

Oasis Petroleum Inc.

Non-GAAP Financial Measures

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of the Company's consolidated 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. Adjusted EBITDA is not a measure of net income or cash flows as determined by United States generally accepted accounting principles, or GAAP.

The following table presents reconciliations of the GAAP financial measures of net income and net cash provided by operating activities to the non-GAAP financial measure of Adjusted EBITDA for the periods presented:

Adjusted EBITDA Reconciliations

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(In thousands)			
Net income (loss)	\$ 3,968	\$ 176,504	\$ (40,248)	\$ 506,877
Loss (gain) on sale of properties	—	77	—	(186,999)
Net gain on derivative instruments	(99,091)	(306,758)	(210,376)	(327,011)
Derivative settlements ⁽¹⁾	78,974	31,547	370,410	6,774
Interest expense, net of capitalized interest	36,946	39,822	149,648	158,390
Depreciation, depletion and amortization	123,892	116,814	485,322	412,334
Impairment of oil and gas properties	21,364	44,995	46,109	47,238
Exploration expenses	117	1,109	2,369	3,064
Rig termination	—	—	3,895	—
Stock-based compensation expenses	5,643	5,547	25,272	21,302
Income tax expense (benefit)	1,706	106,301	(16,123)	307,591
Other non-cash adjustments	3,174	3,561	3,956	3,284
Adjusted EBITDA	<u>\$ 176,693</u>	<u>\$ 219,519</u>	<u>\$ 820,234</u>	<u>\$ 952,844</u>
Net cash provided by operating activities	\$ 79,478	\$ 199,024	\$ 359,815	\$ 872,516
Derivative settlements ⁽¹⁾	78,974	31,547	370,410	6,774
Interest expense, net of capitalized interest	36,946	39,822	149,648	158,390
Exploration expenses	117	1,109	2,369	3,064
Rig termination	—	—	3,895	—
Deferred financing costs amortization and other	(4,831)	(5,819)	(12,299)	(11,028)
Current tax expense	(9)	(3,608)	(9)	134
Changes in working capital	(17,156)	(46,117)	(57,551)	(80,290)
Other non-cash adjustments	3,174	3,561	3,956	3,284
Adjusted EBITDA	<u>\$ 176,693</u>	<u>\$ 219,519</u>	<u>\$ 820,234</u>	<u>\$ 952,844</u>

(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.

The following tables present reconciliations of the GAAP financial measure of income before income taxes to the non-GAAP financial measure of Adjusted EBITDA for the Company's three reportable business segments for the periods presented:

Segment Adjusted EBITDA Reconciliations

Exploration and Production

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	(In thousands)			
Income (loss) before income taxes	\$ (14,868)	\$ 274,934	\$ (118,970)	\$ 779,591
Loss (gain) on sale of properties	—	77	—	(186,999)
Net gain on derivative instruments	(99,091)	(306,758)	(210,376)	(327,011)
Derivative settlements ⁽¹⁾	78,974	31,547	370,410	6,774
Interest expense, net of capitalized interest	36,946	39,822	149,648	158,390
Depreciation, depletion and amortization	122,028	114,705	479,693	406,960
Impairment of oil and gas properties	21,364	44,995	46,109	47,238
Exploration expenses	117	1,109	2,369	3,064
Rig termination	—	—	3,895	—
Stock-based compensation expenses	5,486	5,303	24,762	20,701
Other non-cash adjustments	2,937	2,591	3,719	2,314
Adjusted EBITDA	\$ 153,893	\$ 208,325	\$ 751,259	\$ 911,022

(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.

Well Services

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	(In thousands)			
Income before income taxes	\$ 19,608	\$ 17,741	\$ 49,197	\$ 70,953
Depreciation, depletion and amortization	4,643	4,362	19,073	14,080
Stock-based compensation expenses	422	475	1,952	1,658
Other non-cash adjustments	237	970	237	970
Adjusted EBITDA	\$ 24,910	\$ 23,548	\$ 70,459	\$ 87,661

Midstream Services

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
	(In thousands)			
Income before income taxes	\$ 15,828	\$ 6,876	\$ 59,867	\$ 22,730
Depreciation, depletion and amortization	1,695	1,032	5,764	3,744
Stock-based compensation expenses	162	—	692	—
Adjusted EBITDA	\$ 17,685	\$ 7,908	\$ 66,323	\$ 26,474

Adjusted Net Income and Adjusted Diluted Earnings Per Share are supplemental non-GAAP financial measures that are used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Adjusted Net Income as net income after adjusting first for (1) the impact of certain non-cash and non-recurring items, including non-cash changes in the fair value of derivative instruments, impairment of oil and gas properties, and other similar non-cash and non-recurring charges, and then (2) the non-cash and non-recurring items' impact on taxes based on the Company's effective tax rate applicable to those items in the same period. Adjusted Net Income is not a measure of net income as determined by GAAP. The Company defines Adjusted Diluted Earnings Per Share as Adjusted Net Income divided by diluted weighted average shares outstanding.

The following table presents reconciliations of the GAAP financial measure of net income to the non-GAAP financial measure of Adjusted Net Income and the GAAP financial measure of diluted earnings per share to the non-GAAP financial measure of Adjusted Diluted Earnings Per Share for the periods presented:

Adjusted Net Income and Adjusted Diluted Earnings Per Share Reconciliations

	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net income (loss)	\$ 3,968	\$ 176,504	\$ (40,248)	\$ 506,877
Loss (gain) on sale of properties	—	77	—	(186,999)
Net gain on derivative instruments	(99,091)	(306,758)	(210,376)	(327,011)
Derivative settlements ⁽¹⁾	78,974	31,547	370,410	6,774
Impairment of oil and gas properties	21,364	44,995	46,109	47,238
Rig termination	—	—	3,895	—
Other non-cash adjustments	3,174	3,561	3,956	3,284
Tax impact ⁽²⁾	(1,653)	85,195	(79,991)	172,482
Adjusted Net Income	\$ 6,736	\$ 35,121	\$ 93,755	\$ 222,645
Diluted earnings per share	\$ 0.03	\$ 1.77	\$ (0.31)	\$ 5.05
Loss (gain) on sale of properties	—	—	—	(1.86)
Net gain on derivative instruments	(0.72)	(3.07)	(1.62)	(3.26)
Derivative settlements ⁽¹⁾	0.58	0.32	2.85	0.07
Impairment of oil and gas properties	0.16	0.45	0.35	0.47
Rig termination	—	—	0.03	—
Other non-cash adjustments	0.02	0.04	0.03	0.03
Tax impact ⁽²⁾	(0.02)	0.84	(0.61)	1.72
Adjusted Diluted Earnings Per Share	\$ 0.05	\$ 0.35	\$ 0.72	\$ 2.22
Diluted weighted average shares outstanding	137,184	99,767	130,186	100,365
Effective tax rate applicable to adjustment items	37.4%	37.6%	37.4%	37.8%

(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.