

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 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 (loss) 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 (loss) and net cash provided by (used in) operating activities to the non-GAAP financial measure of Adjusted EBITDA for the periods presented:

	Three Months Ended March 31,	
	2016	2015
	<i>(In thousands)</i>	
Net loss	\$ (64,455)	\$ (18,041)
Gain of extinguishment of debt	(7,016)	—
Net gain on derivative instruments	(14,375)	(47,072)
Derivative settlements ⁽¹⁾	73,313	109,259
Interest expense, net of capitalized interest	38,739	38,784
Depreciation, depletion and amortization	122,449	118,478
Impairment	3,562	5,321
Rig termination	—	1,080
Exploration expenses	363	843
Stock-based compensation expenses	6,730	7,606
Income tax benefit	(27,629)	(7,376)
Other non-cash adjustments	1,207	(4)
Adjusted EBITDA	\$ 132,888	\$ 208,878
Net cash provided by (used in) operating activities	\$ (46,051)	\$ 88,361
Derivative settlements ⁽¹⁾	73,313	109,259
Interest expense, net of capitalized interest	38,739	38,784
Rig termination	—	1,080
Exploration expenses	363	843
Deferred financing costs amortization and other	(5,066)	(1,655)
Changes in working capital	70,383	(27,790)
Other non-cash adjustments	1,207	(4)
Adjusted EBITDA	\$ 132,888	\$ 208,878

(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 (loss) before income taxes 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,	
	2016	2015
	<i>(In thousands)</i>	
Loss before income taxes	\$ (105,764)	\$ (34,008)
Gain of extinguishment of debt	(7,016)	—
Net gain on derivative instruments	(14,375)	(47,072)
Derivative settlements ⁽¹⁾	73,313	109,259
Interest expense, net of capitalized interest	38,739	38,784
Depreciation, depletion and amortization	120,842	117,540
Impairment	1,131	5,321
Rig termination	—	1,080
Exploration expenses	363	843
Stock-based compensation expenses	6,547	7,542
Other non-cash adjustments	1,207	(4)
Adjusted EBITDA	\$ 114,987	\$ 199,285

(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 March 31,	
	2016	2015
	<i>(In thousands)</i>	
Income before income taxes	\$ 4,011	\$ 9,608
Depreciation, depletion and amortization	4,248	4,518
Stock-based compensation expenses	664	543
Adjusted EBITDA	\$ 8,923	\$ 14,669

Midstream Services

	Three Months Ended March 31,	
	2016	2015
	<i>(In thousands)</i>	
Income before income taxes	\$ 15,157	\$ 9,289
Depreciation, depletion and amortization	1,684	1,186
Impairment	2,431	—
Stock-based compensation expenses	219	204
Adjusted EBITDA	\$ 19,491	\$ 10,679

Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Loss) 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) as net income (loss) 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, 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 adjusting items in the same period. Adjusted Net Income (Loss) is not a measure of net income (loss) as determined by GAAP. The Company defines Adjusted Diluted Earnings (Loss) Per Share as Adjusted Net Income (Loss) divided by diluted weighted average shares outstanding.

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

	Three Months Ended March 31,	
	2016	2015
	<i>(In thousands, except per share data)</i>	
Net loss	\$ (64,455)	\$ (18,041)
Gain on extinguishment of debt	(7,016)	—
Net gain on derivative instruments	(14,375)	(47,072)
Derivative settlements ⁽¹⁾	73,313	109,259
Impairment	3,562	5,321
Rig termination	—	1,080
Other non-cash adjustments	1,207	(4)
Tax impact ⁽²⁾	(21,191)	(25,719)
Adjusted Net Income (Loss)	\$ (28,955)	\$ 24,824
Diluted loss per share	\$ (0.40)	\$ (0.17)
Gain on extinguishment of debt	(0.04)	—
Net gain on derivative instruments	(0.09)	(0.43)
Derivative settlements ⁽¹⁾	0.45	1.00
Impairment	0.02	0.05
Rig termination	—	0.01
Other non-cash adjustments	0.01	—
Tax impact ⁽²⁾	(0.13)	(0.23)
Adjusted Diluted Earnings (Loss) Per Share	\$ (0.18)	\$ 0.23
Diluted weighted average shares outstanding	162,922	109,303
Effective tax rate applicable to adjustment items	37.4%	37.5%

(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.