

Non-GAAP Financial Measures

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.

E&P Cash G&A

E&P Cash G&A is defined as the total general and administrative expenses included in the Company's exploration and production segment less non-cash equity-based compensation expenses included in its exploration and production segment. E&P Cash G&A is not a measure of general and administrative expenses as determined by GAAP. Management believes that the presentation of E&P Cash G&A provides useful additional information to investors and analysts to assess the Company's operating costs in comparison to peers without regard to equity-based compensation programs, which can vary substantially from company to company.

The following table presents a reconciliation of the GAAP financial measure of general and administrative expenses included in its exploration and production segment to the non-GAAP financial measure of E&P Cash G&A for the periods presented:

Exploration and Production

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
E&P general and administrative expenses	\$ 27,527	\$ 23,479
Equity-based compensation expenses	(8,580)	(6,454)
E&P Cash G&A	\$ 18,947	\$ 17,025

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 March 31,	
	2019	2018
	(In thousands)	
Interest expense	\$ 44,468	\$ 37,146
Capitalized interest	2,818	4,451
Amortization of deferred financing costs	(1,770)	(1,761)
Amortization of debt discount	(2,884)	(2,618)
Cash Interest	\$ 42,632	\$ 37,218

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 attributable to Oasis 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 March 31,	
	2019	2018
	(In thousands)	
Net income (loss) including non-controlling interests	\$ (107,978)	\$ 3,712
Loss on sale of properties	2,922	—
Net loss on derivative instruments	117,611	71,116
Derivative settlements ⁽¹⁾	13,446	(36,974)
Interest expense, net of capitalized interest	44,468	37,146
Depreciation, depletion and amortization	189,833	149,265
Impairment	629	93
Exploration expenses	830	769
Equity-based compensation expenses	9,013	6,754
Income tax (benefit) expense	(3,703)	828
Other non-cash adjustments	2,275	209
Adjusted EBITDA	269,346	232,918
Adjusted EBITDA attributable to non-controlling interests	10,203	3,911
Adjusted EBITDA attributable to Oasis	259,143	229,007
Cash Interest	(42,632)	(37,218)
Capital expenditures ⁽²⁾	(226,793)	(1,167,228)
Capitalized interest	2,818	4,451
Free Cash Flow	\$ (7,464)	\$ (970,988)
Net cash provided by operating activities	\$ 174,926	\$ 228,359
Derivative settlements ⁽¹⁾	13,446	(36,974)
Interest expense, net of capitalized interest	44,468	37,146
Exploration expenses	830	769
Deferred financing costs amortization and other	(6,930)	(5,475)
Current tax expense	(156)	—
Changes in working capital	40,487	8,884
Other non-cash adjustments	2,275	209
Adjusted EBITDA	269,346	232,918
Adjusted EBITDA attributable to non-controlling interests	10,203	3,911
Adjusted EBITDA attributable to Oasis	259,143	229,007
Cash Interest	(42,632)	(37,218)
Capital expenditures ⁽²⁾	(226,793)	(1,167,228)
Capitalized interest	2,818	4,451
Free Cash Flow	\$ (7,464)	\$ (970,988)

(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 the Company's 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 statements of cash flows are presented on a cash basis. Acquisitions totaled \$890.9 million for the three months ended March 31, 2018.

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 March 31,	
	2019	2018
	(In thousands)	
Loss before income taxes including non-controlling interests	\$ (156,458)	\$ (28,184)
Loss on sale of properties	2,922	—
Net loss on derivative instruments	117,611	71,116
Derivative settlements ⁽¹⁾	13,446	(36,974)
Interest expense, net of capitalized interest	40,720	36,884
Depreciation, depletion and amortization	184,819	145,203
Impairment	629	93
Exploration expenses	830	769
Equity-based compensation expenses	8,580	6,454
Other non-cash adjustments	2,275	209
Adjusted EBITDA	\$ 215,374	\$ 195,570

- (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 March 31,	
	2019	2018
	(In thousands)	
Income before income taxes including non-controlling interests	\$ 46,058	\$ 31,979
Interest expense, net of capitalized interest	3,748	262
Depreciation, depletion and amortization	9,187	6,629
Equity-based compensation expenses	465	370
Adjusted EBITDA	\$ 59,458	\$ 39,240

Well Services

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
Income before income taxes including non-controlling interests	\$ 820	\$ 8,107
Depreciation, depletion and amortization	3,929	3,690
Equity-based compensation expenses	561	385
Adjusted EBITDA	\$ 5,310	\$ 12,182

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 March 31,	
	2019	2018
	(In thousands, except per share data)	
Net income (loss) attributable to Oasis	\$ (114,882)	\$ 590
Loss on sale of properties	2,922	—
Net loss on derivative instruments	117,611	71,116
Derivative settlements ⁽¹⁾	13,446	(36,974)
Impairment	629	93
Amortization of deferred financing costs	1,770	1,761
Amortization of debt discount	2,884	2,618
Other non-cash adjustments	2,275	209
Tax impact ⁽²⁾	(33,596)	(9,217)
Adjusted Net Income (Loss) Attributable to Oasis	\$ (6,941)	\$ 30,196
Diluted earnings (loss) attributable to Oasis per share	\$ (0.37)	\$ 0.00
Loss on sale of properties	0.01	—
Net loss on derivative instruments	0.37	0.24
Derivative settlements ⁽¹⁾	0.04	(0.13)
Impairment	—	—
Amortization of deferred financing costs	0.01	0.01
Amortization of debt discount	0.01	0.01
Other non-cash adjustments	0.01	—
Tax impact ⁽²⁾	(0.10)	(0.03)
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ (0.02)	\$ 0.10
Diluted weighted average shares outstanding ⁽³⁾	314,464	291,738
Effective tax rate applicable to adjustment items	23.7%	23.7%

- (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 months ended March 31, 2019 because the effect was anti-dilutive due to the Adjusted Net Loss Attributable to Oasis.