

Non-GAAP Financial Measures

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 and other non-cash charges 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
E&P general and administrative expenses	\$ 46,377	\$ 30,454	\$ 99,665	\$ 77,425
Equity-based compensation expenses	(8,246)	(7,102)	(25,348)	(20,565)
Litigation contingency expenses ⁽¹⁾	(20,000)	—	(20,000)	—
E&P Cash G&A	\$ 18,131	\$ 23,352	\$ 54,317	\$ 56,860

- (1) In 3Q 2019, the Company incurred a charge to establish a loss accrual of \$20 million, which the Company believes is the estimable amount of loss that could potentially be incurred from the Company's pending legal proceedings based upon currently available information.

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 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:

	Exploration and Production			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Interest expense	\$ 43,897	\$ 39,560	\$ 131,551	\$ 117,616
Capitalized interest	3,001	4,531	9,464	13,209
Amortization of deferred financing costs	(1,861)	(1,813)	(5,454)	(5,511)
Amortization of debt discount	(3,137)	(2,852)	(9,027)	(8,201)
Cash Interest	\$ 41,900	\$ 39,426	\$ 126,534	\$ 117,113

Adjusted EBITDA and Free Cash Flow

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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Net income (loss) including non-controlling interests	\$ 30,311	\$ 66,223	\$ (26,493)	\$ (246,366)
(Gain) loss on sale of properties	752	(36,869)	3,950	(38,823)
Loss on extinguishment of debt	—	47	—	13,698
Net (gain) loss on derivative instruments	(47,922)	48,544	34,940	239,945
Derivative settlements ⁽¹⁾	7,123	(65,190)	10,752	(162,013)
Interest expense, net of capitalized interest	43,897	39,560	131,551	117,616
Depreciation, depletion and amortization	210,832	162,984	578,023	465,819
Impairment	—	—	653	384,228
Exploration expenses	652	22,315	2,369	23,701
Equity-based compensation expenses	8,446	7,456	26,370	21,586
Income tax (benefit) expense	(17,372)	24,782	(8,835)	(75,391)
Litigation contingency expenses ⁽²⁾	20,000	—	20,000	—
Other non-cash adjustments	(79)	574	2,316	557
Adjusted EBITDA	256,640	270,426	775,596	744,557
Adjusted EBITDA attributable to non-controlling interests	13,606	5,194	35,501	14,647
Adjusted EBITDA attributable to Oasis	243,034	265,232	740,095	729,910
Cash Interest	(41,900)	(39,426)	(126,534)	(117,113)
Capital expenditures ⁽³⁾	(187,216)	(372,343)	(708,884)	(1,898,105)
Capitalized interest	3,001	4,531	9,464	13,209
Free Cash Flow	\$ 16,919	\$ (142,006)	\$ (85,859)	\$ (1,272,099)
Net cash provided by operating activities	\$ 250,962	\$ 229,985	\$ 639,894	\$ 762,001
Derivative settlements ⁽¹⁾	7,123	(65,190)	10,752	(162,013)
Interest expense, net of capitalized interest	43,897	39,560	131,551	117,616
Exploration expenses	652	22,315	2,369	23,701
Deferred financing costs amortization and	(5,945)	(9,556)	(18,190)	(20,074)
Current tax (benefit) expense	84	(93)	5	27
Changes in working capital	(60,054)	52,831	(13,101)	22,742
Litigation contingency expenses ⁽²⁾	20,000	—	20,000	—
Other non-cash adjustments	(79)	574	2,316	557
Adjusted EBITDA	256,640	270,426	775,596	744,557
Adjusted EBITDA attributable to non-controlling interests	13,606	5,194	35,501	14,647
Adjusted EBITDA attributable to Oasis	243,034	265,232	740,095	729,910
Cash Interest	(41,900)	(39,426)	(126,534)	(117,113)
Capital expenditures ⁽³⁾	(187,216)	(372,343)	(708,884)	(1,898,105)

Capitalized interest	3,001	4,531	9,464	13,209
Free Cash Flow	\$ 16,919	\$ (142,006)	\$ (85,859)	\$ (1,272,099)

- (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) In 3Q 2019, the Company incurred a charge to establish a loss accrual of \$20 million, which the Company believes is the estimable amount of loss that could potentially be incurred from the Company's pending legal proceedings based upon currently available information.
- (3) 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 \$2.5 million and \$8.3 million for the three and nine months ended September 30, 2019, respectively, and \$55.6 million and \$950.1 million for the three and nine months ended September 30, 2018, respectively. In addition, capital expenditures (including acquisitions) reflected in the table above includes consideration paid through the issuance of common stock in connection with an acquisition for the nine months ended September 30, 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 September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Income (loss) before income taxes including non-controlling interests	\$ (42,605)	\$ 59,375	\$ (184,138)	\$ (423,470)
(Gain) loss on sale of properties	752	(46,459)	3,950	(48,413)
Loss on extinguishment of debt	—	47	—	13,698
Net (gain) loss on derivative instruments	(47,922)	48,544	34,940	239,945
Derivative settlements ⁽¹⁾	7,123	(65,190)	10,752	(162,013)
Interest expense, net of capitalized interest	39,385	39,398	119,082	117,009
Depreciation, depletion and amortization	205,902	158,630	563,408	453,083
Impairment	—	—	653	384,228
Exploration expenses	652	22,315	2,369	23,701
Equity-based compensation expenses	8,246	7,102	25,348	20,565
Litigation contingency expenses ⁽²⁾	20,000	—	20,000	—
Other non-cash adjustments	(79)	574	2,316	557
Adjusted EBITDA	\$ 191,454	\$ 224,336	\$ 598,680	\$ 618,890

- (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) In 3Q 2019, the Company incurred a charge to establish a loss accrual of \$20 million, which the Company believes is the estimable amount of loss that could potentially be incurred from the Company's pending legal proceedings based upon currently available information.

Midstream Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 59,787	\$ 30,959	\$ 156,861	\$ 100,754
Loss on sale of properties	—	9,590	—	9,590
Interest expense, net of capitalized interest	4,512	162	12,469	607
Depreciation, depletion and amortization	9,340	7,373	27,420	20,902
Equity-based compensation expenses	383	442	1,363	1,222
Adjusted EBITDA	\$ 74,022	\$ 48,526	\$ 198,113	\$ 133,075

Well Services

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 375	\$ 9,158	\$ 2,694	\$ 25,316
Depreciation, depletion and amortization	3,206	3,940	10,493	11,560
Equity-based compensation expenses	42	354	1,130	1,149
Adjusted EBITDA	\$ 3,623	\$ 13,452	\$ 14,317	\$ 38,025

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,	
	2019	2018	2019	2018
	(In thousands, except per share data)			
Net income (loss) attributable to Oasis	\$ 20,288	\$ 62,341	\$ (51,837)	\$ (257,273)
(Gain) loss on sale of properties	752	(36,869)	3,950	(38,823)
Loss on extinguishment of debt	—	47	—	13,698
Net (gain) loss on derivative instruments	(47,922)	48,544	34,940	239,945
Derivative settlements ⁽¹⁾	7,123	(65,190)	10,752	(162,013)
Impairment	—	—	653	384,228
Amortization of deferred financing costs	1,861	1,814	5,454	5,512
Amortization of debt discount	3,137	2,852	9,027	8,201
Litigation contingency expenses ⁽²⁾	20,000	—	20,000	—
Other non-cash adjustments	(79)	574	2,316	557
Tax impact ⁽³⁾	(21,173)	12,214	(28,026)	(108,028)
Adjusted Net Income (Loss) Attributable to	\$ (16,013)	\$ 26,327	\$ 7,229	\$ 86,004
Diluted earnings (loss) attributable to Oasis per share	\$ 0.06	\$ 0.20	\$ (0.16)	\$ (0.84)
(Gain) loss on sale of properties	—	(0.12)	0.01	(0.13)
Loss on extinguishment of debt	—	—	—	0.04
Net (gain) loss on derivative instruments	(0.15)	0.15	0.11	0.78
Derivative settlements ⁽¹⁾	0.02	(0.21)	0.03	(0.52)
Impairment	—	—	—	1.24
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
Litigation contingency expenses ⁽²⁾	0.06	—	0.06	—
Other non-cash adjustments	—	—	0.01	—
Tax impact ⁽³⁾	(0.06)	0.04	(0.09)	(0.34)
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ (0.05)	\$ 0.08	\$ 0.02	\$ 0.28
Diluted weighted average shares outstanding ⁽⁴⁾	315,135	316,387	315,944	308,985
Effective tax rate applicable to adjustment items	(140.0) %	25.3 %	32.2 %	23.9 %

(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) In 3Q 2019, the Company incurred a charge to establish a loss accrual of \$20 million, which the Company believes is the estimable amount of loss that could potentially be incurred from the Company's pending legal proceedings based upon currently available information.

(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.

(4) No unvested stock awards were included in computing Adjusted Diluted Loss Attributable to Oasis Per Share for the three months ended September 30, 2019 because the effect was anti-dilutive due to the Adjusted Net Loss Attributable to Oasis. For the nine months ended September 30, 2019 and three and nine months ended September 30, 2018, the Company included 1,081,000, 3,220,000 and 3,452,000, respectively, of unvested stock awards in computing Adjusted Diluted Earnings Attributable to Oasis Per Share due to the dilutive effect under the treasury stock method.