

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest expense	\$ 40,910	\$ 36,838	\$ 78,056	\$ 73,159
Capitalized interest	4,227	2,816	8,678	5,636
Amortization of deferred financing costs	(1,937)	(1,709)	(3,698)	(3,399)
Amortization of debt discount	(2,731)	(2,480)	(5,349)	(4,835)
Cash Interest	\$ 40,469	\$ 35,465	\$ 77,687	\$ 70,561

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income (loss) including non-controlling interests	\$ (316,301)	\$ 16,568	\$ (312,589)	\$ 40,393
Gain on sale of properties	(1,954)	—	(1,954)	—
Loss on extinguishment of debt	13,651	—	13,651	—
Net (gain) loss on derivative instruments	120,285	(50,532)	191,401	(106,607)
Derivative settlements ⁽¹⁾	(59,849)	(939)	(96,823)	(8,899)
Interest expense, net of capitalized interest	40,910	36,838	78,056	73,159
Depreciation, depletion and amortization	153,570	125,291	302,835	251,957
Impairment	384,135	3,200	384,228	5,882
Exploration expenses	617	1,667	1,386	3,156
Equity-based compensation expenses	7,376	7,115	14,130	13,823
Income tax (benefit) expense	(101,001)	2,339	(100,173)	18,376
Other non-cash adjustments	(226)	(213)	(17)	699
Adjusted EBITDA	241,213	141,334	474,131	291,939
Adjusted EBITDA attributable to non-controlling interests	5,148	—	9,452	—
Adjusted EBITDA attributable to Oasis	236,065	141,334	464,679	291,939
Cash Interest	(40,469)	(35,465)	(77,687)	(70,561)
Capital expenditures ⁽²⁾	(358,534)	(172,975)	(1,525,762)	(282,770)
Capitalized interest	4,227	2,816	8,678	5,636
Free Cash Flow	\$ (158,711)	\$ (64,290)	\$ (1,130,092)	\$ (55,756)
Net cash provided by operating activities	\$ 303,657	\$ 102,062	\$ 532,016	\$ 209,861
Derivative settlements ⁽¹⁾	(59,849)	(939)	(96,823)	(8,899)
Interest expense, net of capitalized interest	40,910	36,838	78,056	73,159
Exploration expenses	617	1,667	1,386	3,156
Deferred financing costs amortization and other	(5,043)	(3,931)	(10,518)	(8,871)
Current tax expense	120	—	120	—
Changes in working capital	(38,973)	5,850	(30,089)	22,834
Other non-cash adjustments	(226)	(213)	(17)	699
Adjusted EBITDA	241,213	141,334	474,131	291,939
Adjusted EBITDA attributable to non-controlling interests	5,148	—	9,452	—
Adjusted EBITDA attributable to Oasis	236,065	141,334	464,679	291,939
Cash Interest	(40,469)	(35,465)	(77,687)	(70,561)
Capital expenditures ⁽²⁾	(358,534)	(172,975)	(1,525,762)	(282,770)
Capitalized interest	4,227	2,816	8,678	5,636
Free Cash Flow	\$ (158,711)	\$ (64,290)	\$ (1,130,092)	\$ (55,756)

- (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) Capital expenditures (including acquisitions) reflected in the table above differ from the amounts shown in the statements of cash flows in our condensed consolidated financial statements because amounts reflected in the table 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. Acquisitions totaled \$3.5 million and \$2.2 million for the three months ended June 30, 2018 and 2017, respectively, and \$894.5 million and \$4.8 million for the six months ended June 30, 2018 and 2017, 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 our three reportable business segments on a gross basis for the periods presented:

Exploration and Production

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Income (loss) before income taxes including non-controlling interests	\$ (454,662)	\$ (3,900)	\$ (482,847)	\$ 16,836
Gain on sale of properties	(1,954)	—	(1,954)	—
Loss on extinguishment of debt	13,651	—	13,651	—
Net (gain) loss on derivative instruments	120,285	(50,532)	191,401	(106,607)
Derivative settlements ⁽¹⁾	(59,849)	(939)	(96,823)	(8,899)
Interest expense, net of capitalized interest	40,727	36,838	77,611	73,159
Depreciation, depletion and amortization	149,250	122,785	294,454	247,193
Impairment	384,135	3,200	384,228	5,882
Exploration expenses	617	1,667	1,386	3,156
Equity-based compensation expenses	7,012	6,897	13,463	13,395
Other non-cash adjustments	(226)	(213)	(17)	699
Adjusted EBITDA	\$ 198,986	\$ 115,803	\$ 394,553	\$ 244,814

- (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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 37,815	\$ 23,106	\$ 69,796	\$ 43,867
Interest expense, net of capitalized interest	183	—	445	—
Depreciation, depletion and amortization	6,900	3,753	13,529	7,211
Equity-based compensation expenses	409	365	780	713
Adjusted EBITDA	\$ 45,307	\$ 27,224	\$ 84,550	\$ 51,791

Well Services

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands)			
Income (loss) before income taxes including non-controlling interests	\$ 8,051	\$ 1,950	\$ 16,158	\$ (1,637)
Depreciation, depletion and amortization	3,930	3,057	7,619	6,222
Equity-based compensation expenses	409	338	795	734
Adjusted EBITDA	\$ 12,390	\$ 5,345	\$ 24,572	\$ 5,319

**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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Net income (loss) attributable to Oasis	\$ (320,204)	\$ 16,568	\$ (319,614)	\$ 40,393
Gain on sale of properties	(1,954)	—	(1,954)	—
Loss on extinguishment of debt	13,651	—	13,651	—
Net (gain) loss on derivative instruments	120,285	(50,532)	191,401	(106,607)
Derivative settlements ⁽¹⁾	(59,849)	(939)	(96,823)	(8,899)
Impairment	384,135	3,200	384,228	5,882
Amortization of deferred financing costs	1,937	1,709	3,698	3,399
Amortization of debt discount	2,731	2,480	5,349	4,835
Other non-cash adjustments	(226)	(213)	(17)	699
Tax impact ⁽²⁾	(109,356)	16,575	(118,571)	37,679
Adjusted Net Income (Loss) Attributable to Oasis	\$ 31,150	\$ (11,152)	\$ 61,348	\$ (22,619)
Diluted earnings (loss) attributable to Oasis per share	\$ (1.02)	\$ 0.07	\$ (1.06)	\$ 0.20
Gain on sale of properties	(0.01)	—	(0.01)	—
Loss on extinguishment of debt	0.04	—	0.04	—
Net (gain) loss on derivative instruments	0.38	(0.22)	0.63	(0.46)
Derivative settlements ⁽¹⁾	(0.19)	—	(0.32)	(0.04)
Impairment	1.23	0.01	1.26	0.03
Amortization of deferred financing costs	0.01	0.01	0.01	0.01
Amortization of debt discount	0.01	0.01	0.02	0.02
Other non-cash adjustments	—	—	—	—
Tax impact ⁽²⁾	(0.35)	0.07	(0.37)	0.16
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ 0.10	\$ (0.05)	\$ 0.20	\$ (0.08)
Diluted weighted average shares outstanding ⁽³⁾	315,664	233,283	304,859	233,176
Effective tax rate applicable to adjustment items	23.7%	37.4%	23.7%	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.
- (3) No unvested stock awards were included in computing Adjusted Diluted Loss Attributable to Oasis Per Share for the three and six months ended June 30, 2017 because the effect was anti-dilutive due to Adjusted Net Loss. For the three and six months ended June 30, 2018, the Company included 2,592,000 and 3,207,000 of unvested stock awards in computing Adjusted Diluted Income Attributable to Oasis Per Share for the three and six months ended June 30, 2018, respectively, due to the dilutive effect under the treasury stock method.