NGL Swap Prices ($/Gal)			
Ethane	-	-	-
Propane	0.57	-	-
Iso Butane	0.72	-	-
Butane	0.69	-	-
Natural Gasoline	1.05	-	-
Basis Hedges:			
ANR (MMcf)	6,000	-	-
Price ($/Mcf)	$0.40	-	-
PEPL (MMcf)	2,000	-	-
Price ($/Mcf)	$0.45	-	-

Conference Call Details

Jones Energy will host a conference call for investors and analysts to discuss its results on Wednesday, February 28, 2018 at 10:30 a.m. ET (9:30 a.m. CT). The conference call can be accessed via webcast through the Investor Relations section of Jones Energy’s website, www.jonesenergy.com, or by dialing (833) 231-8272 (for domestic U.S.) or (647) 689-4117 (International) and entering conference code 9178268. If you are not able to participate in the conference call, the webcast replay and a downloadable audio file will be available shortly following the call through the Investor Relations section of the Company’s website, www.jonesenergy.com.

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[1] Adjusted net loss, adjusted net loss per share and EBITDAX are supplemental non-GAAP financial measures that are used by management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. For additional information, including reconciliations to the most comparable GAAP financial measures, please see “Non-GAAP Financial Measures and Reconciliations” below.

[2] Adjusted net loss, adjusted net loss per share and EBITDAX are supplemental non-GAAP financial measures that are used by management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. For additional information, including reconciliations to the most comparable GAAP financial measures, please see “Non-GAAP Financial Measures and Reconciliations” below.

[3] EBITDAX is a supplemental non-GAAP financial measure that is used by management and external users of the Company’s consolidated financial statements, such as industry analysts, investors, lenders and rating agencies.

About Jones Energy

Jones Energy Inc. is an independent oil and natural gas company engaged in the development and acquisition of oil and natural gas properties in the Anadarko basin of Oklahoma and Texas. Additional information about Jones Energy may be found on the Company’s website at: www.jonesenergy.com.

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Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this press release specifically include the expectations of plans, strategies, objectives and anticipated financial and operating results of the Company, including guidance regarding the deployment of rigs in the Company’s areas of operation and the anticipated drilling plans, the initial 2018 capital budget and operating plan, drilling, completion and leasing capital expenditures in the Company’s areas of operation, the estimated impact of recent tax reform, expected fluctuations in 2018 production, timing of production impacts, and projections regarding total production, average daily production, lease operating expenses, production taxes, cash G&A expenses and capital expenditure levels for 2018. These statements are based on certain assumptions made by the Company based on management’s experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include, but are not limited to, changes in oil and natural gas prices, weather and environmental conditions, the timing and amount of planned capital expenditures, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, covenants in the Company’s debt documents and their potential effect on the ability to engage in certain transactions, the condition of the capital markets generally, as well as the Company’s ability to access them, ability to fund growth opportunities, the proximity to and capacity of transportation facilities, non-performance by third parties of contractual obligations, and uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting the Company’s business and other important factors that could cause actual results to differ materially from those projected as described in the Company’s reports filed with the SEC.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Jones Energy Inc.
Consolidated Statement of Operations

	Three months ended December 31,		Year ended Dec	
(in thousands of dollars except per share data)	2017	2016	2017	20
Operating revenues				
Oil and gas sales	$ 53,966	$ 38,817	$ 186,393	$
Other revenues	546	675	2,180	
Total operating revenues	54,512	39,492	188,573	
Operating costs and expenses				
Lease operating	8,947	8,613	36,636	
Production and ad valorem taxes	2,233	2,707	6,874	
Exploration	2,507	5,436	14,145	
Depletion, depreciation and amortization	39,881	37,481	167,224	

Impairment of oil and gas properties	1,632	—	149,648	
Accretion of ARO liability	240	350	960	
General and administrative	5,399	7,562	29,892	
Other operating	—	199	—	
Total operating expenses	60,839	62,348	405,379	
Operating income (loss)	(6,327)	(22,856)	(216,806)	
Other income (expense)				
Interest expense	(13,270)	(12,730)	(51,651)	
Gain on debt extinguishment	—	—	—	
Net gain (loss) on commodity derivatives	(29,293)	(32,495)	(17,985)	
Other income (expense)	42,563	285	56,952	
Other income (expense), net	—	(44,940)	(12,684)	
Income (loss) before income tax	(6,327)	(67,796)	(229,490)	
Income tax provision (benefit)	(47,960)	(15,552)	(50,667)	
Net income (loss)	41,633	(52,244)	(178,823)	
Net income (loss) attributable to non-controlling interests	(5,284)	(23,879)	(77,331)	
Net income (loss) attributable to controlling interests	$ 46,917	$ (28,365)	$ (101,492)	$
Dividends and accretion on preferred stock	(1,965)	(1,904)	(7,924)	
Net income (loss) attributable to common shareholders	$ 44,952	$ (30,269)	$ (109,416)	$
Earnings (loss) per share:				
Basic - Net income (loss) attributable to common shareholders	$ 0.51	$ (0.49)	$ (1.51)	$
Diluted - Net income (loss) attributable to common shareholders	$ 0.51	$ (0.49)	$ (1.51)	$
Weighted average Class A shares outstanding:				
Basic	88,381	61,993	72,411	
Diluted	88,381	61,993	72,411	

Jones Energy Inc.
Consolidated Balance Sheet

	Decemb
(in thousands of dollars)	2017
Assets	
Current assets	
Cash	$ 19,472
Accounts receivable, net	
Oil and gas sales	34,492
Joint interest owners	31,651
Other	1,236
Commodity derivative assets	3,474
Other current assets	14,376
Total current assets	104,70
Oil and gas properties, net, at cost under the successful efforts method	1,597,(
Other property, plant and equipment, net	2,719
Commodity derivative assets	172
Other assets	5,431
Total assets	$ 1,710,(
Liabilities and Stockholders' Equity	
Current liabilities	
Trade accounts payable	$ 72,663
Oil and gas sales payable	31,462
Accrued liabilities	21,604

Commodity derivative liabilities	36,709
Other current liabilities	4,049
Total current liabilities	166,48
Long-term debt	759,31
Deferred revenue	5,457
Commodity derivative liabilities	8,788
Asset retirement obligations	19,652
Liability under tax receivable agreement	59,596
Other liabilities	811
Deferred tax liabilities	14,281
Total liabilities	1,034,:
Commitments and contingencies	
Mezzanine equity	
Series A preferred stock, $0.001 par value; 1,839,995 shares issued and outstanding at December 31, 2017 and 1,840,000 shares issued and outstanding at December 31, 2016	89,539
Stockholders' equity	
Class A common stock, $0.001 par value; 90,139,840 shares issued and 90,117,238 shares outstanding at December 31, 2017 and 57,048,076 shares issued and 57,025,474 shares outstanding at December 31, 2016	90
Class B common stock, $0.001 par value; 9,627,821 shares issued and outstanding at December 31, 2017 and 29,832,098 shares issued and outstanding at December 31, 2016	10
Treasury stock, at cost: 22,602 shares at December 31, 2017 & December 31, 2016	(358
Additional paid-in-capital	606,31
Retained (deficit) / earnings	(136,2
Stockholders' equity	469,78
Non-controlling interest	116,34
Total stockholders’ equity	586,13
Total liabilities and stockholders' equity	$ 1,710,(

[Jones Energy Inc.](#)
Consolidated Statement of Cash Flow Data

	Twelve Months Ended Decemb				
(in thousands of dollars)	2017			2016	
Cash flows from operating activities					
Net income (loss)	$	(178,823	)	$	(84,805
Adjustments to reconcile net income (loss) to net cash provided by operating activities					
Depletion, depreciation, and amortization		167,224			153,930
Exploration (dry hole and lease abandonment)		11,017			6,261
Impairment of oil and gas properties		149,648			—
Accretion of ARO liability		960			1,263
Amortization of debt issuance costs		3,955			4,060
Stock compensation expense		6,260			7,425
Deferred and other non-cash compensation expense		208			804
Amortization of deferred revenue		(1,854	)		(2,384
(Gain) loss on commodity derivatives		17,985			51,264
(Gain) loss on sales of assets		127			(14
(Gain) on debt extinguishment		—			(99,530
Deferred income tax provision		(47,082	)		(27,767
Change in liability under tax receivable agreement		(59,492	)		—
Other - net		2,044			418
Changes in operating assets and liabilities					
Accounts receivable		(34,615	)		2,276

Other assets		(12,330	)		(675
Accrued interest expense		(1,422	)		(4,727
Accounts payable and accrued liabilities		35,198			17,901
Net cash provided by operations		59,008			25,700
Cash flows from investing activities					
Additions to oil and gas properties		(245,364	)		(264,462
Net adjustments to purchase price of properties acquired		2,391			—
Proceeds from sales of assets		61,290			1,645
Acquisition of other property, plant and equipment		(586	)		(310
Current period settlements of matured derivative contracts		72,265			132,265
Net cash (used in) investing		(110,004	)		(130,862
Cash flows from financing activities					
Proceeds from issuance of long-term debt		162,000			130,000
Repayment of long-term debt		(129,000	)		(62,000
Proceeds from senior notes		—			—
Purchase of senior notes		—			(84,589
Payment of debt issuance costs		(1,115	)		—
Payment of cash dividends on preferred stock		(3,368	)		(1,615
Net distributions paid to JEH unitholders		(562	)		(17,319
Net payments for share based compensation		(462	)		—
Proceeds from sale of common stock		8,333			65,446
Proceeds from sale of preferred stock		—			87,988
Net cash provided by financing		35,826			117,911
Net increase (decrease) in cash		(15,170	)		12,749
Cash					
Beginning of period		34,642			21,893
End of period	$	19,472		$	34,642
Supplemental disclosure of cash flow information					
Cash paid for interest, net of capitalized interest	$	49,101		$	53,816
Cash paid for income taxes		2,318			—
Change in accrued additions to oil and gas properties		3,921			9,325
Asset retirement obligations incurred, including changes in estimate		924			(1,276

[Jones Energy Inc.](#)
Selected Financial and Operating Statistics

The following table sets forth summary data regarding revenues, production volumes, average prices and average production costs associated with our sale of oil and natural gas for the periods indicated:

	Three Months Ended December 31,							Year Ended Decembe	
	2017		2016		Change			2017	2016
Revenues *(in thousands of dollars):*									
Oil and gas sales	$	53,966	$	38,817	$	15,149		$ 186,393	$ 124,877
Other revenues		546		675		(129	)	2,180	2,970
Current period settlements of matured derivative contracts		706		21,630		(20,924	)	66,851	123,249
Total operating revenues	$	55,218	$	61,122	$	(5,904	)	$ 255,424	$ 251,096
Net production volumes:									
Oil (MBbls)		572		414		158		1,964	1,685
Natural gas (MMcf)		4,763		4,712		51		20,425	18,842
NGLs (MBbls)		585		571		14		2,418	2,204
Total (MBoe)		1,951		1,770		181		7,786	7,029

Average net (Boe/d)	21,207	19,239	1,968	21,332	19,205
Average sales price, unhedged:					
Oil (per Bbl), unhedged	$ 52.56	$ 44.68	$ 7.88	$ 47.46	$ 37.83
Natural gas (per Mcf), unhedged	1.80	2.16	(0.36)	2.07	1.67
NGLs (per Bbl), unhedged	26.20	17.73	8.47	21.09	13.48
Combined (per Boe), unhedged	27.66	21.93	5.73	23.94	17.77
Average sales price, hedged:					
Oil (per Bbl), hedged	$ 59.15	$ 79.94	$ (20.79)	$ 74.91	$ 84.71
Natural gas (per Mcf), hedged	2.62	3.26	(0.64)	3.50	3.45
NGLs (per Bbl), hedged	14.30	16.82	(2.52)	14.30	17.25
Combined (per Boe), hedged	28.02	32.79	(4.77)	32.53	34.96
Average costs (per BOE):					
Lease operating	$ 4.59	$ 4.87	$ (0.28)	$ 4.71	$ 4.64
Production and ad valorem taxes	1.14	1.53	(0.39)	0.88	1.11
Depletion, depreciation, amortization	20.44	21.18	(0.74)	21.48	21.90
General and administrative	2.77	4.27	(1.50)	3.84	4.22

Jones Energy Inc.
Non-GAAP Financial Measures and Reconciliations

EBITDAX is a supplemental non-GAAP financial measure that is used by management and external users of the Company’s consolidated financial statements, such as industry analysts, investors, lenders and rating agencies.

The Company defines EBITDAX as earnings before interest expense, income taxes, depreciation, depletion and amortization, exploration expense, gains and losses from derivatives less the current period settlements of matured derivative contracts, and the other items described below. EBITDAX is not a measure of net income as determined by United States generally accepted accounting principles, or GAAP. Management believes EBITDAX is useful because it allows them to more effectively evaluate the Company’s operating performance and compare the results of its operations from period to period and against its peers without regard to its financing methods or capital structure. The Company excludes the items listed above from net income in arriving at EBITDAX because these amounts can vary substantially from company to company within its industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. EBITDAX has limitations as an analytical tool and should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP or as an indicator of the Company’s liquidity. Certain items excluded from EBITDAX are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historical costs of depreciable assets. The Company’s presentation of EBITDAX should not be construed as an inference that its results will be unaffected by unusual or non-recurring items and should not be viewed as a substitute for GAAP. The Company’s computations of EBITDAX may not be comparable to other similarly titled measures of other companies.

The following table sets forth a reconciliation of net income (loss) as determined in accordance with GAAP to EBITDAX for the periods indicated:

	Three Months Ended December 31,		Year Ended Decembe	
(in thousands of dollars)	2017	2016	2017	2016
Reconciliation of net income to EBITDAX				
Net income (loss)	$ 41,633	$ (52,244)	$ (178,823)	$ (84,80
Interest expense	13,270	12,730	51,651	53,12
Exploration expense	2,507	5,436	14,145	6,673
Income taxes	(47,960)	(15,552)	(50,667)	(23,78
Depreciation and depletion	39,881	37,481	167,224	153,9

Impairment of oil and natural gas properties	1,632	—	149,648	&mda
Accretion of ARO liability	240	350	960	1,263
Change in TRA liability	(43,661)	(362)	(59,492)	(784
Other non-cash charges	152	(25)	2,044	1,202
Stock compensation expense	558	2,156	6,260	7,425
Deferred and other non-cash compensation expense	(127)	190	208	804
Net (gain) loss on derivative contracts	29,293	32,495	17,985	51,26
Current period settlements of matured derivative contracts	706	21,630	66,851	123,2
Amortization of deferred revenue	(437)	(556)	(1,854)	(2,38
(Gain) loss on sale of assets	(4)	54	127	(14
(Gain) on debt extinguishment	—	—	—	(99,53
Financing expenses and other loan fees	25	23	97	321
EBITDAX	$ 37,708	$ 43,806	$ 186,364	$ 187,9

[Jones Energy Inc.](#)
Non-GAAP Financial Measures and Reconciliations

Adjusted net loss is a supplemental non-GAAP financial measure that is used by management and external users of the Company’s consolidated financial statements. The Company defines Adjusted net loss as net income (loss) excluding the impact of certain non-cash items including gains or losses on commodity derivative instruments not yet settled, impairment of oil and gas properties, non-cash compensation expense, and the other items described below. The Company believes adjusted net loss is useful to investors because it provides readers with a more meaningful measure of its profitability before recording certain items for which the timing or amount cannot be reasonably determined. However, this measure is provided in addition to, not as an alternative for, and should be read in conjunction with, the information contained in the Company’s financial statements prepared in accordance with GAAP. The following table provides a reconciliation of net income (loss) as determined in accordance with GAAP to adjusted net loss for the periods indicated:

	Three Months Ended December 31,		Year Ended Decemb	
(in thousands except per share data)	2017	2016	2017	2016
Net income (loss)	$ 41,633	$ (52,244)	$ (178,823)	$ (84,
Net (gain) loss on derivative contracts	29,293	32,495	17,985	51,2
Current period settlements of matured derivative contracts	706	21,630	66,851	123
Impairment of oil and gas properties	1,632	—	149,648	&m
Exploration	2,507	5,436	14,145	6,67
Non-cash stock compensation expense	558	2,156	6,260	7,42
Deferred and other non-cash compensation expense	(127)	190	208	804
(Gain) on debt extinguishment	—	—	—	(99,
Tax impact of adjusting items [1]	(20,961)	(15,069)	(69,627)	(20,
Change in TRA liability	(43,661)	(362)	(59,492)	(784
Change in valuation allowance [2]	(40,386)	452	21,719	950
Adjusted net loss	(28,806)	(5,316)	(31,126)	(15,
Adjusted net loss attributable to non-controlling interests	(1,650)	(3,221)	(8,333)	(9,8
Adjusted net loss attributable to controlling interests	(27,156)	(2,095)	(22,793)	(5,6
Dividends and accretion on preferred stock	(1,965)	(1,904)	(7,924)	(2,6
Adjusted net loss attributable to common shareholders	$ (29,121)	$ (3,999)	$ (30,717)	$ (8,3
Effective tax rate on net income (loss) attributable to controlling interests			25.1 %	35.2

1. In arriving at adjusted net income, the tax impact of the adjustments to net income is determined by applying the appropriate tax rate to each adjustment and then allocating the tax impact between the controlling and non‑controlling interests.
2. Includes adjustment for valuation allowance and IRC Section 382 limitation.

Jones Energy Inc.
Non-GAAP Financial Measures and Reconciliations

Adjusted net loss per share is a supplemental non-GAAP financial measure that is used by management and external users of the Company’s consolidated financial statements. The Company defines adjusted net loss per share as earnings per share plus that portion of the components of adjusted net income (loss) allocated to the controlling interests divided by weighted average shares outstanding. The Company believes adjusted net loss per share is useful to investors because it provides readers with a more meaningful measure of its profitability before recording certain items for which the timing or amount cannot be reasonably determined. However, this measure is provided in addition to, not as an alternative for, and should be read in conjunction with, the information contained in the Company’s financial statements prepared in accordance with GAAP. The following table provides a reconciliation of earnings per share to adjusted net loss per share for the period indicated:

	Three Months Ended December 31,						Year Ended Decembe				
	2017			2016			2017			2016	
Earnings per share (basic and diluted):	$	0.51		$	(0.49	)	$	(1.51	)	$	(1.04
Net (gain) loss on derivative contracts		0.29			0.35			0.29			0.70
Current period settlements of matured derivative contracts		0.01			0.23			0.65			1.53
Impairment of oil and gas properties		0.02			—			1.43			&mda
Exploration		0.03			0.06			0.14			0.10
Non-cash stock compensation expense		0.01			0.02			0.06			0.10
Deferred and other non-cash compensation expense		—			—			—			0.01
(Gain) on debt extinguishment		—			—			—			(1.13
Tax impact of adjusting items (1)		(0.24	)		(0.23	)		(0.96	)		(0.46
Change in TRA liability		(0.50	)		(0.01	)		(0.82	)		(0.02
Change in valuation allowance (2)		(0.46	)		0.01			0.30			0.02
Adjusted net loss per share (basic and diluted)	$	(0.33	)	$	(0.06	)	$	(0.42	)	$	(0.19
Weighted average Class A shares outstanding:											
Basic		88,381			61,993			72,411			43,50
Diluted		88,381			61,993			72,411			43,50

1. In arriving at adjusted net income, the tax impact of the adjustments to net income is determined by applying the appropriate tax rate to each adjustment and then allocating the tax impact between the controlling and non‑controlling interests.
2. Includes adjustment for valuation allowance and IRC Section 382 limitation.