



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

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Net income	\$ 176,504	\$ 54,490	\$ 506,877	\$ 227,959
Loss (gain) on sale of properties	77	—	(186,999)	—
Net (gain) loss on derivative instruments	(306,758)	(6,406)	(327,011)	35,432
Derivative settlements ⁽¹⁾	31,547	(2,998)	6,774	(8,133)
Interest expense, net of capitalized interest	39,822	41,736	158,390	107,165
Depreciation, depletion and amortization	116,814	101,276	412,334	307,055
Impairment of oil and gas properties	44,995	406	47,238	1,168
Exploration expenses	1,109	(452)	3,064	2,260
Stock-based compensation expenses	5,547	3,571	21,302	11,982
Income tax expense	106,301	32,432	307,591	135,058
Other non-cash adjustments	3,561	1,321	3,284	1,910
Adjusted EBITDA	\$ 219,519	\$ 225,376	\$ 952,844	\$ 821,856
Net cash provided by operating activities	\$ 199,024	\$ 161,175	\$ 872,516	\$ 697,856
Derivative settlements ⁽¹⁾	31,547	(2,998)	6,774	(8,133)
Interest expense, net of capitalized interest	39,822	41,736	158,390	107,165
Exploration expenses	1,109	(452)	3,064	2,260
Deferred financing costs amortization and other	(5,819)	(1,555)	(11,028)	(4,248)
Current tax expense	(3,608)	93	134	475
Changes in working capital	(46,117)	26,056	(80,290)	24,571
Other non-cash adjustments	3,561	1,321	3,284	1,910
Adjusted EBITDA	\$ 219,519	\$ 225,376	\$ 952,844	\$ 821,856

- (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,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Income before income taxes	\$ 274,934	\$ 78,819	\$ 779,591	\$ 331,781
Loss (gain) on sale of properties	77	—	(186,999)	—
Net (gain) loss on derivative instruments	(306,758)	(6,406)	(327,011)	35,432
Derivative settlements ⁽¹⁾	31,547	(2,998)	6,774	(8,133)
Interest expense, net of capitalized interest	39,822	41,736	158,390	107,165
Depreciation, depletion and amortization	114,705	100,180	406,960	304,388
Impairment of oil and gas properties	44,995	406	47,238	1,168
Exploration expenses	1,109	(452)	3,064	2,260
Stock-based compensation expenses	5,303	3,406	20,701	11,602
Other non-cash adjustments	2,591	782	2,314	1,371
Adjusted EBITDA	\$ 208,325	\$ 215,473	\$ 911,022	\$ 787,034

- (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,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Income before income taxes	\$ 17,741	\$ 16,836	\$ 70,953	\$ 56,338
Depreciation, depletion and amortization	4,362	2,281	14,080	7,150
Stock-based compensation expenses	475	337	1,658	969
Other non-cash adjustments	970	539	970	539
Adjusted EBITDA	\$ 23,548	\$ 19,993	\$ 87,661	\$ 64,996

Midstream Services

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	<i>(In thousands)</i>			
Income before income taxes	\$ 6,876	\$ 5,719	\$ 22,730	\$ 17,509
Depreciation, depletion and amortization	1,032	810	3,744	2,780
Adjusted EBITDA	\$ 7,908	\$ 6,529	\$ 26,474	\$ 20,289



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 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,	
	2014	2013	2014	2013
Net income	\$ 176,504	\$ 54,490	\$ 506,877	\$ 227,959
Loss (gain) on sale of properties	77	—	(186,999)	—
Net (gain) loss on derivative instruments	(306,758)	(6,406)	(327,011)	35,432
Derivative settlements ⁽¹⁾	31,547	(2,998)	6,774	(8,133)
Impairment of oil and gas properties	44,995	406	47,238	1,168
Other non-cash adjustments	3,561	1,321	3,284	1,910
Tax impact ⁽²⁾	85,195	2,864	172,482	(11,302)
Adjusted Net Income	\$ 35,121	\$ 49,677	\$ 222,645	\$ 247,034
Diluted earnings per share	\$ 1.77	\$ 0.57	\$ 5.05	\$ 2.44
Gain on sale of properties	—	—	(1.86)	—
Net (gain) loss on derivative instruments	(3.07)	(0.07)	(3.26)	0.38
Derivative settlements ⁽¹⁾	0.32	(0.03)	0.07	(0.09)
Impairment of oil and gas properties	0.45	—	0.47	0.01
Other non-cash adjustments	0.04	0.01	0.03	0.02
Tax impact ⁽²⁾	0.84	0.04	1.72	(0.12)
Adjusted Diluted Earnings Per Share	\$ 0.35	\$ 0.52	\$ 2.22	\$ 2.64
Diluted weighted average shares outstanding	99,767	94,821	100,365	93,411
Effective tax rate	37.6%	37.3%	37.8%	37.2%

(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 on the adjustments for certain non-cash and non-recurring items.