

Non-GAAP Financial Measures

Cash Interest

Cash Interest is a supplemental non-GAAP financial measure that is used by management and external users of the Company's financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Cash Interest as interest expense plus capitalized interest less amortization and write-offs of deferred financing costs and debt discounts included in interest expense. Cash Interest is not a measure of interest expense as determined by United States generally accepted accounting principles, or GAAP.

The following table presents a reconciliation of the GAAP financial measure of interest expense to the non-GAAP financial measure of Cash Interest for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Interest expense	\$ 37,389	\$ 31,726	\$ 110,548	\$ 105,444
Capitalized interest	3,137	4,380	8,773	13,683
Amortization of deferred financing costs	(1,729)	(2,095)	(5,128)	(8,042)
Amortization of debt discount	(2,591)	(300)	(7,426)	(300)
Cash Interest	\$ 36,206	\$ 33,711	\$ 106,767	\$ 110,785

Adjusted EBITDA Reconciliations

Adjusted EBITDA and Free Cash Flow are supplemental non-GAAP financial measures that are used by management and external users of the Company's financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Adjusted EBITDA as earnings before interest expense, income taxes, depreciation, depletion, amortization, exploration expenses and other similar non-cash charges. The Company defines Free Cash Flow as Adjusted EBITDA less Cash Interest and CapEx, excluding capitalized interest. Adjusted EBITDA and Free Cash Flow are not measures of net income (loss) or cash flows as determined by GAAP.

The following table presents reconciliations of the GAAP financial measures of net income (loss) including non-controlling interests and net cash provided by (used in) operating activities to the non-GAAP financial measures of Adjusted EBITDA and Free Cash Flow for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Net loss including non-controlling interests	\$ (41,064)	\$ (33,942)	\$ (671)	\$ (188,328)
(Gain) loss on sale of properties	—	(6)	—	1,305
(Gain) loss on extinguishment of debt	—	13,793	—	(4,865)
Net (gain) loss on derivative instruments	54,310	(20,847)	(52,297)	55,624
Derivative settlements ⁽¹⁾	8,095	11,786	(804)	115,576
Interest expense, net of capitalized interest	37,389	31,726	110,548	105,444
Depreciation, depletion and amortization	132,289	111,948	384,246	356,885
Impairment	139	382	6,021	3,967
Exploration expenses	854	489	4,010	1,192
Equity-based compensation expenses	6,628	5,782	20,451	18,761
Income tax benefit	(18,846)	(16,691)	(470)	(96,818)
Other non-cash adjustments	(208)	(26)	491	697
Adjusted EBITDA	179,586	104,394	471,525	369,440
Adjusted EBITDA attributable to non-controlling interests	190	—	190	—
Adjusted EBITDA attributable to Oasis	179,396	104,394	471,335	369,440
Cash Interest	(36,206)	(33,711)	(106,767)	(110,785)
Capital expenditures ⁽²⁾	(240,373)	(78,453)	(523,143)	(297,696)
Capitalized interest	3,137	4,380	8,773	13,683
Free Cash Flow	\$ (94,046)	\$ (3,390)	\$ (149,802)	\$ (25,358)
Net cash provided by operating activities	\$ 88,876	\$ 32,018	\$ 298,737	\$ 123,419
Derivative settlements ⁽¹⁾	8,095	11,786	(804)	115,576
Interest expense, net of capitalized interest	37,389	31,726	110,548	105,444
Exploration expenses	854	489	4,010	1,192
Deferred financing costs amortization and other	(3,795)	(3,622)	(12,666)	(10,174)
Changes in working capital	48,375	32,023	71,209	33,286
Other non-cash adjustments	(208)	(26)	491	697
Adjusted EBITDA	179,586	104,394	471,525	369,440
Adjusted EBITDA attributable to non-controlling interests	190	—	190	—
Adjusted EBITDA attributable to Oasis	179,396	104,394	471,335	369,440
Cash Interest	(36,206)	(33,711)	(106,767)	(110,785)
Capital expenditures ⁽²⁾	(240,373)	(78,453)	(523,143)	(297,696)
Capitalized interest	3,137	4,380	8,773	13,683
Free Cash Flow	\$ (94,046)	\$ (3,390)	\$ (149,802)	\$ (25,358)

(1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

(2) CapEx reflected in the table above differs from the amounts shown in the statement of cash flows in the Company's condensed consolidated financial statements because amounts reflected in the table above include changes in accrued liabilities from the previous reporting period for capital expenditures, while the amounts presented in the statement of cash flows are presented on a cash basis.

Segment Adjusted EBITDA Reconciliations

The following tables present reconciliations of the GAAP financial measure of income (loss) before income taxes to the non-GAAP financial measure of Adjusted EBITDA for the Company's three reportable business segments on a gross basis for the periods presented:

Exploration and Production

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Loss before income taxes including non-controlling interests	\$ (88,835)	\$ (66,333)	\$ (71,999)	\$ (331,075)
(Gain) loss on sale of properties	—	(6)	—	1,663
(Gain) loss on extinguishment of debt	—	13,793	—	(4,865)
Net (gain) loss on derivative instruments	54,310	(20,847)	(52,297)	55,624
Derivative settlements ⁽¹⁾	8,095	11,786	(804)	115,576
Interest expense, net of capitalized interest	37,369	31,726	110,528	105,444
Depreciation, depletion and amortization	129,626	109,668	376,818	346,240
Impairment	139	382	6,021	1,536
Exploration expenses	854	489	4,010	1,192
Equity-based compensation expenses	6,344	5,570	19,741	17,495
Other non-cash adjustments	(208)	(26)	491	697
Adjusted EBITDA	\$ 147,694	\$ 86,202	\$ 392,509	\$ 309,527

- (1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

Midstream Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 25,179	\$ 16,065	\$ 69,046	\$ 49,262
Gain on sale of properties	—	—	—	(358)
Interest expense, net of capitalized interest	20	—	20	—
Depreciation, depletion and amortization	4,163	1,909	11,375	5,325
Impairment	—	—	—	2,431
Equity-based compensation expenses	392	218	1,104	661
Adjusted EBITDA	\$ 29,754	\$ 18,192	\$ 81,545	\$ 57,321

Well Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 10,832	\$ 1,577	\$ 9,195	\$ 3,462
Depreciation, depletion and amortization	3,196	3,478	9,417	11,605
Equity-based compensation expenses	281	354	1,015	1,253
Adjusted EBITDA	\$ 14,309	\$ 5,409	\$ 19,627	\$ 16,320

**Adjusted Net Income (Loss) Attributable to Oasis and
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share**

Adjusted Net Income (Loss) Attributable to Oasis and Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share are supplemental non-GAAP financial measures that are used by management and external users of the Company's financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Adjusted Net Income (Loss) Attributable to Oasis as net income (loss) after adjusting first for (1) the impact of certain non-cash items, including non-cash changes in the fair value of derivative instruments, impairment, and other similar non-cash charges, or non-recurring items, (2) the impact of net income attributable to non-controlling interests and (3) the non-cash and non-recurring items' impact on taxes based on the Company's effective tax rate applicable to those adjusting items in the same period. Adjusted Net Income (Loss) Attributable to Oasis is not a measure of net income (loss) as determined by GAAP. The Company defines Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share as Adjusted Net Income (Loss) Attributable to Oasis divided by diluted weighted average shares outstanding.

The following table presents reconciliations of the GAAP financial measure of net income (loss) attributable to Oasis to the non-GAAP financial measure of Adjusted Net Income (Loss) Attributable to Oasis and the GAAP financial measure of diluted earnings (loss) attributable to Oasis per share to the non-GAAP financial measure of Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net loss attributable to Oasis	\$ (41,214)	\$ (33,942)	\$ (821)	\$ (188,328)
(Gain) loss on sale of properties	—	(6)	—	1,305
(Gain) loss on extinguishment of debt	—	13,793	—	(4,865)
Net (gain) loss on derivative instruments	54,310	(20,847)	(52,297)	55,624
Derivative settlements ⁽¹⁾	8,095	11,786	(804)	115,576
Impairment	139	382	6,021	3,967
Amortization of deferred financing costs	1,728	2,095	5,127	8,042
Amortization of debt discount	2,591	300	7,426	300
Other non-cash adjustments	(208)	(26)	491	697
Tax impact ⁽²⁾	(24,941)	(2,798)	12,735	(67,598)
Adjusted Net Income (Loss) Attributable to Oasis	\$ 500	\$ (29,263)	\$ (22,122)	\$ (75,280)
Diluted loss attributable to Oasis per share	\$ (0.18)	\$ (0.19)	\$ —	\$ (1.09)
Loss on sale of properties	—	—	—	0.01
(Gain) loss on extinguishment of debt	—	0.08	—	(0.03)
Net (gain) loss on derivative instruments	0.23	(0.12)	(0.22)	0.32
Derivative settlements ⁽¹⁾	0.03	0.07	—	0.67
Impairment	—	—	0.03	0.02
Amortization of deferred financing costs	0.01	0.01	0.02	0.05
Amortization of debt discount	0.01	—	0.03	—
Tax impact ⁽²⁾	(0.10)	(0.02)	0.05	(0.39)
Non-GAAP Diluted Loss Attributable to Oasis Per Share	\$ —	\$ (0.17)	\$ (0.09)	\$ (0.44)
Diluted weighted average shares outstanding	233,389	177,120	233,248	172,360
Effective tax rate applicable to adjustment items	37.4%	37.4%	37.4%	37.4%

- (1) Cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.
- (2) The tax impact is computed utilizing the Company's effective tax rate applicable to the adjustments for certain non-cash and non-recurring items.