

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Interest expense	\$ 39,560	\$ 37,389	\$ 117,616	\$ 110,548
Capitalized interest	4,531	3,137	13,209	8,773
Amortization of deferred financing costs	(1,813)	(1,729)	(5,511)	(5,128)
Amortization of debt discount	(2,852)	(2,591)	(8,201)	(7,426)
Cash Interest	\$ 39,426	\$ 36,206	\$ 117,113	\$ 106,767

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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income (loss) including non-controlling interests	\$ 66,223	\$ (41,064)	\$ (246,366)	\$ (671)
Gain on sale of properties	(36,869)	—	(38,823)	—
Loss on extinguishment of debt	47	—	13,698	—
Net (gain) loss on derivative instruments	48,544	54,310	239,945	(52,297)
Derivative settlements ⁽¹⁾	(65,190)	8,095	(162,013)	(804)
Interest expense, net of capitalized interest	39,560	37,389	117,616	110,548
Depreciation, depletion and amortization	162,984	132,289	465,819	384,246
Impairment	—	139	384,228	6,021
Exploration expenses	22,315	854	23,701	4,010
Equity-based compensation expenses	7,456	6,628	21,586	20,451
Income tax (benefit) expense	24,782	(18,846)	(75,391)	(470)
Other non-cash adjustments	574	(208)	557	491
Adjusted EBITDA	270,426	179,586	744,557	471,525
Adjusted EBITDA attributable to non-controlling interests	5,194	190	14,647	190
Adjusted EBITDA attributable to Oasis	265,232	179,396	729,910	471,335
Cash Interest	(39,426)	(36,206)	(117,113)	(106,767)
Capital expenditures ⁽²⁾	(372,343)	(240,373)	(1,898,105)	(523,143)
Capitalized interest	4,531	3,137	13,209	8,773
Free Cash Flow	\$ (142,006)	\$ (94,046)	\$ (1,272,099)	\$ (149,802)
Net cash provided by operating activities	\$ 229,985	\$ 88,876	\$ 762,001	\$ 298,737
Derivative settlements ⁽¹⁾	(65,190)	8,095	(162,013)	(804)
Interest expense, net of capitalized interest	39,560	37,389	117,616	110,548
Exploration expenses	22,315	854	23,701	4,010
Deferred financing costs amortization and other	(9,556)	(3,795)	(20,074)	(12,666)
Current tax expense	(93)	—	27	—
Changes in working capital	52,831	48,375	22,742	71,209
Other non-cash adjustments	574	(208)	557	491
Adjusted EBITDA	270,426	179,586	744,557	471,525
Adjusted EBITDA attributable to non-controlling interests	5,194	190	14,647	190
Adjusted EBITDA attributable to Oasis	265,232	179,396	729,910	471,335
Cash Interest	(39,426)	(36,206)	(117,113)	(106,767)
Capital expenditures ⁽²⁾	(372,343)	(240,373)	(1,898,105)	(523,143)
Capitalized interest	4,531	3,137	13,209	8,773
Free Cash Flow	\$ (142,006)	\$ (94,046)	\$ (1,272,099)	\$ (149,802)

- (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 \$55.6 million and \$1.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$950.1 million and \$5.9 million for the nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Income (loss) before income taxes including non-controlling interests	\$ 59,375	\$ (88,835)	\$ (423,470)	\$ (71,999)
Gain on sale of properties	(46,459)	—	(48,413)	—
Loss on extinguishment of debt	47	—	13,698	—
Net (gain) loss on derivative instruments	48,544	54,310	239,945	(52,297)
Derivative settlements ⁽¹⁾	(65,190)	8,095	(162,013)	(804)
Interest expense, net of capitalized interest	39,398	37,369	117,009	110,528
Depreciation, depletion and amortization	158,630	129,626	453,083	376,818
Impairment	—	139	384,228	6,021
Exploration expenses	22,315	854	23,701	4,010
Equity-based compensation expenses	7,102	6,344	20,565	19,741
Other non-cash adjustments	574	(208)	557	491
Adjusted EBITDA	\$ 224,336	\$ 147,694	\$ 618,890	\$ 392,509

- (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,	
	2018	2017	2018	2017
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 30,959	\$ 25,179	\$ 100,754	\$ 69,046
Loss on sale of properties	9,590	—	9,590	—
Interest expense, net of capitalized interest	162	20	607	20
Depreciation, depletion and amortization	7,373	4,163	20,902	11,375
Equity-based compensation expenses	442	392	1,222	1,104
Adjusted EBITDA	\$ 48,526	\$ 29,754	\$ 133,075	\$ 81,545

Well Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 9,158	\$ 10,832	\$ 25,316	\$ 9,195
Depreciation, depletion and amortization	3,940	3,196	11,560	9,417
Equity-based compensation expenses	354	281	1,149	1,015
Adjusted EBITDA	\$ 13,452	\$ 14,309	\$ 38,025	\$ 19,627

**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,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Net income (loss) attributable to Oasis	\$ 62,341	\$ (41,214)	\$ (257,273)	\$ (821)
Gain on sale of properties	(36,869)	—	(38,823)	—
Loss on extinguishment of debt	47	—	13,698	—
Net (gain) loss on derivative instruments	48,544	54,310	239,945	(52,297)
Derivative settlements ⁽¹⁾	(65,190)	8,095	(162,013)	(804)
Impairment	—	139	384,228	6,021
Amortization of deferred financing costs	1,814	1,728	5,512	5,127
Amortization of debt discount	2,852	2,591	8,201	7,426
Other non-cash adjustments	574	(208)	557	491
Tax impact ⁽²⁾	11,449	(24,941)	(107,140)	12,735
Adjusted Net Income (Loss) Attributable to Oasis	\$ 25,562	\$ 500	\$ 86,892	\$ (22,122)
Diluted earnings (loss) attributable to Oasis per share	\$ 0.20	\$ (0.18)	\$ (0.84)	\$ 0.00
Gain on sale of properties	(0.12)	—	(0.13)	—
Loss on extinguishment of debt	—	—	0.04	—
Net (gain) loss on derivative instruments	0.15	0.23	0.78	(0.22)
Derivative settlements ⁽¹⁾	(0.21)	0.03	(0.52)	—
Impairment	—	—	1.24	0.03
Amortization of deferred financing costs	0.01	0.01	0.02	0.02
Amortization of debt discount	0.01	0.01	0.03	0.03
Other non-cash adjustments	—	—	—	—
Tax impact ⁽²⁾	0.04	(0.10)	(0.34)	0.05
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ 0.08	\$ 0.00	\$ 0.28	\$ (0.09)
Diluted weighted average shares outstanding ⁽³⁾	316,387	234,041	308,985	233,248
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) The Company included 3,220,000 and 3,452,000 of unvested stock awards for the three and nine months ended September 30, 2018, respectively, and 652,000 of unvested stock awards for the three months ended September 30, 2017 in computing Adjusted Diluted Income Attributable to Oasis Per Share due to the dilutive effect under the treasury stock method. No unvested stock awards were included in computing Adjusted Diluted Loss Attributable to Oasis Per Share for the nine months ended September 30, 2017 because the effect was anti-dilutive due to Adjusted Net Loss Attributable to Oasis.