



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 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 tables present a reconciliation 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 September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<i>(In thousands)</i>			
Adjusted EBITDA reconciliation to Net Income:				
Net income	\$ 18,314	\$ 66,289	\$ 110,798	\$ 92,791
Change in unrealized (gain) loss on derivative instruments	27,690	(71,403)	(30,784)	(71,936)
Interest expense	20,979	6,786	48,952	18,745
Depreciation, depletion and amortization	57,684	20,859	140,783	47,771
Impairment of oil and gas properties	36	396	2,607	3,313
Exploration expenses	336	54	3,171	345
Stock-based compensation expenses	2,729	1,021	6,627	2,592
Income tax expense	11,451	38,946	66,712	55,015
Adjusted EBITDA	<u>\$ 139,219</u>	<u>\$ 62,948</u>	<u>\$ 348,866</u>	<u>\$ 148,636</u>
Adjusted EBITDA reconciliation to Net Cash Provided by Operating Activities:				
Net cash provided by operating activities	\$ 110,268	\$ 37,587	\$ 282,128	\$ 139,682
Realized gain (loss) on derivative instruments	5,249	(179)	2,784	(4,831)
Interest expense	20,979	6,786	48,952	18,745
Exploration expenses	336	54	3,171	345
Debt discount amortization and other	(773)	(393)	(2,038)	(1,041)
Income taxes	(36)	-	64	-
Changes in working capital	3,196	19,093	13,805	(4,264)
Adjusted EBITDA	<u>\$ 139,219</u>	<u>\$ 62,948</u>	<u>\$ 348,866</u>	<u>\$ 148,636</u>

Adjusted Net Income 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 Net Income as Net Income after adjusting first for (1) the impact of non-cash items, including changes in unrealized gains and losses on derivative instruments, impairment of oil and gas properties, and other similar non-cash charges, and then (2) the non-cash item's impact on taxes based on the Company's effective tax rates in the same period. Adjusted Net Income is not a measure of net income as determined by United States generally accepted accounting principles, or GAAP.

The following table provides a reconciliation of net income (GAAP) to Adjusted Net Income (non-GAAP) for the three and nine months ended September 30, 2012 and 2011.



Adjusted Net Income Reconciliation

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<i>(In thousands, except per share amounts)</i>			
Net income - as reported	\$ 18,314	\$ 66,289	\$ 110,798	\$ 92,791
Change in unrealized (gain) loss on derivative instruments	27,690	(71,403)	(30,784)	(71,936)
Impairment of oil and gas properties	36	396	2,607	3,313
Tax impact ⁽¹⁾	(10,667)	26,279	10,590	25,542
Adjusted Net Income	\$ 35,373	\$ 21,561	\$ 93,211	\$ 49,710
Adjusted earnings per share:				
Basic & diluted	\$ 0.38	\$ 0.23	\$ 1.01	\$ 0.54
Weighted average shares outstanding:				
Basic	92,186	92,060	92,164	92,052
Diluted	92,416	92,164	92,343	92,208
Effective Tax Rate	38.5%	37.0%	37.6%	37.2%

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