

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

We define Adjusted EBITDA as earnings before interest expense, income taxes, depletion, depreciation and amortization, accretion of asset retirement obligations, property impairments, unrealized derivative gains and losses, certain other non-cash items and non-cash stock-based compensation expense, and net gain or loss on asset sales and inventory impairment. Adjusted EBITDA is not a measure of net income (loss) or net cash provided by operating activities as determined by GAAP. Adjusted EBITDA 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.

Management believes Adjusted EBITDA helps it evaluate its operating performance and compare its results of operations from period to period without regard to its financing methods or capital structure. We exclude the items listed above from net income (loss) in calculating Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which certain assets were acquired.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income (loss) or net cash provided by operating activities as determined in accordance with GAAP or as an indicator of the Company's operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components of understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure. Our Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA in the same manner. The following table presents the calculation of Adjusted EBITDA and the reconciliation of Adjusted EBITDA to the GAAP financial measures of net income (loss) and net cash provided by operating activities, respectively, that are of a historical nature.

	Year Ended December 31,						
	2010	2011	2012	2013	2014	2015	2016
<i>(In thousands)</i>							
Unaudited Adjusted EBITDA reconciliation to							
Net Income (Loss):							
Net income (loss) attributable to Matador Resources Company Shareholders	\$6,377	(\$10,309)	(\$33,261)	\$45,094	\$110,771	(\$679,785)	(\$97,421)
Interest expense	3	683	1,002	5,687	5,334	21,754	28,199
Total income tax provision (benefit)	3,521	(5,521)	(1,430)	9,697	64,375	(147,368)	(1,036)
Depletion, depreciation and amortization	15,596	31,754	80,454	98,395	134,737	178,847	122,048
Accretion of asset retirement obligations	155	209	256	348	504	734	1,182
Full-cost ceiling impairment	-	35,673	63,475	21,229	-	801,166	158,633
Unrealized (gain) loss on derivatives	(3,139)	(5,138)	4,802	7,232	(58,302)	39,265	41,238
Stock-based compensation expense	898	2,406	140	3,897	5,524	9,450	12,362
Net (gain) loss on asset sales and inventory impairment	224	154	485	192	-	(908)	(107,277)
Adjusted EBITDA	\$23,635	\$49,911	\$115,923	\$191,771	\$262,943	\$223,155	\$157,928
<i>(In thousands)</i>							
Unaudited Adjusted EBITDA reconciliation to							
Net Cash Provided by Operating Activities:							
Net cash provided by operating activities	\$27,273	\$61,868	\$124,228	\$179,470	\$251,481	\$208,535	\$134,086
Net change in operating assets and liabilities	(2,230)	(12,594)	(9,307)	6,210	5,978	(8,980)	(1,809)
Interest expense, net of non-cash portion	3	683	1,002	5,687	5,334	20,902	27,051
Current income tax provision (benefit)	(1,411)	(46)	-	404	133	2,959	(1,036)
Net (income) loss attributable to non-controlling interest in subsidiary	-	-	-	-	17	(261)	(364)
Adjusted EBITDA	\$23,635	\$49,911	\$115,923	\$191,771	\$262,943	\$223,155	\$157,928