

Non-GAAP Financial Measures

E&P Cash G&A Reconciliation

E&P Cash G&A 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 E&P Cash G&A as the total general and administrative expenses included in our exploration and production segment less non-cash equity-based compensation expense included in our exploration and production segment. E&P Cash G&A is not a measure of general and administrative expenses as determined by United States generally accepted accounting principles, or GAAP.

The following table presents a reconciliation of the GAAP financial measure of general and administrative expenses included in our 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 December 31,		Year Ended December 31,	
	2018	2017	2018	2017
	(In thousands)			
General and administrative expenses	\$ 25,057	\$ 19,739	\$ 102,482	\$ 77,560
Equity-based compensation expenses	(7,345)	(5,695)	(27,910)	(25,436)
E&P Cash G&A	\$ 17,712	\$ 14,044	\$ 74,572	\$ 52,124

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 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,			
	2018		2017	
	2018	2017	2018	2017
	(In thousands)			
Interest expense	\$ 41,469	\$ 36,289	\$ 159,085	\$ 146,837
Capitalized interest	4,017	4,024	17,226	12,797
Amortization of deferred financing costs	(2,079)	(1,779)	(7,590)	(6,907)
Amortization of debt discount	(2,919)	(2,654)	(11,120)	(10,080)
Cash Interest	\$ 40,488	\$ 35,880	\$ 157,601	\$ 142,647

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,	
	2018	2017	2018	2017
	(In thousands)			
Net income (loss) including non-controlling interests	\$ 226,866	\$ 128,117	\$ (19,500)	\$ 127,446
(Gain) loss on sale of properties	10,236	(1,774)	(28,587)	(1,774)
Loss on extinguishment of debt	150	—	13,848	—
Net (gain) loss on derivative instruments	(268,402)	123,954	(28,457)	71,657
Derivative settlements ⁽¹⁾	(51,515)	(7,460)	(213,528)	(8,264)
Interest expense, net of capitalized interest	41,469	36,289	159,085	146,837
Depreciation, depletion and amortization	170,477	146,556	636,296	530,802
Impairment	—	866	384,228	6,887
Exploration expenses	3,731	7,590	27,432	11,600
Equity-based compensation expenses	7,687	6,083	29,273	26,534
Income tax (benefit) expense	69,548	(202,834)	(5,843)	(203,304)
Other non-cash adjustments	3,878	(1,236)	4,435	(745)
Adjusted EBITDA	214,125	236,151	958,682	707,676
Adjusted EBITDA attributable to non-controlling interests	7,094	3,714	21,703	3,904
Adjusted EBITDA attributable to Oasis	207,031	232,437	936,979	703,772
Cash Interest	(40,488)	(35,880)	(157,601)	(142,647)
Capital expenditures ⁽²⁾	(305,348)	(313,060)	(2,203,453)	(836,204)
Capitalized interest	4,017	4,024	17,226	12,797
Free Cash Flow	\$ (134,788)	\$ (112,479)	\$ (1,406,849)	\$ (262,282)
Net cash provided by operating activities	\$ 234,420	\$ 209,139	\$ 996,421	\$ 507,876
Derivative settlements ⁽¹⁾	(51,515)	(7,460)	(213,528)	(8,264)
Interest expense, net of capitalized interest	41,469	36,289	159,085	146,837
Exploration expenses	3,731	7,590	27,432	11,600
Deferred financing costs amortization and other	(8,983)	(5,645)	(29,057)	(18,311)
Current tax expense	(4)	(421)	23	(421)
Changes in working capital	(8,871)	(2,105)	13,871	69,104
Other non-cash adjustments	3,878	(1,236)	4,435	(745)
Adjusted EBITDA	214,125	236,151	958,682	707,676
Adjusted EBITDA attributable to non-controlling interests	7,094	3,714	21,703	3,904
Adjusted EBITDA attributable to Oasis	207,031	232,437	936,979	703,772
Cash Interest	(40,488)	(35,880)	(157,601)	(142,647)
Capital expenditures ⁽²⁾	(305,348)	(313,060)	(2,203,453)	(836,204)
Capitalized interest	4,017	4,024	17,226	12,797
Free Cash Flow	\$ (134,788)	\$ (112,479)	\$ (1,406,849)	\$ (262,282)

(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 \$1.8 million and \$951.9 million for the fourth quarter and full year 2018, respectively, and \$48.2 million and \$54.0 million for the fourth quarter and full year 2017, respectively. Additionally, CapEx (including acquisitions) reflected in the table includes consideration paid through the issuance of common stock in connection with the Permian Basin Acquisition for the year ended December 31, 2018.

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			
	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(In thousands)			
Income (loss) before income taxes including non-controlling interests	\$ 256,177	\$ (107,130)	\$ (167,292)	\$ (179,129)
(Gain) loss on sale of properties	10,226	(1,774)	(38,188)	(1,774)
Loss on extinguishment of debt	150	—	13,848	—
Net (gain) loss on derivative instruments	(268,402)	123,954	(28,457)	71,657
Derivative settlements ⁽¹⁾	(51,515)	(7,460)	(213,528)	(8,264)
Interest expense, net of capitalized interest	39,734	36,289	156,742	146,818
Depreciation, depletion and amortization	165,319	143,033	618,402	519,853
Impairment	—	866	384,228	6,887
Exploration expenses	3,731	7,590	27,432	11,600
Equity-based compensation expenses	7,345	5,695	27,910	25,436
Other non-cash adjustments	3,774	(1,303)	4,331	(812)
Adjusted EBITDA	\$ 166,539	\$ 199,760	\$ 785,428	\$ 592,272

- (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			
	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 40,248	\$ 33,294	\$ 141,001	\$ 102,340
Loss on sale of properties	31	—	9,622	—
Interest expense, net of capitalized interest	1,735	—	2,343	19
Depreciation, depletion and amortization	8,380	4,625	29,282	15,999
Equity-based compensation expenses	325	357	1,547	1,461
Other non-cash adjustments	—	—	—	—
Adjusted EBITDA	\$ 50,719	\$ 38,276	\$ 183,795	\$ 119,819

Well Services

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
	(In thousands)			
Income before income taxes including non-controlling interests	\$ 5,708	\$ 5,897	\$ 31,023	\$ 15,091
Depreciation, depletion and amortization	4,138	3,522	15,698	12,939
Equity-based compensation expenses	439	249	1,588	1,264
Other non-cash adjustments	104	67	104	67
Adjusted EBITDA	\$ 10,389	\$ 9,735	\$ 48,413	\$ 29,361

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. Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share is not a measure of diluted earnings (loss) as determined by GAAP.

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,	
	2018	2017	2018	2017
	(In thousands, except per share data)			
Net income (loss) attributable to Oasis	\$ 221,977	\$ 124,617	\$ (35,296)	\$ 123,796
Tax reform rate change adjustments	—	(171,900)	—	(171,900)
(Gain) loss on sale of properties	10,236	(1,774)	(28,587)	(1,774)
Loss on extinguishment of debt	150	—	13,848	—
Net (gain) loss on derivative instruments	(268,402)	123,954	(28,457)	71,657
Derivative settlements ⁽¹⁾	(51,515)	(7,460)	(213,528)	(8,264)
Impairment	—	866	384,228	6,887
Amortization of deferred financing costs	2,079	1,779	7,591	6,907
Amortization of debt discount	2,919	2,654	11,120	10,080
Other non-cash adjustments	3,878	(1,236)	4,435	(745)
Tax impact ⁽²⁾	71,365	(44,425)	(35,759)	(31,696)
Adjusted Net Income (Loss) Attributable to Oasis	\$ (7,313)	\$ 27,075	\$ 79,595	\$ 4,948
Diluted earnings (loss) attributable to Oasis per share	\$ 0.70	\$ 0.52	\$ (0.11)	\$ 0.52
Tax reform rate change adjustments	—	(0.71)	—	(0.72)
(Gain) loss on sale of properties	0.03	(0.01)	(0.09)	(0.01)
Loss on extinguishment of debt	—	—	0.04	—
Net (gain) loss on derivative instruments	(0.85)	0.51	(0.09)	0.30
Derivative settlements ⁽¹⁾	(0.16)	(0.03)	(0.69)	(0.03)
Impairment	—	—	1.24	0.03
Amortization of deferred financing costs	0.01	0.01	0.02	0.03
Amortization of debt discount	0.01	0.01	0.04	0.04
Other non-cash adjustments	0.01	(0.01)	0.01	—
Tax impact ⁽²⁾	0.23	(0.17)	(0.11)	(0.14)
Adjusted Diluted Earnings (Loss) Attributable to Oasis Per Share	\$ (0.02)	\$ 0.12	\$ 0.26	\$ 0.02
Diluted weighted average shares outstanding ⁽³⁾	313,260	241,960	310,860	237,875
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. The tax impact was not computed for the tax reform rate change adjustments.
- (3) The Company included 3,379,000 of unvested stock awards for the year ended December 31, 2018 and 1,817,513 and 2,889,000 of unvested stock awards for the three months ended and the year ended December 31, 2017, respectively, 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 three months ended December 31, 2018 because the effect was anti-dilutive due to Adjusted Net Loss Attributable to Oasis.