

HOUSTON, Feb. 24, 2016 /PRNewswire/ -- [Oasis Petroleum Inc.](#) (NYSE: OAS) ("Oasis" or the "Company") today announced financial and operational results for the quarter and year ended December 31, 2015 and provided its 2016 outlook.

2015 Highlights

- Increased average daily production 11% year-over-year to 50,477 barrels of oil equivalent per day ("Boepd") in 2015 and increased fourth quarter of 2015 production to 50,652 Boepd.
- Completed and placed on production 80 gross (62.4 net) operated wells during 2015 and 16 gross (10.7 net) operated wells during the fourth quarter of 2015. As of December 31, 2015, the Company had 85 gross operated wells awaiting completion.
- Reduced lease operating expenses ("LOE") per barrel of oil equivalent ("Boe") by 23% to \$7.84 per Boe for the year ended December 31, 2015.
- Adjusted EBITDA was \$820.2 million for the year ended December 31, 2015 as compared to \$952.8 million for the year ended December 31, 2014. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net income and net cash provided by operating activities, see "Non-GAAP Financial Measures" below.
- Net loss was \$40.2 million for the year ended December 31, 2015 as compared to net income of \$506.9 million for the year ended December 31, 2014. Lower realized prices for oil and natural gas reduced net income (loss) by \$641.2 million year over year.
- Capital expenditures ("CapEx") were \$610.0 million for the year ended December 31, 2015, a 61% decrease year over year.

"Given the challenging market backdrop, Oasis continues to focus on protecting its balance sheet while improving operational results," said Thomas B. Nusz, Oasis' Chairman and Chief Executive Officer. "Oasis was free cash flow positive in 2015, as we lowered drilling and completion capital by 70% and LOE per Boe by 23% year over year. We reduced our high intensity well costs by about 30% from the fourth quarter of 2014 to the second half of 2015, and, at the same time, production performance of our high intensity wells continued to track 30% to in excess of 50% improvement to our base completion type curve in the core. Additionally, our midstream business reported \$66.3 million of Adjusted EBITDA in 2015, up from \$26.5 million in 2014. The team increased volumes flowing on our gathering lines from 40% exiting 2014 to 75% exiting 2015, significantly improving our cost structure in a low price environment as reflected in our lower per barrel LOE expense."

Mr. Nusz added, "We have set our 2016 drilling and completion CapEx program at \$200 million and continue to project that 2016 cash flow from Adjusted EBITDA less cash interest will cover our CapEx plan, excluding midstream, at approximately \$35 per barrel WTI. We also now have about 70% of our projected oil volumes hedged at over \$51 per barrel WTI in 2016."

2016 Plan

Highlights for 2016 include:

- \$400 million total CapEx budget
- Completing 46 gross (28.6 net) operated wells in 2016
- 100% of completions are high intensity in the core
- Running two rigs in Wild Basin

| | 2016 Range |
|--|-----------------|
| Metric | |
| Production (Boepd) | |
| Full Year 2016 | 46,000 - 49,000 |
| Full Year Financial Metrics | |
| LOE (\$ per Boe) | \$7.75 - \$8.50 |
| Marketing, transportation and gathering ("MT&G") (\$ per Boe) ⁽¹⁾ | \$1.70 - \$1.90 |
| General and administrative ("G&A") (\$ in millions) ⁽²⁾ | \$90 - \$95 |
| Production taxes (% of oil and gas revenue) | ~9.0% |
| CapEx Budget (\$ in millions) | |
| Drilling and completion | \$200 |
| O&M, including Wild Basin infrastructure | \$140 |
| Other ⁽³⁾ | \$60 |

| | |
|-----|--|
| (1) | Excludes the effect of non-cash valuation charges. |
| (2) | Includes non-cash amortization of restricted stock of \$24-26 million. Net Oasis Well Services ("OWS") G&A is projected to increase by \$7-8 million in 2015 compared to 2014 due to lower working interest in wells being completed, although gross OWS G&A is expected to decrease by approximately \$12 million due to less overall activity. |
| (3) | Includes \$18 million for capitalized interest. Capitalized interest is excluded in the cash flow calculation, as it is included in cash interest. |

Fourth Quarter 2015 and Fiscal Year 2015 Results

The Company's average daily production and revenues are detailed in the following table:

| | Quarter Ended: | | Year Ended: | | |
|--|----------------|-----------|-------------|-------------|---|
| | 12/31/2015 | 9/30/2015 | 12/31/2015 | 12/31/2014 | |
| Average daily production (Boepd) | 50,652 | 50,546 | 50,477 | 45,656 | |
| Percent Oil | 85.5 | % 87.7 | % 87.3 | % 89.3 | % |
| Average oil sales price, without derivative settlements (per Bbl) | \$37.77 | \$41.61 | \$43.04 | \$82.73 | |
| Differential to NYMEX West Texas Intermediate crude oil index prices ("WTI") | 4.29 | 4.82 | 5.72 | 9.34 | |
| Revenues (\$ in thousands): | | | | | |
| Oil | \$150,448 | \$169,672 | \$692,497 | \$1,231,251 | |
| Natural gas | 7,985 | 5,598 | 29,175 | 72,753 | |
| Well services (OWS) | 16,986 | 15,381 | 44,294 | 74,610 | |
| Midstream services (OMS) | 6,648 | 6,584 | 23,769 | 11,614 | |
| Total revenues | \$182,067 | \$197,235 | \$789,735 | \$1,390,228 | |

Select expenses are detailed in the following table:

| | Quarter Ended: | | Year Ended: | |
|---|----------------|------------|-------------|------------|
| | 12/31/2015 | 9/30/2015 | 12/31/2015 | 12/31/2014 |
| Select expenses (\$ in thousands): | | | | |
| LOE | \$ 31,925 | \$ 35,670 | \$ 144,481 | \$ 169,600 |
| MT&G ⁽¹⁾ | 7,321 | 7,582 | 29,852 | 26,189 |
| Non-cash valuation charges | 976 | 883 | 1,758 | 2,314 |
| Production taxes | 15,669 | 16,676 | 69,584 | 127,648 |
| Well services (OWS) | 6,938 | 8,498 | 21,833 | 45,605 |
| Midstream services (OMS) | 1,723 | 1,525 | 6,198 | 4,647 |
| Depreciation, depletion and amortization ("DD&A") | 123,892 | 123,734 | 485,322 | 412,334 |
| Total of select expenses | \$ 188,444 | \$ 194,568 | \$ 759,028 | \$ 788,337 |
| Operating expenses: | | | | |
| LOE (\$ per Boe) | \$ 6.85 | \$ 7.67 | \$ 7.84 | \$ 10.18 |
| MT&G (\$ per Boe) ⁽¹⁾ | 1.57 | 1.63 | 1.62 | 1.61 |
| Production taxes (% of oil and gas revenue) | 9.9 | % 9.5 | % 9.6 | % 9.8 |
| DD&A (\$ per Boe) | \$ 26.59 | \$ 26.61 | \$ 26.34 | \$ 24.74 |

(1) Excludes non-cash valuation charges on pipeline imbalances and linefill.

Due to lower expected future oil prices, the Company reviewed its proved oil and natural gas properties for impairment as of December 31, 2015 and 2014. As a result, the Company recorded a non-cash impairment loss of \$9.4 million in the fourth quarter of 2015 to adjust the carrying value of its proved oil and natural gas properties held for sale to their estimated fair value. For the year ended December 31, 2014, the Company recorded a non-cash impairment loss of \$40.0 million for certain legacy wells producing from conventional reservoirs in the Williston Basin. During the fourth quarters of 2015 and 2014, the Company also recorded non-cash impairment charges of \$11.7 million and \$5.0 million, respectively, for unproved properties due to leases that expired during the period and periodic assessments of unproved properties.

G&A expenses for the fourth quarter of 2015 totaled \$25.3 million, and for the year ended December 31, 2015, G&A totaled \$92.5 million. The fourth quarter of 2015 included bank fees related to consent solicitations on the Company's senior unsecured notes. G&A expenses for the Company's exploration and production segment totaled \$21.9 million in the fourth quarter of 2015 and \$83.0 million in the full year of 2015. Exploration and production G&A expenses were \$4.70 per Boe in the fourth quarter of 2015 and \$4.50 per Boe in the full year of 2015. Amortization of stock-based compensation, which is included in G&A expenses, was \$5.6 million, or \$1.21 per Boe, in the fourth quarter of 2015 and \$25.3 million, or \$1.37 per Boe, in the full year of 2015.

As a result of entering into derivative contracts and the effect of the forward strip oil price changes, the Company incurred a \$99.1 million net gain on derivative instruments, including net cash settlement receipts from derivatives of \$79.0 million, for the fourth quarter of 2015 and a \$210.4 million net gain on derivative instruments, including net cash settlement receipts of \$370.4 million, for the full year of 2015. The net cash settlement receipts from derivative instruments of \$79.0 million in the fourth quarter of 2015 included \$25.3 million, \$25.5 million and \$28.2 million from contract settlements in September 2015, October 2015 and November 2015, respectively. The Company's derivative instruments do not qualify for and were not designated as hedging instruments for accounting purposes.

Interest expense was \$36.9 million for the fourth quarter of 2015 and \$149.6 million for the full year of 2015. Capitalized interest totaled \$4.8 million for the fourth quarter of 2015 and \$18.6 million for the full year of 2015. Cash interest, calculated as interest expense plus capitalized interest less amortization of deferring financing costs, totaled \$40.0 million for the fourth quarter of 2015 and \$161.0 million for the full year of 2015.

For the three months ended December 31, 2015, the Company recorded an income tax expense of \$1.7 million, resulting in an effective tax rate of 30.1% as a percentage of its pre-tax income for the quarter. The Company's income tax benefit for the year

ended December 31, 2015 was recorded at \$16.1 million, or 28.6% of pre-tax net loss.

Adjusted EBITDA for the fourth quarter of 2015 was \$176.7 million and adjusted EBITDA for the full year 2015 was \$820.2 million.

The Company reported net income of \$4.0 million in the fourth quarter of 2015. For the full year 2015, Oasis reported a net loss of \$40.2 million. Excluding certain non-cash items and their tax effect in the fourth quarter of 2015 and full year of 2015, Adjusted Net Income (non-GAAP) was \$6.7 million, or \$0.05 per diluted share, and \$93.8 million, or \$0.72 per diluted share, respectively. For a definition of Adjusted Net Income and a reconciliation of net income to Adjusted Net Income, see "Non-GAAP Financial Measures" below.

Capital Expenditures

The following table depicts the Company's CapEx for the year ended December 31, 2015:

| | 2015 |
|----------------------------------|------------|
| CapEx (\$ in thousands) | |
| Exploration and production (E&P) | \$ 465,698 |
| Midstream services (OMS) | 96,947 |
| Well services (OWS) | 21,711 |
| Other ⁽¹⁾ | 25,643 |
| Total CapEx ⁽²⁾ | \$ 609,999 |

(1) Other CapEx includes such items as administrative capital and capitalized interest.

(2) CapEx reflected in the table above differs from the amounts shown in the statement of cash flows in the Company's condensed consolidated financial statements because amounts reflected in the table above include accrued liabilities for CapEx, while the amounts presented in the statement of cash flows are presented on a cash basis.

Liquidity

On February 2, 2016, Oasis completed a public equity offering of 39.1 million shares, which resulted in net proceeds to the Company of \$182.9 million. On February 23, 2016, Oasis completed its spring redetermination of its borrowing base. As a result, the Company's borrowing base was set at \$1,150 million. The next redetermination is October 1, 2016. As of December 31, 2015, Oasis had cash and cash equivalents of \$9.7 million and \$138.0 million of borrowings and \$5.2 million of outstanding letters of credit issued under its revolving credit facility. Pro forma for the equity raise and the new borrowing base, Oasis had \$1,199.4 million of liquidity as of December 31, 2015.

Hedging Activity

As of February 24, 2016, the Company had the following outstanding commodity derivate contracts, all of which are priced relative to WTI crude oil index prices and settle monthly:

| Type | Floor | Ceiling | Bopd |
|---------------------------|----------|----------|--------|
| 2016 Swaps | | | |
| First Half (Jan - June) | \$ 54.20 | \$ 54.20 | 28,000 |
| Second Half (July - Dec) | \$ 50.10 | \$ 50.10 | 28,000 |
| Partial Year (Mar - June) | \$ 39.35 | \$ 39.35 | 3,000 |
| 2017 Hedges | | | |
| Full Year Swaps | \$ 49.25 | \$ 49.25 | 6,000 |
| Full Year Collars | \$ 40.00 | \$ 47.58 | 2,000 |

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this press release specifically include the expectations of plans, strategies, objectives and anticipated financial and operating results of the Company, including the Company's drilling program, production, derivatives activities, capital expenditure levels and other guidance included in this press release. These statements are based on certain assumptions made by the Company based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include changes in oil and natural gas prices, the timing of planned capital expenditures, availability of acquisitions, uncertainties in estimating proved reserves and forecasting production results, operational factors affecting the commencement or maintenance of producing wells, the condition of the capital markets generally, as well as the Company's ability to access them, the proximity to and capacity of transportation facilities, and uncertainties regarding environmental regulations or litigation and other legal or regulatory developments affecting the Company's business and other important factors that could cause actual results to differ materially from those projected as described in the Company's reports filed with the SEC.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

About Oasis Petroleum Inc.

Oasis is an independent exploration and production company focused on the acquisition and development of unconventional oil and natural gas resources, primarily operating in the Williston Basin. For more information, please visit the Company's website at www.oasispetroleum.com.

OASIS PETROLEUM INC.

CONSOLIDATED BALANCE SHEET

(Unaudited)

| | Dec 201 | (In |
|--|------------|-----|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 9 | |
| Accounts receivable ‐ oil and gas revenues | 96, | |
| Accounts receivable ‐ joint interest and other | 100 | |
| Inventory | 11, | |
| Prepaid expenses | 7,3 | |
| Derivative instruments | 139 | |
| Other current assets | 50 | |
| Total current assets | 365 | |
| Property, plant and equipment | | |
| Oil and gas properties (successful efforts method) | 6,2 | |
| Other property and equipment | 443 | |
| Less: accumulated depreciation, depletion, amortization and impairment | (1,5 | |
| Total property, plant and equipment, net | 5,2 | |
| Assets held for sale | 26, | |
| Derivative instruments | 15, | |
| Other assets | 23, | |
| Total assets | \$ 5 | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 9 | |
| Revenues and production taxes payable | 132 | |
| Accrued liabilities | 167 | |
| Accrued interest payable | 49, | |
| Deferred income taxes | &m | |
| Advances from joint interest partners | 4,6 | |
| Other current liabilities | 6,5 | |

| | |
|--|------|
| Total current liabilities | 370 |
| Long-term debt | 2,3 |
| Deferred income taxes | 608 |
| Asset retirement obligations | 35, |
| Liabilities held for sale | 10, |
| Other liabilities | 3,1 |
| Total liabilities | 3,3 |
| Commitments and contingencies | |
| Stockholders' equity | |
| Common stock, \$0.01 par value: 300,000,000 shares authorized; 139,583,990 shares issued and 139,076,064 shares outstanding at December 31, 2015 and 101,627,296 shares issued and 101,341,619 shares outstanding at December 31, 2014 | 1,3 |
| Treasury stock, at cost: 507,926 shares and 285,677 shares at December 31, 2015 and 2014, respectively | (13 |
| Additional paid-in-capital | 1,4 |
| Retained earnings | 834 |
| Total stockholders' equity | 2,3 |
| Total liabilities and stockholders' equity | \$ 5 |

OASIS PETROLEUM INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

| | Three Months Ended December 31, Year Ended December 31, | | | |
|--|---|------------|------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands, except per share data) | | | |
| Revenues | | | | |
| Oil and gas revenues | \$ 158,433 | \$ 273,269 | \$ 721,672 | \$ 1,304,004 |
| Well services and midstream revenues | 23,634 | 26,403 | 68,063 | 86,224 |
| Total revenues | 182,067 | 299,672 | 789,735 | 1,390,228 |
| Operating expenses | | | | |
| Lease operating expenses | 31,925 | 44,697 | 144,481 | 169,600 |
| Well services and midstream operating expenses | 8,661 | 15,641 | 28,031 | 50,252 |
| Marketing, transportation and gathering expenses | 8,297 | 9,527 | 31,610 | 29,133 |
| Production taxes | 15,669 | 26,768 | 69,584 | 127,648 |
| Depreciation, depletion and amortization | 123,892 | 116,814 | 485,322 | 412,334 |
| Exploration expenses | 117 | 1,109 | 2,369 | 3,064 |
| Rig termination | — | — | 3,895 | — |
| Impairment of oil and gas properties | | | | |

| | | | | |
|---|----------|------------|-------------|------------|
| General and administrative expenses | 25,308 | 24,120 | 92,498 | 92,306 |
| Total operating expenses | 235,233 | 283,671 | 903,899 | 931,575 |
| Gain (loss) on sale of properties | — | (77) | — | 186,999 |
| Operating income (loss) | (53,166) | 15,924 | (114,164) | 645,652 |
| Other income (expense) | | | | |
| Net gain on derivative instruments | 99,091 | 306,758 | 210,376 | 327,011 |
| Interest expense, net of capitalized interest | (36,946) | (39,822) | (149,648) | (158,390) |
| Other income (expense) | (3,305) | (55) | (2,935) | 195 |
| Total other income (expense) | 58,840 | 266,881 | 57,793 | 168,816 |
| Income (loss) before income taxes | 5,674 | 282,805 | (56,371) | 814,468 |
| Income tax benefit (expense) | (1,706) | (106,301) | 16,123 | (307,591) |
| Net income (loss) | \$ 3,968 | \$ 176,504 | \$ (40,248) | \$ 506,877 |
| Earnings per share: | | | | |
| Basic | \$ 0.03 | \$ 1.77 | \$ (0.31) | \$ 5.09 |
| Diluted | 0.03 | 1.77 | (0.31) | 5.05 |
| Weighted average shares outstanding: | | | | |
| Basic | 137,184 | 99,767 | 130,186 | 99,677 |
| Diluted | 137,184 | 99,767 | 130,186 | 100,365 |

OASIS PETROLEUM INC.

SELECTED FINANCIAL AND OPERATIONAL STATS

| | Three Months Ended December 31, Year Ended December 31, | | | |
|---|---|------------|------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Operating results (\$ in thousands): | | | | |
| Revenues | | | | |
| Oil | \$ 150,448 | \$ 258,913 | \$ 692,497 | \$ 1,231,251 |
| Natural gas | 7,985 | 14,356 | 29,175 | 72,753 |
| Well services and midstream | 23,634 | 26,403 | 68,063 | 86,224 |
| Total revenues | \$ 182,067 | \$ 299,672 | \$ 789,735 | \$ 1,390,228 |
| Production data: | | | | |
| Oil (MBbls) | 3,983 | 4,123 | 16,091 | 14,883 |
| Natural gas (MMcf) | 4,062 | 2,939 | 14,002 | 10,691 |
| Oil equivalents (MBoe) | 4,660 | 4,613 | 18,424 | 16,664 |
| Average daily production (Boe/d) | 50,652 | 50,143 | 50,477 | 45,656 |
| Average sales prices: | | | | |
| Oil, without derivative settlements (per Bbl) | \$ 37.77 | \$ 62.79 | \$ 43.04 | \$ 82.73 |
| Oil, with derivative settlements (per Bbl) ⁽¹⁾ | 57.60 | 70.44 | 66.06 | 83.19 |
| Natural gas (per Mcf) ⁽²⁾ | 1.97 | 4.89 | 2.08 | 6.81 |
| Costs and expenses (per Boe of production): | | | | |
| Lease operating expenses | \$ 6.85 | \$ 9.69 | \$ 7.84 | \$ 10.18 |
| Marketing, transportation and gathering expenses ⁽³⁾ | 1.57 | 1.48 | 1.62 | 1.61 |
| Production taxes | 3.36 | 5.80 | 3.78 | 7.66 |
| Depreciation, depletion and amortization | 26.59 | 25.32 | 26.34 | 24.74 |
| General and administrative expenses | 5.43 | 5.23 | 5.02 | 5.54 |

(1) Realized prices include gains or losses on cash settlements for commodity derivatives, which do not qualify for and were not designated as hedging instruments for accounting purposes. Cash settlements represent the cumulative gains and losses on our 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) Natural gas prices include the value for natural gas and natural gas liquids.

(3) Excludes non-cash valuation charges.

OASIS PETROLEUM INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

| | Year Ended December 31, | |
|--|-------------------------|-------------|
| | 2015 | 2014 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (40,248) | \$ 506,877 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 485,322 | 412,334 |
| Gain on sale of properties | — | (186,999) |
| Impairment of oil and gas properties | 46,109 | 47,238 |
| Deferred income taxes | (16,114) | 307,457 |
| Derivative instruments | (210,376) | (327,011) |
| Stock-based compensation expenses | 25,272 | 21,302 |
| Deferred financing costs amortization and other | 12,299 | 11,028 |
| Working capital and other changes: | | |
| Change in accounts receivable | 108,461 | 16,702 |
| Change in inventory | 6,873 | (3,776) |
| Change in prepaid expenses | 1,828 | (3,199) |
| Change in other current assets | 6,489 | (6,135) |
| Change in other assets | (950) | 114 |
| Change in accounts payable and accrued liabilities | (71,617) | 76,723 |
| Change in other current liabilities | 6,500 | — |
| Change in other liabilities | (33) | (139) |
| Net cash provided by operating activities | 359,815 | 872,516 |
| Cash flows from investing activities: | | |
| Capital expenditures | (819,847) | (1,354,281) |
| Acquisition of oil and gas properties | (28,817) | (46,247) |
| Proceeds from sale of properties | 1,075 | 324,852 |
| Costs related to sale of properties | — | (2,337) |
| Derivative settlements | 370,410 | 6,774 |
| Advances from joint interest partners | (1,969) | (6,213) |
| Net cash used in investing activities | (479,148) | (1,077,452) |
| Cash flows from financing activities: | | |

| | | |
|---|--------------|------------|
| Proceeds from revolving credit facility | 630,000 | 620,000 |
| Principal payments on revolving credit facility | (992,000) | (455,570) |
| Deferred financing costs | (14,632) | (99) |
| Proceeds from sale of common stock | 462,833 | — |
| Purchases of treasury stock | (2,949) | (5,309) |
| Other | — | (176) |
| Net cash provided by financing activities | 83,252 | 158,846 |
| Decrease in cash and cash equivalents | (36,081) | (46,090) |
| Cash and cash equivalents: | | |
| Beginning of period | 45,811 | 91,901 |
| End of period | \$ 9,730 | \$ 45,811 |
| Supplemental cash flow information: | | |
| Cash paid for interest, net of capitalized interest | \$ 145,333 | \$ 150,181 |
| Cash paid for taxes | — | 5,329 |
| Cash received for income tax refunds | 5,548 | — |
| Supplemental non-cash transactions: | | |
| Change in accrued capital expenditures | \$ (260,060) | \$ 169,710 |
| Change in asset retirement obligations | 3,972 | 6,182 |

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 Year Ended | | | |
|---|-------------------------------|------------|--------------|------------|
| | December 31, | | December 31, | |
| | 2015 | 2014 | 2015 | 2014 |
| | (In thousands) | | | |
| Net income (loss) | \$ 3,968 | \$ 176,504 | \$ (40,248) | \$ 506,877 |
| Loss (gain) on sale of properties | — | 77 | — | (186,999) |
| Net gain on derivative instruments | (99,091) | (306,758) | (210,376) | (327,011) |
| Derivative settlements ⁽¹⁾ | 78,974 | 31,547 | 370,410 | 6,774 |
| Interest expense, net of capitalized interest | 36,946 | 39,822 | 149,648 | 158,390 |
| Depreciation, depletion and amortization | 123,892 | 116,814 | 485,322 | 412,334 |
| Impairment of oil and gas properties | 21,364 | 44,995 | 46,109 | 47,238 |
| Exploration expenses | 117 | 1,109 | 2,369 | 3,064 |
| Rig termination | — | — | 3,895 | — |
| Stock-based compensation expenses | 5,643 | 5,547 | 25,272 | 21,302 |
| Income tax expense (benefit) | 1,706 | 106,301 | (16,123) | 307,591 |
| Other non-cash adjustments | 3,174 | 3,561 | 3,956 | 3,284 |
| Adjusted EBITDA | \$ 176,693 | \$ 219,519 | \$ 820,234 | \$ 952,844 |
| Net cash provided by operating activities | \$ 79,478 | \$ 199,024 | \$ 359,815 | \$ 872,516 |
| Derivative settlements ⁽¹⁾ | 78,974 | 31,547 | 370,410 | 6,774 |
| Interest expense, net of capitalized interest | 36,946 | 39,822 | 149,648 | 158,390 |
| Exploration expenses | 117 | 1,109 | 2,369 | 3,064 |
| Rig termination | — | — | 3,895 | — |
| Deferred financing costs amortization and other | (4,831) | (5,819) | (12,299) | (11,028) |
| Current tax expense | (9) | (3,608) | (9) | 134 |
| Changes in working capital | (17,156) | (46,117) | (57,551) | (80,290) |
| Other non-cash adjustments | 3,174 | 3,561 | 3,956 | 3,284 |
| Adjusted EBITDA | \$ 176,693 | \$ 219,519 | \$ 820,234 | \$ 952,844 |

(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 Year Ended

December 31, December 31,
2015 2014 2015 2014

(In thousands)

| | | | | |
|---|-------------|------------|--------------|------------|
| Income (loss) before income taxes | \$ (14,868) | \$ 274,934 | \$ (118,970) | \$ 779,591 |
| Loss (gain) on sale of properties | — | 77 | — | (186,999) |
| Net gain on derivative instruments | (99,091) | (306,758) | (210,376) | (327,011) |
| Derivative settlements ⁽¹⁾ | 78,974 | 31,547 | 370,410 | 6,774 |
| Interest expense, net of capitalized interest | 36,946 | 39,822 | 149,648 | 158,390 |
| Depreciation, depletion and amortization | 122,028 | 114,705 | 479,693 | 406,960 |
| Impairment of oil and gas properties | 21,364 | 44,995 | 46,109 | 47,238 |
| Exploration expenses | 117 | 1,109 | 2,369 | 3,064 |
| Rig termination | — | — | 3,895 | — |
| Stock-based compensation expenses | 5,486 | 5,303 | 24,762 | 20,701 |
| Other non-cash adjustments | 2,937 | 2,591 | 3,719 | 2,314 |
| Adjusted EBITDA | \$ 153,893 | \$ 208,325 | \$ 751,259 | \$ 911,022 |

(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 Year Ended

December 31, December 31,
2015 2014 2015 2014

(In thousands)

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Income before income taxes | \$ 19,608 | \$ 17,741 | \$ 49,197 | \$ 70,953 |
| Depreciation, depletion and amortization | 4,643 | 4,362 | 19,073 | 14,080 |
| Stock-based compensation expenses | 422 | 475 | 1,952 | 1,658 |
| Other non-cash adjustments | 237 | 970 | 237 | 970 |
| Adjusted EBITDA | \$ 24,910 | \$ 23,548 | \$ 70,459 | \$ 87,661 |

Midstream Services

Three Months Ended Year Ended

December 31, December 31,
2015 2014 2015 2014

(In thousands)

| | | | | |
|--|-----------|----------|-----------|-----------|
| Income before income taxes | \$ 15,828 | \$ 6,876 | \$ 59,867 | \$ 22,730 |
| Depreciation, depletion and amortization | 1,695 | 1,032 | 5,764 | 3,744 |
| Stock-based compensation expenses | 162 | — | 692 | — |
| Adjusted EBITDA | \$ 17,685 | \$ 7,908 | \$ 66,323 | \$ 26,474 |

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 applicable to those items 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, | |
|---|------------------------------------|------------|----------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) | \$ 3,968 | \$ 176,504 | \$ (40,248) | \$ 506,877 |
| Loss (gain) on sale of properties | — | 77 | — | (186,999) |
| Net gain on derivative instruments | (99,091) | (306,758) | (210,376) | (327,011) |
| Derivative settlements ⁽¹⁾ | 78,974 | 31,547 | 370,410 | 6,774 |
| Impairment of oil and gas properties | 21,364 | 44,995 | 46,109 | 47,238 |
| Rig termination | — | — | 3,895 | — |
| Other non-cash adjustments | 3,174 | 3,561 | 3,956 | 3,284 |
| Tax impact ⁽²⁾ | (1,653) | 85,195 | (79,991) | 172,482 |
| Adjusted Net Income | \$ 6,736 | \$ 35,121 | \$ 93,755 | \$ 222,645 |
| | | | | |
| Diluted earnings per share | \$ 0.03 | \$ 1.77 | \$ (0.31) | \$ 5.05 |
| Loss (gain) on sale of properties | — | — | — | (1.86) |
| Net gain on derivative instruments | (0.72) | (3.07) | (1.62) | (3.26) |
| Derivative settlements ⁽¹⁾ | 0.58 | 0.32 | 2.85 | 0.07 |
| Impairment of oil and gas properties | 0.16 | 0.45 | 0.35 | 0.47 |
| Rig termination | — | — | 0.03 | — |
| Other non-cash adjustments | 0.02 | 0.04 | 0.03 | 0.03 |
| Tax impact ⁽²⁾ | (0.02) | 0.84 | (0.61) | 1.72 |
| Adjusted Diluted Earnings Per Share | \$ 0.05 | \$ 0.35 | \$ 0.72 | \$ 2.22 |
| | | | | |
| Diluted weighted average shares outstanding | 137,184 | 99,767 | 130,186 | 100,365 |

Effective tax rate applicable to adjustment items 37.4 % 37.6 % 37.4 % 37.8 %

(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.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/oasis-petroleum-inc-announces-quarter-and-year-ending-december-31-2015-earnings>

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