



**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 non-GAAP financial measure of Adjusted EBITDA to the GAAP financial measures of net income and net cash provided by operating activities, respectively.

**Adjusted EBITDA Reconciliations**

|   | <u>Three Months Ended June 30,</u> |                   | <u>Six Months Ended June 30,</u> |                   |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
|   | <u>2014</u>                        | <u>2013</u>       | <u>2014</u>                      | <u>2013</u>       |
| <i>(In thousands)</i>   |                                    |                   |                                  |                   |
| <b>Adjusted EBITDA reconciliation to net income:</b>                                |                                    |                   |                                  |                   |
| Net income  | \$ 38,833                          | \$ 67,119         | \$ 208,786                       | \$ 118,970        |
| Gain on sale of properties  | (3,640)                            | —                 | (187,033)                        | —                 |
| Non-cash change in fair value of derivative instruments                             | 54,165                             | (11,345)          | 69,529                           | 4,953             |
| Interest expense  | 38,990                             | 21,392            | 79,148                           | 42,575            |
| Depreciation, depletion and amortization  | 97,276                             | 66,790            | 188,548                          | 133,051           |
| Impairment of oil and gas properties  | 42                                 | 208               | 804                              | 706               |
| Exploration expenses  | 475                                | 392               | 855                              | 2,249             |
| Stock-based compensation expenses   | 5,173                              | 3,082             | 9,678                            | 5,371             |
| Income tax expense  | 23,287                             | 37,824            | 124,806                          | 68,911            |
| Other non-cash adjustments  | 118                                | 25                | (628)                            | 74                |
| <b>Adjusted EBITDA</b>  | <b>\$ 254,719</b>                  | <b>\$ 185,487</b> | <b>\$ 494,493</b>                | <b>\$ 376,860</b> |
| <b>Adjusted EBITDA reconciliation to net cash provided by operating activities:</b> |                                    |                   |                                  |                   |
| Net cash provided by operating activities   | \$ 277,987                         | \$ 187,260        | \$ 486,254                       | \$ 357,807        |
| Derivative settlements  | (11,405)                           | 1,246             | (13,644)                         | 2,932             |
| Interest expense  | 38,990                             | 21,392            | 79,148                           | 42,575            |
| Exploration expenses  | 475                                | 392               | 855                              | 2,249             |
| Debt discount amortization and other  | (1,733)                            | (1,007)           | (3,220)                          | (1,753)           |
| Current tax expense   | 3,345                              | 837               | 6,111                            | 937               |
| Changes in working capital  | (53,058)                           | (24,658)          | (60,383)                         | (27,961)          |
| Other non-cash adjustments  | 118                                | 25                | (628)                            | 74                |
| <b>Adjusted EBITDA</b>  | <b>\$ 254,719</b>                  | <b>\$ 185,487</b> | <b>\$ 494,493</b>                | <b>\$ 376,860</b> |

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 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 provides reconciliations of net income (GAAP) to Adjusted Net Income (non-GAAP) and diluted earnings per share (GAAP) to Adjusted Diluted Earnings Per Share (non-GAAP):

|   | Three Months Ended June 30,                  |                  | Six Months Ended June 30, |                   |
|---|--|------------------|---------------------------|-------------------|
|   | 2014   | 2013             | 2014                      | 2013              |
|   | <i>(In thousands, except per share data)</i> |                  |                           |                   |
| <b>Net income</b>                                       | \$ 38,833                                    | \$ 67,119        | \$ 208,786                | \$ 118,970        |
| Non-cash change in fair value of derivative instruments | 54,165                                       | (11,345)         | 69,529                    | 4,953             |
| Gain on sale of properties                              | (3,640)                                      | —                | (187,033)                 | —                 |
| Impairment of oil and gas properties                    | 42   | 208              | 804                       | 706               |
| Other non-cash adjustments                              | 118  | 25               | (628)                     | 74                |
| Tax impact <sup>(1)</sup>                               | (19,000)                                     | 4,045            | 43,896                    | (2,145)           |
| <b>Adjusted Net Income</b>                              | <b>\$ 70,518</b>                             | <b>\$ 60,052</b> | <b>\$ 135,354</b>         | <b>\$ 122,558</b> |
| <b>Diluted earnings per share</b>                       | \$ 0.39                                      | \$ 0.72          | \$ 2.08                   | \$ 1.28           |
| Non-cash change in fair value of derivative instruments | 0.54   | (0.12)           | 0.69                      | 0.05              |
| Gain on sale of properties                              | (0.04)                                       | —                | (1.86)                    | —                 |
| Impairment of oil and gas properties                    | —  | —                | 0.01                      | 0.01              |
| Other non-cash adjustments                              | —  | —                | (0.01)                    | —                 |
| Tax impact <sup>(1)</sup>                               | (0.19)                                       | 0.05             | 0.44                      | (0.02)            |
| <b>Adjusted Diluted Earnings Per Share</b>              | <b>\$ 0.70</b>                               | <b>\$ 0.65</b>   | <b>\$ 1.35</b>            | <b>\$ 1.32</b>    |
| <b>Diluted weighted average shares outstanding</b>      | 100,260                                      | 92,702           | 100,328                   | 92,812            |
| Effective tax rate                                      | 37.5 %                                       | 36.0 %           | 37.4 %                    | 36.7 %            |

(1) The tax impact is computed utilizing the Company's effective tax rate on the adjustments for certain non-cash and non-recurring items.