



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Adjusted EBITDA reconciliation to net income:				
Net income	\$ 121,587	\$ 54,499	\$ 330,373	\$ 173,469
Gain on sale of properties	(43)	—	(187,076)	—
Non-cash change in fair value of derivative instruments	(114,555)	31,750	(45,026)	36,703
Interest expense	39,420	22,854	118,568	65,429
Depreciation, depletion and amortization	106,972	72,728	295,520	205,779
Impairment of oil and gas properties	1,439	56	2,243	762
Exploration expenses	1,100	463	1,955	2,712
Stock-based compensation expenses	6,077	3,040	15,755	8,411
Income tax expense	76,484	33,715	201,290	102,626
Other non-cash adjustments	351	515	(277)	589
Adjusted EBITDA	\$ 238,832	\$ 219,620	\$ 733,325	\$ 596,480
Adjusted EBITDA reconciliation to net cash provided by operating activities:				
Net cash provided by operating activities	\$ 187,238	\$ 178,874	\$ 673,492	\$ 536,681
Derivative settlements	(11,129)	(8,067)	(24,773)	(5,135)
Interest expense	39,420	22,854	118,568	65,429
Exploration expenses	1,100	463	1,955	2,712
Deferred financing costs amortization and other	(1,989)	(940)	(5,209)	(2,693)
Current tax expense	(2,369)	(555)	3,742	382
Changes in working capital	26,210	26,476	(34,173)	(1,485)
Other non-cash adjustments	351	515	(277)	589
Adjusted EBITDA	\$ 238,832	\$ 219,620	\$ 733,325	\$ 596,480

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 September 30,		Nine Months Ended September 30,	
	2014	2013 <i>(In thousands, except per share data)</i>	2014	2013
Net income	\$ 121,587	\$ 54,499	\$ 330,373	\$ 173,469
Non-cash change in fair value of derivative instruments	(114,555)	31,750	(45,026)	36,703
Gain on sale of properties	(43)	—	(187,076)	—
Impairment of oil and gas properties	1,439	56	2,243	762
Other non-cash adjustments	351	515	(277)	589
Tax impact ⁽¹⁾	43,560	(12,329)	87,131	(14,237)
Adjusted Net Income	\$ 52,339	\$ 74,491	\$ 187,368	\$ 197,286
Diluted earnings per share	\$ 1.21	\$ 0.59	\$ 3.29	\$ 1.87
Non-cash change in fair value of derivative instruments	(1.14)	0.34	(0.45)	0.40
Gain on sale of properties	—	—	(1.86)	—
Impairment of oil and gas properties	0.01	—	0.02	0.01
Other non-cash adjustments	—	0.01	—	0.01
Tax impact ⁽¹⁾	0.44	(0.14)	0.87	(0.16)
Adjusted Diluted Earnings Per Share	\$ 0.52	\$ 0.80	\$ 1.87	\$ 2.13
Diluted weighted average shares outstanding	100,306	92,836	100,356	92,838
Effective tax rate	38.6 %	38.2 %	37.9 %	37.2 %

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