

Non-GAAP Financial Measures

Cash Interest Reconciliation

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 December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands)			
Interest expense	\$ 36,289	\$ 34,861	\$ 146,837	\$ 140,305
Capitalized interest	4,024	3,165	12,797	16,848
Amortization of deferred financing costs	(1,779)	(1,715)	(6,907)	(9,757)
Amortization of debt discount	(2,654)	(2,409)	(10,080)	(2,709)
Cash Interest	\$ 35,880	\$ 33,902	\$ 142,647	\$ 144,687

Adjusted EBITDA and Free Cash Flow 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 or non-recurring 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 December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands)			
Net income (loss) including non-controlling interests	\$ 128,117	\$ (54,688)	\$ 127,446	\$ (243,016)
(Gain) loss on sale of properties	(1,774)	(2)	(1,774)	1,303
(Gain) loss on extinguishment of debt	—	124	—	(4,741)
Net loss on derivative instruments	123,954	49,693	71,657	105,317
Derivative settlements ⁽¹⁾	(7,460)	6,401	(8,264)	121,977
Interest expense, net of capitalized interest	36,289	34,861	146,837	140,305
Depreciation, depletion and amortization	146,556	119,446	530,802	476,331
Impairment	866	717	6,887	4,684
Exploration expenses	7,590	593	11,600	1,785
Equity-based compensation expenses	6,083	5,342	26,534	24,103
Income tax benefit	(202,834)	(31,720)	(203,304)	(128,538)
Other non-cash adjustments	(1,236)	93	(745)	790
Adjusted EBITDA	236,151	130,860	707,676	500,300
Adjusted EBITDA attributable to non-controlling interests	3,714	—	3,904	—
Adjusted EBITDA attributable to Oasis	232,437	130,860	703,772	500,300
Cash Interest	(35,880)	(33,902)	(142,647)	(144,687)
Capital expenditures ⁽²⁾	(313,060)	(883,831)	(836,204)	(1,181,527)
Capitalized interest	4,024	3,165	12,797	16,848
Free Cash Flow	\$ (112,479)	\$ (783,708)	\$ (262,282)	\$ (809,066)
Net cash provided by operating activities	\$ 209,139	\$ 104,599	\$ 507,876	\$ 228,018
Derivative settlements ⁽¹⁾	(7,460)	6,401	(8,264)	121,977
Interest expense, net of capitalized interest	36,289	34,861	146,837	140,305
Exploration expenses	7,590	593	11,600	1,785
Deferred financing costs amortization and other	(5,645)	(4,160)	(18,311)	(14,334)
Current tax expense	(421)	—	(421)	—
Changes in working capital	(2,105)	(11,527)	69,104	21,759
Other non-cash adjustments	(1,236)	93	(745)	790
Adjusted EBITDA	236,151	130,860	707,676	500,300
Adjusted EBITDA attributable to non-controlling interests	3,714	—	3,904	—
Adjusted EBITDA attributable to Oasis	232,437	130,860	703,772	500,300
Cash Interest	(35,880)	(33,902)	(142,647)	(144,687)
Capital expenditures ⁽²⁾	(313,060)	(883,831)	(836,204)	(1,181,527)
Capitalized interest	4,024	3,165	12,797	16,848
Free Cash Flow	\$ (112,479)	\$ (783,708)	\$ (262,282)	\$ (809,066)

- (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 (including acquisitions) reflected in the table above differs from the amounts shown in the statement of cash flows in the Company's 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 statements of cash flows are presented on a cash basis. Acquisitions totaled \$48.2 million and \$54.0 million for the fourth quarter and full year 2017, respectively, and \$768.0 million and \$781.5 million for the fourth quarter and full year 2016, respectively.

Segment Adjusted EBITDA Reconciliations

The following tables present reconciliations of the GAAP financial measure of income (loss) before income taxes including non-controlling interests 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 December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands)			
Loss before income taxes including non-controlling interests	\$ (107,130)	\$ (105,395)	\$ (179,129)	\$ (436,469)
(Gain) loss on sale of properties	(1,774)	(2)	(1,774)	1,661
(Gain) loss on extinguishment of debt	—	124	—	(4,741)
Net loss on derivative instruments	123,954	49,693	71,657	105,317
Derivative settlements ⁽¹⁾	(7,460)	6,401	(8,264)	121,977
Interest expense, net of capitalized interest	36,289	34,861	146,818	140,305
Depreciation, depletion and amortization	143,033	117,346	519,853	467,894
Impairment	866	717	6,887	2,253
Exploration expenses	7,590	593	11,600	1,785
Equity-based compensation expenses	5,695	5,152	25,436	23,346
Other non-cash adjustments	(1,303)	21	(812)	718
Adjusted EBITDA	\$ 199,760	\$ 109,511	\$ 592,272	\$ 424,046

- (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 December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 33,294	\$ 19,132	\$ 102,340	\$ 68,394
Gain on sale of properties	—	—	—	(358)
Interest expense, net of capitalized interest	—	—	19	—
Depreciation, depletion and amortization	4,625	3,200	15,999	8,525
Impairment	—	—	—	2,431
Equity-based compensation expenses	357	249	1,461	911
Other non-cash adjustments	—	10	—	10
Adjusted EBITDA	\$ 38,276	\$ 22,591	\$ 119,819	\$ 79,913

	Well Services			
	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 5,897	\$ 10	\$ 15,091	\$ 3,471
Depreciation, depletion and amortization	3,522	3,287	12,939	14,892
Equity-based compensation expenses	249	262	1,264	1,515
Other non-cash adjustments	67	62	67	62
Adjusted EBITDA	\$ 9,735	\$ 3,621	\$ 29,361	\$ 19,940

**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 for (1) the impact of certain non-cash and non-recurring items, including non-cash changes in the fair value of derivative instruments, impairment, and other similar non-cash and non-recurring charges, (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, excluding net income attributable to non-controlling interests, 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 December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net income (loss) attributable to Oasis	\$ 124,617	\$ (54,688)	\$ 123,796	\$ (243,016)
Tax reform rate change adjustments	(171,900)	—	(171,900)	—
(Gain) loss on sale of properties	(1,774)	(2)	(1,774)	1,303
(Gain) loss on extinguishment of debt	—	124	—	(4,741)
Net loss on derivative instruments	123,954	49,693	71,657	105,317
Derivative settlements ⁽¹⁾	(7,460)	6,401	(8,264)	121,977
Impairment	866	717	6,887	4,684
Amortization of deferred financing costs ⁽²⁾	1,779	1,715	6,907	9,757
Amortization of debt discount	2,654	2,409	10,080	2,709
Other non-cash adjustments	(1,236)	93	(745)	790
Tax impact ⁽³⁾	(44,425)	(22,882)	(31,696)	(90,480)
Adjusted Net Income (Loss) Attributable to Oasis	\$ 27,075	\$ (16,420)	\$ 4,948	\$ (91,700)
Diluted earnings (loss) attributable to Oasis per share	\$ 0.52	\$ (0.25)	\$ 0.52	\$ (1.32)
Tax reform rate change adjustments	(0.71)	—	(0.72)	—
(Gain) loss on sale of properties	(0.01)	—	(0.01)	0.01
(Gain) loss on extinguishment of debt	—	—	—	(0.03)
Net loss on derivative instruments	0.51	0.23	0.30	0.57
Derivative settlements ⁽¹⁾	(0.03)	0.03	(0.03)	0.66
Impairment	—	—	0.03	0.03
Amortization of deferred financing costs ⁽²⁾	0.01	0.01	0.03	0.05
Amortization of debt discount	0.01	0.01	0.04	0.01
Other non-cash adjustments	(0.01)	—	—	—
Tax impact ⁽³⁾	(0.17)	(0.11)	(0.14)	(0.48)
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ 0.12	\$ (0.08)	\$ 0.02	\$ (0.50)
Diluted weighted average shares outstanding	241,960	217,332	237,875	183,615
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) As of December 31, 2016, Adjusted Net Income (Loss) Attributable to Oasis includes the non-cash adjustment for amortization of deferred financing costs. Comparative periods have been conformed. The amortization of deferred financing costs is included in interest expense on the Company's Consolidated Statements of Operations.
- (3) The tax impact is computed utilizing the Company's effective tax rate applicable to the adjustments for certain non-cash and non-recurring items. The tax impact was not computed for the tax reform rate change adjustments.