Oasis Petroleum Inc.
Form 10-Q
May 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-34776
Oasis Petroleum Inc.
(Exact name of registrant as specified in its charter)

Delaware	80-0554627
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1001 Fannin Street, Suite 1500 Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(281) 404-9500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Number of shares of the registrant's common stock outstanding at April 30, 2018: 317,308,489 shares.

OASIS PETROLEUM INC.
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PART I — FINANCIAL INFORMATION
Item 1. — Financial Statements (Unaudited)
Oasis Petroleum Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2018	December 31, 2017
	(In thousands, except share data)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,735	$ 16,720
Accounts receivable, net	370,978	363,580
Inventory	23,039	19,367
Prepaid expenses	5,954	7,631
Derivative instruments	—	344
Intangible assets, net	958	—
Other current assets	193	193
Total current assets	418,857	407,835
Property, plant and equipment		
Oil and gas properties (successful efforts method)	8,911,096	7,838,955
Other property and equipment	963,871	868,746
Less: accumulated depreciation, depletion, amortization and impairment	(2,688,361)	(2,534,215)
Total property, plant and equipment, net	7,186,606	6,173,486
Derivative instruments	—	9
Long-term inventory	12,506	12,200
Other assets	20,961	21,600
Total assets	$ 7,638,930	$ 6,615,130
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 16,127	$ 13,370
Revenues and production taxes payable	245,198	213,995
Accrued liabilities	233,422	236,480
Accrued interest payable	20,681	38,963
Derivative instruments	149,657	115,716
Advances from joint interest partners	4,888	4,916
Other current liabilities	40	40
Total current liabilities	670,013	623,480
Long-term debt	2,696,534	2,097,606
Deferred income taxes	306,749	305,921
Asset retirement obligations	51,955	48,511
Derivative instruments	19,699	19,851
Other liabilities	7,822	6,182
Total liabilities	3,752,772	3,101,551
Commitments and contingencies (Note 16)		
Stockholders' equity		
Common stock, $0.01 par value: 450,000,000 shares authorized; 319,384,813 shares issued and 317,363,008 shares outstanding at March 31, 2018 and 270,627,014 shares issued and 269,295,466 shares outstanding at December 31, 2017	3,154	2,668

Treasury stock, at cost: 2,021,805 and 1,331,548 shares at March 31, 2018 and December 31, 2017, respectively	(28,200)	(22,179)
Additional paid-in capital	3,055,003	2,677,217
Retained earnings	718,575	717,985
Oasis share of stockholders' equity	3,748,532	3,375,691
Non-controlling interests	137,626	137,888
Total stockholders' equity	3,886,158	3,513,579
Total liabilities and stockholders' equity	$ 7,638,930	$ 6,615,130

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Oasis Petroleum Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(In thousands, except per share data)	
Revenues		
Oil and gas revenues	$ 363,671	$ 237,252
Purchased oil and gas sales	18,037	27,631
Midstream revenues	27,922	14,606
Well services revenues	11,586	5,627
Total revenues	421,216	285,116
Operating expenses		
Lease operating expenses	44,781	43,872
Midstream operating expenses	7,985	3,327
Well services operating expenses	7,387	4,560
Marketing, transportation and gathering expenses	21,013	10,951
Purchased oil and gas expenses	17,998	28,002
Production taxes	31,000	20,299
Depreciation, depletion and amortization	149,265	126,666
Exploration expenses	769	1,489
Impairment	93	2,682
General and administrative expenses	27,940	23,176
Total operating expenses	308,231	265,024
Operating income	112,985	20,092
Other income (expense)		
Net gain (loss) on derivative instruments	(71,116)	56,075
Interest expense, net of capitalized interest	(37,146)	(36,321)
Other income (expense)	(183)	16
Total other income (expense)	(108,445)	19,770
Income before income taxes	4,540	39,862
Income tax expense	(828)	(16,037)
Net income including non-controlling interests	3,712	23,825
Less: Net income attributable to non-controlling interests	3,122	—
Net income attributable to Oasis	$ 590	$ 23,825
Earnings attributable to Oasis per share:		
Basic (Note 14)	$ 0.00	$ 0.10
Diluted (Note 14)	0.00	0.10
Weighted average shares outstanding:		
Basic (Note 14)	290,105	233,068
Diluted (Note 14)	291,738	237,900

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Oasis Petroleum Inc.
Condensed Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

	Attributable to Oasis							
	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balance at December 31, 2017	269,295	$2,668	1,332	$(22,179)	$2,677,217	$717,985	$ 137,888	$3,513,579
Permian Basin Acquisition issuance	46,000	460	—	—	370,760	—	—	371,220
Fees (2017 issuance of common stock)	—	—	—	—	(90)	—	—	(90)
Equity-based compensation	2,758	26	—	—	7,116	—	66	7,208
Distributions to non-controlling interest owners	—	—	—	—	—	—	(3,450)	(3,450)
Treasury stock - tax withholdings	(690)	—	690	(6,021)	—	—	—	(6,021)
Net income	—	—	—	—	—	590	3,122	3,712
Balance at March 31, 2018	317,363	$3,154	2,022	$(28,200)	$3,055,003	$718,575	$ 137,626	$3,886,158

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Oasis Petroleum Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income including non-controlling interests	$3,712	$23,825
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities:		
Depreciation, depletion and amortization	149,265	126,666
Impairment	93	2,682
Deferred income taxes	828	16,037
Derivative instruments	71,116	(56,075)
Equity-based compensation expenses	6,754	6,708
Deferred financing costs amortization and other	5,475	4,940
Working capital and other changes:		
Change in accounts receivable, net	(5,708)	(22,478)
Change in inventory	(3,672)	(3,679)
Change in prepaid expenses	492	282
Change in other current assets	—	(110)
Change in long-term inventory and other assets	(315)	(4)
Change in accounts payable, interest payable and accrued liabilities	(244)	6,060
Change in other current liabilities	—	2,945
Change in other liabilities	563	—
Net cash provided by operating activities	228,359	107,799
Cash flows from investing activities:		
Capital expenditures	(254,838)	(96,047)
Acquisitions	(520,728)	—
Derivative settlements	(36,974)	(7,960)
Advances from joint interest partners	(28)	(759)
Net cash used in investing activities	(812,568)	(104,766)
Cash flows from financing activities:		
Proceeds from Revolving Credit Facilities	1,470,000	246,000
Principal payments on Revolving Credit Facilities	(875,000)	(241,000)
Deferred financing costs	(215)	—
Purchases of treasury stock	(6,021)	(5,419)
Distributions to non-controlling interests	(3,450)	—
Other	(90)	(55)
Net cash provided by (used in) financing activities	585,224	(474)
Increase in cash and cash equivalents	1,015	2,559
Cash and cash equivalents:		
Beginning of period	16,720	11,226
End of period	$17,735	$13,785
Supplemental non-cash transactions:		
Change in accrued capital expenditures	$12,855	$8,396
Change in asset retirement obligations	3,453	787

Issuance of shares in connection with the Permian Basin Acquisition	371,220	—

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OASIS PETROLEUM INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization and Operations of the Company

Oasis Petroleum Inc. (together with its consolidated subsidiaries, “Oasis” or the “Company”) was originally formed in 2007 and was incorporated pursuant to the laws of the State of Delaware in 2010. The Company is an independent exploration and production company focused on the acquisition and development of onshore, unconventional oil and natural gas resources in the United States. Oasis Petroleum North America LLC (“OPNA”) and Oasis Petroleum Permian LLC (“OP Permian”) conduct the Company’s exploration and production activities and own its proved and unproved oil and natural gas properties located in the North Dakota and Montana regions of the Williston Basin and the Texas regions of the Delaware Basin, respectively. The Company also operates a midstream services business through OMS Holdings LLC (“OMS”) and a well services business through Oasis Well Services LLC (“OWS”), both of which are separate reportable business segments that are complementary to its primary development and production activities. The midstream business is conducted by Oasis Midstream Partners LP (“OMP” or “Oasis Midstream”), which completed an initial public offering in September 2017. The Company owns the general partner and a majority of the outstanding units of OMP.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have not been audited by the Company’s independent registered public accounting firm, except that the Condensed Consolidated Balance Sheet at December 31, 2017 is derived from audited financial statements. Certain reclassifications of prior year balances have been made to conform such amounts to current year classifications. These reclassifications have no impact on net income. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of the Company’s financial position, have been included. Management has made certain estimates and assumptions that affect reported amounts in the condensed consolidated financial statements and disclosures of contingencies. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

These interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain disclosures have been condensed or omitted from these financial statements. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete consolidated financial statements and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (“2017 Annual Report”).

Consolidation. The accompanying condensed consolidated financial statements of the Company include the accounts of Oasis, the accounts of wholly-owned subsidiaries, and the accounts of OMP, which is considered a variable interest entity (“VIE”) for which the Company is the primary beneficiary. All significant intercompany balances and transactions have been eliminated upon consolidation.

Consolidated VIE. The Company has determined that the partners with equity at risk in OMP lack the authority, through voting rights or similar rights, to direct the activities that most significantly impact OMP’s economic performance. Therefore, as the limited partners of OMP do not have substantive kick-out or substantive participating rights over OMP GP LLC (“OMP GP”), the general partner to OMP, OMP is a VIE. Through the Company’s ownership interest in OMP GP, the Company has the authority to direct the activities that most significantly affect economic performance and the right to receive benefits that could be potentially significant to OMP. Therefore, the Company is considered the primary beneficiary and consolidates OMP and records a non-controlling interest for the interest owned by the public as of March 31, 2018.

Risks and Uncertainties

As an oil and natural gas producer, the Company’s revenue, profitability and future growth are substantially dependent upon the prevailing and future prices for oil and natural gas, which are dependent upon numerous factors beyond its

control such as economic, political and regulatory developments and competition from other energy sources. The energy markets have historically been very volatile, and there can be no assurance that oil and natural gas prices will not be subject to wide fluctuations in the future. A substantial or extended decline in prices for oil and, to a lesser extent, natural gas could have a material adverse effect on the Company's financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced.

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Significant Accounting Policies

There have been no material changes to the Company's critical accounting policies and estimates from those disclosed in the 2017 Annual Report, other than as noted below.

Revenue recognition. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of ASU 2014-09 is greater consistency and comparability across industries by using a five-step model to recognize revenue from customer contracts. ASU 2014-09 was applied on a modified retrospective basis. The adoption of ASU 2014-09 did not result in a material impact to the Company's financial position, cash flows or results of operations. Enhanced disclosures in accordance with ASU 2014-09 have been provided in Note 3 – Revenue Recognition.

Financial instruments. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires that most equity instruments be measured at fair value with subsequent changes in fair value recognized in net income. ASU 2016-01 also impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. ASU 2016-01 does not apply to equity method investments or investments in consolidated subsidiaries. ASU 2016-01 was applied on a prospective basis and prior periods were not retrospectively adjusted. There was no material impact as a result of adoption as of March 31, 2018.

Statement of cash flows. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2016-15, Statement of Cash Flows ("ASU 2016-15"), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 was applied on a prospective basis and prior periods were not retrospectively adjusted. There was no material impact as a result of adoption as of March 31, 2018.

Income taxes. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. ASU 2016-16 was applied on a prospective basis and prior periods were not retrospectively adjusted. There was no material impact as a result of adoption as of March 31, 2018.

Business combinations. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2017-01, Clarifying the Definition of a Business ("ASU 2017-01"), which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires entities to use a screen test to determine when an integrated set of assets and activities is not a business or if the integrated set of assets and activities needs to be further evaluated against the framework. ASU 2017-01 was applied on a prospective basis and prior periods were not retrospectively adjusted. There was no material impact as a result of adoption as of March 31, 2018.

Equity-based compensation. In the first quarter of 2018, the Company adopted Accounting Standards Update No. 2017-09, Scope of Modification Accounting ("ASU 2017-09"), which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 was applied on a prospective basis and prior periods were not retrospectively adjusted. There was no material impact as a result of adoption as of March 31, 2018.

Recent Accounting Pronouncements

Leases. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, Leases ("ASU 2016-02"), which requires a lessee to recognize lease payment obligations and a corresponding right-of-use asset to be measured at fair value on the balance sheet. ASU 2016-02 also requires certain qualitative and quantitative disclosures about the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those years. In January 2018, the FASB issued Accounting Standards Update No. 2018-01, Land easement practical expedient for transition to Topic 842 ("ASU 2018-01"), which provides an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounting for as leases under Topic 840, Leases. The Company plans to elect this practical expedient and is currently evaluating the effect that adopting the new lease guidance will have on its financial position, cash flows or results of operations.

Income taxes. In March 2018, the FASB issued Accounting Standards Update No. 2018-05, Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (“ASU 2018-05”). The standard amends Accounting Standards Codification 740, Income Taxes (ASC 740) to provide guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the “Tax Act”) pursuant to Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"). The Company is currently evaluating the effect of the new tax guidance, but does not expect it to have a material impact on its financial position, cash flows or results of operations. See Note 12 – Income Taxes.

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3. Revenue Recognition

In May 2014, the FASB issued a new accounting standard related to revenue recognition, ASC 606 - Revenue from Contracts with Customers ("ASC 606"). This standard was effective in first quarter 2018 and the Company adopted the new standard using the modified retrospective method. The Company applied ASC 606 to all new contracts entered into after January 1, 2018 and all existing contracts for which all (or substantially all) of the revenue has not been recognized under legacy revenue guidance as of December 31, 2017. ASC 606 supersedes previous revenue recognition requirements in ASC 605 and includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

In accordance with the adoption of ASC 606, management evaluated its contracts with customers to apply the five-step revenue recognition model. The adoption of ASC 606 did not result in a material impact to the Company's financial position, cash flows or results of operations.

The unit of account in ASC 606 is a performance obligation, which is a promise in a contract to transfer to a customer either a distinct good or service (or bundle of goods or services) or a series of distinct goods or services provided over a period of time. ASC 606 requires that a contract's transaction price, which is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, is to be allocated to each performance obligation in the contract based on relative standalone selling prices and recognized as revenue when (point in time) or as (over time) the performance obligation is satisfied.

Exploration and production revenues

Our exploration and production revenues are derived from contracts for oil, natural gas and NGL sales, as described below. Generally, for the majority of these contracts: (i) each unit (barrel, mcf, gallon, etc.) of commodity product is a separate performance obligation, as our promise is to sell multiple distinct units of commodity product at a point in time; (ii) the transaction price principally consists of variable consideration, which amount is determinable each month end based on our right to invoice at month end for the value of commodity product sold to the customer that month; and (iii) the transaction price is allocated to each performance obligation based on the commodity product's standalone selling price and recognized as revenue upon delivery of the commodity product, which is the point in time when the customer obtains control of the commodity product and our performance obligation is satisfied. The sales of oil, natural gas and NGLs as presented on the Company's Condensed Consolidated Statements of Operations represent the Company's share of revenues net of royalties and excluding revenue interests owned by others. When selling oil, natural gas and NGLs on behalf of royalty owners or working interest owners, the Company is acting as an agent and thus reports the revenue on a net basis. To the extent actual volumes and prices of oil and natural gas sales are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded. The Company's contracts with customers typically require payments for oil, natural gas and NGL sales within 30 days following the calendar month of delivery.

Oil sales. The Company sells a substantial majority of its oil through bulk sales at delivery points on crude oil gathering systems or directly at the wellhead to a variety of customers under short-term contracts that include a specified quantity of crude oil to be delivered and sold to the customer at a specified delivery point. The customer pays a market-based transaction price, which incorporates differentials that include, but are not limited to, transportation costs and adjustments for product quality.

Natural gas sales. The Company's natural gas sales consist of unprocessed gas sales and residue gas sales. Unprocessed gas is sold at delivery points at or near the wellhead under percentage of proceeds contracts, in which the customer pays a transaction price based on its sale of the bifurcated NGLs and residue gas, less any associated fees. Revenue is recorded on a net basis, with processing fees deducted within revenue rather than as a separate expense line item, as title and control transfer at the delivery point. Residue gas is sold from the tailgate of the Company's gas processing plant located in Wild Basin or transported and sold at other downstream sales points, and the customer pays a transaction price based on a market indexed per-unit rate for the quantities sold.

NGL sales. NGLs are sold from the Company's gas processing plant complex located in Wild Basin or trucked and sold at other downstream locations, and the customer pays a transaction price based on a market indexed per-unit rate

for the quantities sold.

Prior period performance obligations. For sales of oil, purchased oil, natural gas, purchased gas and NGLs, the Company records revenue in the month production is delivered to the purchaser. However, settlement statements and payment may not be received for 30 to 90 days after the date production is delivered, and as a result, the Company is required to estimate the amount of production that was delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales once payment is received from the purchaser. Such differences have historically not been significant. The Company uses knowledge of its properties, its properties' historical performance, spot market prices and other factors as the basis for these estimates. For the three months

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ended March 31, 2018, revenue recognized related to performance obligations satisfied in prior reporting periods was not material.

Revenues associated with contracts with customers for oil, natural gas and NGL sales were as follows for the three months ended March 31, 2018 and 2017:

Exploration and Production Revenues

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Oil revenues	$323,386	$208,595
Purchased oil sales	17,989	27,630
Natural gas revenues	26,961	19,535
Purchased gas sales	49	—
NGL revenues	13,323	9,124
Total exploration and production revenues	$381,708	$264,884

Midstream revenues

Crude oil and natural gas revenues. The Company is party to certain contracts for gas gathering, compression, processing and gas lift services, as well as crude oil gathering, stabilization, blending, storage and transportation. Under these customer contracts, the Company provides daily integrated midstream services on a stand ready basis over a period of time, which represents a single performance obligation since the customer simultaneously receives and consumes the benefits of these services on a daily basis. Satisfaction of the Company's performance obligation is measured as each day of service is completed, which directly corresponds with its right to consideration from the customer. Revenues associated with these contracts are recognized based upon the transaction price at month-end under the right to invoice practical expedient. Payments from customers are generally received by the Company within one month after the month in which services are provided.

Water revenues. The Company is also party to certain contracts with customers for water services, which includes produced and flowback water gathering and disposal services and freshwater distribution services. Under its customer contracts for produced and flowback water gathering and disposal services, the Company provides daily integrated midstream services on a stand ready basis over a period of time, which represents a single performance obligation since the customer simultaneously receives and consumes the benefits of these services on a daily basis. Satisfaction of the Company's performance obligation is measured as each day of service is completed, which directly corresponds with its right to consideration from the customer. Revenues associated with these contracts are recognized based upon the transaction price at month-end under the right to invoice practical expedient. Payments from customers are generally received by the Company within one month after the month in which services are provided.

Under its customer contracts for freshwater distribution services, the Company supplies and distributes freshwater to its customers for hydraulic fracturing and production optimization. Management has determined these contracts contain multiple distinct performance obligations since each freshwater barrel is not dependent nor highly interrelated with other barrels. Revenue associated with freshwater distribution services is recognized at a point-in-time based upon the transaction price when title, control and risk of loss transfers to the customer, which occurs at the delivery point. Payments are due from customers 30 days after receipt of invoice.

Revenues associated with contracts with customers for midstream services were as follows for the three months ended March 31, 2018 and 2017:

Midstream Revenues[(1)]

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Crude oil and natural gas revenues	$18,029	$8,551

Water revenues	9,893	6,055
Total midstream revenues	$27,922	$14,606

(1) Represents midstream revenues excluding all intercompany revenues for work performed by the midstream services business segment for Oasis's working interests that are eliminated in consolidation and are therefore not included in midstream services revenues.

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Well services revenues

Hydraulic fracturing service revenues. Hydraulic fracturing revenue is recognized upon the completion of each hydraulic fracturing of a well. These services are composed of various components, such as personnel, equipment and hydraulic fracturing materials, but management determined that each component is not distinct, as it cannot be used on its own or together with a resource readily available to the customer. Revenue is recognized when the performance obligations of hydraulic fracturing a well in its totality are completed; generally, this is over a period of time due to all work being performed for a customer occurring on the customer's property, where the customer has control over the work in process as it is being performed. In addition, the Company's assets being used to perform the obligations have no alternative use at the time of performance and the Company has the right to payment for performance to date. Payments from customers are generally received by the Company within one month after the month in which services are provided. In addition, revenue from product sales to third parties is generated when OPNA requests that third-party hydraulic fracturing companies hydraulic fracture OPNA's wells. Although the labor is provided by the third-party hydraulic fracturing company, the materials (e.g., sand, chemicals, etc.) used in the hydraulic fracturing of the wells are provided by OWS. The third-party hydraulic fracturing company or OPNA pays OWS for the materials delivered to the wells. Revenue is recognized once the performance obligations to transfer hydraulic fracturing materials are completed.

Equipment rental revenues. Equipment rental revenue is generated when OPNA or a third-party hydraulic fracturing company rents equipment from OWS. This equipment is used in the preparation stage of hydraulic fracturing services or after the hydraulic fracturing services have been completed. Equipment rental revenues are calculated based on the equipment's daily rental rate and the number of days that the equipment was rented by the customer. OWS's performance obligation is satisfied when the entire rental period is completed. Equipment rental revenues are recognized over a period of time due to the customer simultaneously receiving and consuming the benefits of the rental equipment provided by OWS on a daily basis. Satisfaction of the Company's performance obligation is measured as each day of rental period is completed, which directly corresponds with its right to consideration from the customer. Revenues associated with these contracts are recognized at the time of invoicing for the entire rental period under the right to invoice practical expedient. Payments from customers are generally received by the Company within one month after the month in which services are provided.

Revenues associated with contracts with customers for hydraulic fracturing services and equipment rental sales were as follows for the three months ended March 31, 2018 and 2017:

Well Services Revenues[(1)]

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Hydraulic fracturing service revenues	$10,426	$5,156
Equipment rental revenues	1,160	471
Total well services revenues	$11,586	$5,627

(1) Represents well services revenues excluding all intercompany revenues for work performed by the well services business segment for Oasis's working interests that are eliminated in consolidation and are therefore not included in well services revenues.

Contract balances

Under the Company's customer contracts, invoicing occurs once the Company's performance obligations have been satisfied, at which point payment is unconditional. Accordingly, the Company's contracts do not give rise to contract assets or liabilities under ASC 606.

Performance obligations

The majority of the Company’s sales are short-term in nature with a contract term of one year or less. For those contracts, the Company utilized the practical expedient in ASC 606-10-50-14 that exempts the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For the Company’s product sales that have a contract term greater than one year, the Company utilized the practical expedient in ASC 606-10-50-14(A) which states the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under these sales contracts, each unit of product generally represents a separate performance obligation; therefore future

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volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required. Under the midstream services contracts, each unit of service represents a separate performance obligation and therefore performance obligations in respect of future services are wholly unsatisfied.

4. Inventory

Crude oil inventory includes oil in tanks. Equipment and materials consist primarily of proppant, chemicals, tubular goods, well equipment to be used in future drilling or repair operations and well fracturing equipment. Crude oil inventory and equipment and materials are included in inventory on the Company’s Condensed Consolidated Balance Sheets.

The minimum volume of product in a pipeline system that enables the system to operate is known as linefill and is generally not available to be withdrawn from the pipeline system until the expiration of the transportation contract. The Company owns oil linefill in third-party pipelines, which is included in long-term inventory on the Company’s Condensed Consolidated Balance Sheets.

Inventory, including long-term inventory, is stated at the lower of cost and net realizable value with cost determined on an average cost method. The Company assesses the carrying value of inventory and uses estimates and judgment when making any adjustments necessary to reduce the carrying value to net realizable value. Among the uncertainties that impact the Company’s estimates are the applicable quality and location differentials to include in the Company’s net realizable value analysis. Additionally, the Company estimates the upcoming liquidation timing of the inventory. Changes in assumptions made as to the timing of a sale can materially impact net realizable value.

Total inventory consists of the following:

	March 31, 2018	December 31, 2017
	(In thousands)	
Inventory		
Crude oil inventory	$10,390	$ 10,427
Equipment and materials	12,649	8,940
Total inventory	$23,039	$ 19,367
Long-term inventory		
Linefill in third-party pipelines	$12,506	$ 12,200
Long-term inventory	$12,506	$ 12,200
Total	$35,545	$ 31,567

5. Accounts Receivable, Net

The following table sets forth the Company’s accounts receivable, net:

	March 31, 2018	December 31, 2017
	(In thousands)	
Accounts receivable, net		
Trade accounts	$235,480	$ 233,660
Joint interest accounts	91,817	73,588
Other accounts	45,254	57,905
Total	372,551	365,153
Allowance for doubtful accounts	(1,573)	(1,573)
Total accounts receivable, net	$370,978	$ 363,580

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6. Fair Value Measurements

In accordance with the FASB's authoritative guidance on fair value measurements, the Company's financial assets and liabilities are measured at fair value on a recurring basis. The Company's financial instruments, including certain cash and cash equivalents, accounts receivable, accounts payable and other payables, are carried at cost, which approximates their respective fair market values due to their short-term maturities. The Company recognizes its non-financial assets and liabilities, such as asset retirement obligations ("ARO") and proved oil and natural gas properties upon impairment, at fair value on a non-recurring basis.

As defined in the authoritative guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). To estimate fair value, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The authoritative guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1" measurements) and the lowest priority to unobservable inputs ("Level 3" measurements). The three levels of the fair value hierarchy are as follows:

Level 1 — Unadjusted quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Pricing inputs, other than unadjusted quoted prices in active markets included in Level 1, are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument and can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 — Pricing inputs are generally less observable from objective sources, requiring internally developed valuation methodologies that result in management's best estimate of fair value.

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Financial Assets and Liabilities

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth by level, within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis:

	Fair value at March 31, 2018			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds	$142	$—	$ —	$142
Total assets	$142	$—	$ —	$142
Liabilities:				
Commodity derivative instruments (see Note 7)	$—	$169,356	$ —	$169,356
Total liabilities	$—	$169,356	$ —	$169,356

	Fair value at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds	$142	$—	$ —	$142
Commodity derivative instruments (see Note 7)	—	353	—	353
Total assets	$142	$353	$ —	$495
Liabilities:				
Commodity derivative instruments (see Note 7)	$—	$135,567	$ —	$135,567
Total liabilities	$—	$135,567	$ —	$135,567

The Level 1 instruments presented in the tables above consist of money market funds included in cash and cash equivalents on the Company's Condensed Consolidated Balance Sheets at March 31, 2018 and December 31, 2017. The Company's money market funds represent cash equivalents backed by the assets of high-quality major banks and financial institutions. The Company identifies the money market funds as Level 1 instruments because the money market funds have daily liquidity, quoted prices for the underlying investments can be obtained, and there are active markets for the underlying investments.

The Level 2 instruments presented in the tables above consist of commodity derivative instruments, which include oil and natural gas swaps and collars. The fair values of the Company's commodity derivative instruments are based upon a third-party preparer's calculation using mark-to-market valuation reports provided by the Company's counterparties for monthly settlement purposes to determine the valuation of its derivative instruments. The Company has the third-party preparer evaluate other readily available market prices for its derivative contracts, as there is an active market for these contracts. The third-party preparer performs its independent valuation using a moment matching method similar to Turnbull-Wakeman for Asian options. The significant inputs used are crude oil prices, volatility, skew, discount rate and the contract terms of the derivative instruments. The Company compares the third-party preparer's valuation to counterparty valuation statements, investigating any significant differences, and analyzes monthly valuation changes in relation to movements in crude oil and natural gas forward price curves. The determination of the fair value for derivative instruments also incorporates a credit adjustment for non-performance risk, as required by GAAP. The Company calculates the credit adjustment for derivatives in a net asset position using current credit default swap values for each counterparty. The credit adjustment for derivatives in a net liability position is based on the Company's market credit spread. Based on these calculations, the Company recorded an adjustment to reduce the fair value of its net derivative liability by $3.1 million at March 31, 2018 and by $2.8 million

at December 31, 2017.
There were no transfers between fair value levels during the three months ended March 31, 2018 and December 31, 2017.

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7. Derivative Instruments

The Company utilizes derivative financial instruments to manage risks related to changes in oil and natural gas prices. The Company's crude oil and natural gas contracts will settle monthly based on the average NYMEX West Texas Intermediate crude oil index price ("WTI") and the average NYMEX Henry Hub natural gas index price ("Henry Hub"), respectively. At March 31, 2018, the Company utilized swaps and two-way and three-way costless collar options to reduce the volatility of oil and natural gas prices on a significant portion of its future expected oil and natural gas production. A swap is a sold call and a purchased put established at the same price (both ceiling and floor), which the Company will receive for the volumes under contract. A two-way collar is a combination of options: a sold call and a purchased put. The purchased put establishes a minimum price (floor) and the sold call establishes a maximum price (ceiling) the Company will receive for the volumes under contract. A three-way collar is a combination of options: a sold call, a purchased put and a sold put. The purchased put establishes a minimum price (floor), unless the market price falls below the sold put (sub-floor), at which point the minimum price would be the NYMEX index price plus the difference between the purchased put and the sold put strike price. The sold call establishes a maximum price (ceiling) the Company will receive for the volumes under contract.

All derivative instruments are recorded on the Company's Condensed Consolidated Balance Sheets as either assets or liabilities measured at fair value (see Note 6 – Fair Value Measurements). The Company has not designated any derivative instruments as hedges for accounting purposes and does not enter into such instruments for speculative trading purposes. If a derivative does not qualify as a hedge or is not designated as a hedge, the changes in fair value are recognized in the other income (expense) section of the Company's Condensed Consolidated Statements of Operations as a net gain or loss on derivative instruments. The Company's cash flow is only impacted when the actual settlements under the derivative contracts result in making a payment to or receiving a payment from the counterparty. These cash settlements represent the cumulative gains and losses on the Company's derivative instruments and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled. Cash settlements are reflected as investing activities in the Company's Condensed Consolidated Statements of Cash Flows.

At March 31, 2018, the Company had the following outstanding commodity derivative instruments:

Commodity	Settlement Period	Derivative Instrument	Volumes		Weighted Average Prices				Fair Value Asset (Liability)
					Swap	Sub-Floor	Floor	Ceiling	(In thousands)
Crude oil	2018	Swaps	11,029,000	Bbl	$51.92				$ (125,062)
Crude oil	2018	Two-way collar	825,000	Bbl			$48.67	$53.07	(8,649)
Crude oil	2019	Swaps	5,489,000	Bbl	$53.05				(32,612)
Crude oil	2019	Two-way collar	93,000	Bbl			$48.67	$53.07	(812)
Crude oil	2019	Three-way collar	2,004,000	Bbl		$ 40.00	$50.00	$65.99	(2,217)
Crude oil	2020	Swaps	403,000	Bbl	$53.47				(1,261)
Crude oil	2020	Three-way collar	186,000	Bbl		$ 40.00	$50.00	$65.99	(113)
Natural gas	2018	Swaps	6,325,000	MMbtu	$3.05				1,369
									$ (169,357)

In April and May 2018, the Company entered into new swaps and two-way and three-way costless collar options for crude oil and natural gas with weighted average floor prices of $56.79 per barrel and $2.93 per MMBtu, respectively. The commodity contracts included total notional amounts of 826,000 barrels, 1,641,000 barrels and 124,000 barrels which settle in 2018, 2019 and 2020, respectively, based on WTI and 1,104,000 MMBtu and 540,000 MMBtu which settle in 2018 and 2019, respectively, based on Henry Hub. These derivative instruments do not qualify for and were not designated as hedging instruments for accounting purposes.

The following table summarizes the location and amounts of gains and losses from the Company's commodity derivative instruments recorded in the Company's Condensed Consolidated Statements of Operations for the periods presented:

Statement of Operations Location	Three Months Ended March 31, 2018	2017
	(In thousands)	
Net gain (loss) on derivative instruments	$(71,116)	$56,075

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In accordance with the FASB's authoritative guidance on disclosures about offsetting assets and liabilities, the Company is required to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting agreement. The Company's derivative instruments are presented as assets and liabilities on a net basis by counterparty, as all counterparty contracts provide for net settlement. No margin or collateral balances are deposited with counterparties, and as such, gross amounts are offset to determine the net amounts presented in the Company's Condensed Consolidated Balance Sheets.

The following table summarizes the location and fair value of all outstanding commodity derivative instruments recorded in the Company's Condensed Consolidated Balance Sheets:

Commodity	Balance Sheet Location	March 31, 2018 Gross Recognized Liabilities	Gross Amount Offset	Net Recognized Fair Value Liabilities
		(In thousands)		
Derivatives liabilities:				
Commodity contracts	Derivative instruments — current liabilities	$149,657	$—	$ 149,657
Commodity contracts	Derivative instruments — non-current liabilities	25,214	(5,515)	19,699
Total derivatives liabilities		$174,871	$(5,515)	$ 169,356

Commodity	Balance Sheet Location	December 31, 2017 Gross Recognized Assets/Liabilities	Gross Amount Offset	Net Recognized Fair Value Assets/Liabilities
		(In thousands)		
Derivatives assets:				
Commodity contracts	Derivative instruments — current assets	$344	$—	$ 344
Commodity contracts	Derivative instruments — non-current assets	9	—	9
Total derivatives assets		$353	$—	$ 353
Derivatives liabilities:				
Commodity contracts	Derivative instruments — current liabilities	$117,629	$(1,913)	$ 115,716
Commodity contracts	Derivative instruments — non-current liabilities	20,035	(184)	19,851
Total derivatives liabilities		$137,664	$(2,097)	$ 135,567

8. Property, Plant and Equipment

The following table sets forth the Company's property, plant and equipment:

	March 31, 2018	December 31, 2017
	(In thousands)	
Proved oil and gas properties[(1)]	$7,484,783	$7,058,782
Less: Accumulated depreciation, depletion, amortization and impairment	(2,538,739)	(2,395,153)
Proved oil and gas properties, net	4,946,044	4,663,629
Unproved oil and gas properties	1,426,313	780,173
Other property and equipment	963,871	868,746
Less: Accumulated depreciation	(149,622)	(139,062)
Other property and equipment, net	814,249	729,684
Total property, plant and equipment, net	$7,186,606	$6,173,486

(1) Included in the Company's proved oil and gas properties are estimates of future asset retirement costs of $42.7 million and $39.9 million at March 31, 2018 and December 31, 2017, respectively.

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9. Acquisition

Permian Basin Acquisition. On February 14, 2018, the Company acquired from Forge Energy, LLC (“Forge Energy”) approximately 22,000 net acres in the Delaware Basin (the “Permian Basin Acquisition”) for aggregate consideration consisting of approximately $549.8 million in cash and 46,000,000 shares of the Company’s common stock, subject to customary post-closing adjustments (collectively, the “Purchase Price”). In connection with the closing of the Permian Basin Acquisition, the Company and Forge Energy entered into a Registration Rights Agreement that granted the equity holders of Forge Energy certain customary registration rights for the stock portion of the Purchase Price. The Company funded the cash portion of the Purchase Price with borrowings under a senior secured revolving line of credit among OPNA, as Borrower, Wells Fargo Bank, N.A., as administrative agent and the lenders party thereto (the “Oasis Credit Facility”), and proceeds from the Company’s December 2017 issuance of its common stock.

The Permian Basin Acquisition represents the Company’s initial entry into the Delaware Basin. The assets underlying the Permian Basin Acquisition are primarily located in the Bone Spring and Wolfcamp formations of the Delaware sub-basin, across Ward, Winkler, Loving and Reeves Counties, Texas.

The Permian Basin Acquisition qualified as a business combination. As such, the Company estimated the fair value of the assets acquired and liabilities assumed as of the February 14, 2018 acquisition date. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurements also utilize assumptions of market participants. The Company used a discounted cash flow model and made market assumptions as to future commodity prices, projections of estimated quantities of oil and natural gas reserves, expectations for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates and risk adjusted discount rates. These assumptions represent Level 3 inputs, as further discussed under Note 6 — Fair Value Measurements. The Company recorded the assets acquired and liabilities assumed in the Permian Basin Acquisition at their estimated fair value of $921.0 million, which the Company considers to be representative of the price paid by a typical market participant. This measurement resulted in no goodwill or bargain purchase being recognized. The Permian Basin Acquisition is considered a taxable transaction; therefore, no deferred tax amounts were recognized at the acquisition date as the tax basis of the assets acquired and liabilities assumed were also recorded at fair value.

The following table summarizes the consideration paid for the Company’s acquisition and the fair value of the assets acquired and liabilities assumed as of the acquisition date. The purchase price allocation is preliminary and subject to adjustment, as the final closing statement will be completed in the third quarter of 2018.

	At February 14, 2018 (In thousands)
Consideration paid to Forge Energy:	
Cash	$ 549,770
Common stock: 46,000,000 shares issued	371,220
	$ 920,990
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Proved developed properties	$ 110,735
Proved undeveloped properties	167,170
Unproved lease acquisition costs	644,040
Inventory	293
Intangible assets	1,000
Asset retirement obligations	(2,248)
	$ 920,990

The results of operations for the Permian Basin Acquisition have been included in the Company’s condensed consolidated financial statements since the February 14, 2018 closing date, including $11.5 million of total revenue

and $3.4 million of operating income for the three months ended March 31, 2018.

The Company also recorded a $1.0 million finite-lived intangible asset on the Company’s Condensed Consolidated Balance Sheet for a non-compete agreement with a one-year life. Intangible assets are amortized on a straight-line basis over the useful life, and the Company includes the amortization in depreciation, depletion and amortization expenses on the Company’s Condensed Consolidated Statements of Operations. For the three months ended March 31, 2018, amortization expense recognized for this non-compete agreement was approximately $42,000.

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Summarized below are the consolidated results of operations for the three months ended March 31, 2018, on an unaudited pro forma basis, as if the acquisition and related financing had occurred on January 1, 2017. The unaudited pro forma financial information was derived from the historical consolidated statements of operations of the Company and the statement of revenues and direct operating expenses for the Permian Basin Acquisition properties, which were derived from the historical accounting records of Forge Energy. The unaudited pro forma financial information does not purport to be indicative of results of operations that would have occurred had the acquisition and related financing occurred on the basis assumed above, nor is such information indicative of the Company's expected future results of operations.

	Three Months Ended March 31,	
	2018	2017
	(In thousands) Unaudited	
Revenues	$426,733	$290,082
Net income attributable to Oasis	5,168	27,922
Net income attributable to Oasis per share:		
Basic	$0.02	$0.10
Diluted	0.02	0.10

10. Long-Term Debt

The Company's long-term debt consists of the following:

	March 31, 2018	December 31, 2017
	(In thousands)	
Oasis Credit Facility	$626,000	$70,000
OMP Credit Facility	117,000	78,000
Senior unsecured notes		
7.25% senior unsecured notes due February 1, 2019	54,275	54,275
6.5% senior unsecured notes due November 1, 2021	395,501	395,501
6.875% senior unsecured notes due March 15, 2022	937,080	937,080
6.875% senior unsecured notes due January 15, 2023	366,094	366,094
2.625% senior unsecured convertible notes due September 15, 2023	300,000	300,000
Total principal of senior unsecured notes	2,052,950	2,052,950
Less: unamortized deferred financing costs on senior unsecured notes	(21,646)	(22,956)
Less: unamortized debt discount on senior unsecured convertible notes	(77,771)	(80,388)
Total long-term debt	$2,696,533	$2,097,606

The carrying amount of the Company's long-term debt reported in the Condensed Consolidated Balance Sheet at March 31, 2018 was $2,696.5 million, which included $2,053.0 million of senior unsecured notes, reductions for the unamortized debt discount related to the equity component of the senior unsecured convertible notes and the unamortized deferred financing costs on the senior unsecured notes of $77.8 million and $21.6 million, respectively, $626.0 million of borrowings under the Oasis Credit Facility and $117.0 million of borrowings under a $200.0 million senior secured revolving credit facility among OMP, as parent, OMP Operating LLC, a subsidiary of OMP, as borrower, Wells Fargo Bank, N.A., as administrative agent and the lenders party thereto (the "OMP Credit Facility," and, together with the Oasis Credit Facility, the "Revolving Credit Facilities"). The Revolving Credit Facilities are recorded at values that approximate fair value since their variable interest rates are tied to current market rates. The fair value of the Company's senior unsecured notes, which are publicly traded and therefore categorized as Level 1 liabilities, was $2,086.8 million at March 31, 2018.

On April 30, 2018, the Company launched and priced a private placement offering of $400.0 million in aggregate principal amount of 6.25% senior unsecured notes due 2026. The offering is expected to close on May 14, 2018, and the Company intends to use the net proceeds from the offering to fund tender offers (the "Tender Offers") to purchase for cash, subject to certain conditions, up to $400.0 million in aggregate purchase price, excluding accrued and unpaid interest, of its outstanding 7.25% senior notes due 2019, 6.5% senior notes due 2021, 6.875% senior notes due 2022 and 6.875% senior notes due 2023 (collectively, the "Tender Notes"). The Tender Offers are being made pursuant to an Offer to Purchase and Consent Solicitation

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Statement dated April 30, 2018. To the extent that the Tender Offers are not completed or the net proceeds from the offering exceed the amount needed to fund the Tender Offers, the Company will use the remaining net proceeds from the offering for general corporate purposes, which may include redemptions or repurchases of the Tender Notes, reducing borrowings under the Oasis Credit Facility, repaying other indebtedness, working capital or funding capital expenditures and acquisitions. The Company's 7.25% senior notes due February 1, 2019 are excluded from current liabilities in its Condensed Consolidated Balance Sheet at March 31, 2018 because the Company has the intent and ability to refinance this obligation on a long-term basis as demonstrated by the private placement offering and Tender Offers.

Senior secured revolving line of credit. The Company has the Oasis Credit Facility with an overall senior secured line of credit of $2,500.0 million as of March 31, 2018, which has a maturity date of the earlier of (i) April 13, 2020, and (ii) 90 days prior to the maturity date of the 7.25% senior unsecured notes due February 1, 2019 (the "2019 Notes"), of which $54.3 million is outstanding, to the extent such 2019 Notes are not retired or refinanced to have a maturity date at least 90 days after April 13, 2020. The Oasis Credit Facility is restricted to a borrowing base, which is reserve-based and subject to semi-annual redeterminations on April 1 and October 1 of each year. On February 26, 2018, the Company entered into an amendment to the Oasis Credit Facility, resulting in the aggregate elected commitment being increased from $1,150.0 million to $1,350.0 million and two new lenders being added to the bank group. On April 19, 2018, the lenders under the Oasis Credit Facility completed their regular semi-annual redetermination of the borrowing base scheduled for April 1, 2018, resulting in the Company entering into the Twelfth Amendment to the Second Amended and Restated Credit Agreement to the Oasis Credit Facility, which (i) reaffirmed the borrowing base and the aggregate elected commitment at $1,600.0 million and $1,350.0 million, respectively, (ii) removed the legacy anti-cash hoarding provisions, (iii) reduced the coverage threshold with respect to mortgaged properties and (iv) amended the asset sale covenant to give the Company additional flexibility to trade oil and gas properties. In addition, in connection with such amendment, OP Permian became a guarantor under the Oasis Credit Facility. The next redetermination of the Oasis Credit Facility's borrowing base is scheduled for October 1, 2018.

At March 31, 2018, the Company had $626.0 million of London Interbank Offered Rate ("LIBOR") loans at a weighted average interest rate of 3.6% and $14.0 million of outstanding letters of credit issued under the Oasis Credit Facility, resulting in an unused borrowing base committed capacity of $710.0 million. On a quarterly basis, the Company also pays a commitment fee that can range from 0.375% to 0.500% on the average amount of borrowing base capacity not utilized during the quarter and fees calculated on the average amount of letter of credit balances outstanding during the quarter. The Company was in compliance with the financial covenants of the Oasis Credit Facility as of March 31, 2018.

OMP Operating LLC revolving line of credit. Through its ownership of OMP, the Company has the OMP Credit Facility with a revolving line of credit of $200.0 million, which has a maturity date of September 25, 2022. The OMP Credit Facility is available to fund working capital and to finance acquisitions and other capital expenditures of OMP. The OMP Credit Facility includes a letter of credit sublimit of $10.0 million and a swingline loans sublimit of $10.0 million. The borrowing capacity on the OMP Credit Facility may be increased up to $400.0 million, subject to certain conditions.

Borrowings under the OMP Credit Facility bear interest at a rate per annum equal to the applicable margin (as described below) plus (i) with respect to Eurodollar Loans, the Adjusted LIBO Rate (as defined in the OMP Credit Agreement) or (ii) with respect to ABR Loans, the greatest of (A) the Prime Rate in effect on such day, (B) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1.00% or (C) the Adjusted LIBO Rate for a one-month interest period on such day plus 1.00% (each as defined in the OMP Credit Agreement). The applicable margin for borrowings under the OMP Credit Facility varies from (a) in the case of Eurodollar Loans, 1.75% to 2.75%, and (b) in the case of ABR Loans or swingline loans, 0.75% to 1.75%. The unused portion of the OMP Credit Facility is subject to a commitment fee ranging from 0.375% to 0.500%.

The OMP Credit Facility includes certain financial covenants as of the end of each fiscal quarter, including a (1) consolidated leverage ratio, (2) consolidated secured leverage ratio and (3) consolidated interest coverage ratio (each covenant as described in the OMP Credit Facility). OMP Operating LLC was in compliance with the financial

covenants of the OMP Credit Facility as of March 31, 2018. All obligations of OMP Operating LLC, as the borrower under the OMP Credit Facility, are unconditionally guaranteed on a joint and several basis by OMP, OMP Operating LLC and Bighorn DevCo LLC.

At March 31, 2018, the Company had $117.0 million of borrowings outstanding under the OMP Credit Facility. As of March 31, 2018, the weighted average interest rate on borrowings under the OMP Credit Facility was 3.6%.

Senior unsecured notes. At March 31, 2018, the Company had $1,753.0 million principal amount of senior unsecured notes outstanding with maturities ranging from February 2019 to January 2023 and coupons ranging from 6.50% to 7.25% (the “Senior Notes”). Prior to certain dates, the Company has the option to redeem some or all of the Senior Notes for cash at certain redemption prices equal to a certain percentage of their principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. The 2019 Notes are currently redeemable for cash at a redemption price equal to par plus accrued and unpaid interest to the redemption date.

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Senior unsecured convertible notes. At March 31, 2018, the Company had $300.0 million of 2.625% senior unsecured convertible notes due September 2023 (the “Senior Convertible Notes”). The Company has the option to settle conversions of these notes with cash, shares of common stock or a combination of cash and common stock at its election. The Company’s intent is to settle the principal amount of the Senior Convertible Notes in cash upon conversion. Prior to March 15, 2023, the Senior Convertible Notes will be convertible only under the following circumstances: (i) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period (the “Measurement Period”) in which the trading price per $1,000 principal amount of the Senior Convertible Notes for each trading day of the Measurement Period is less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events, including certain distributions or a fundamental change. On or after March 15, 2023, the Senior Convertible Notes will be convertible at any time until the second scheduled trading day immediately preceding their September 15, 2023 maturity date. The Senior Convertible Notes will be convertible at an initial conversion rate of 76.3650 shares of the Company’s common stock per $1,000 principal amount of the Senior Convertible Notes, which is equivalent to an initial conversion price of approximately $13.10. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date or a notice of redemption, the Company will increase the conversion rate for a holder who elects to convert its Senior Convertible Notes in connection with such corporate event or redemption in certain circumstances. As of March 31, 2018, none of the contingent conditions allowing holders of the Senior Convertible Notes to convert these notes had been met.

Upon issuance, the Company separately accounted for the liability and equity components of the Senior Convertible Notes in accordance with Accounting Standards Codification 470-20. The liability component was recorded at the estimated fair value of a similar debt instrument without the conversion feature. The difference between the principal amount of the Senior Convertible Notes and the estimated fair value of the liability component was recorded as a debt discount and will be amortized to interest expense over the term of the notes using the effective interest method, with an effective interest rate of 8.97% per annum. The fair value of the Senior Convertible Notes as of the issuance date was estimated at $206.8 million, resulting in a debt discount at inception of $93.2 million. The equity component, representing the value of the conversion option, was computed by deducting the fair value of the liability component from the initial proceeds of the Senior Convertible Notes issuance. This equity component was recorded, net of deferred taxes and issuance costs, in additional paid-in capital and will not be remeasured as long as it continues to meet the conditions for equity classification.

Interest on the Senior Notes and the Senior Convertible Notes (collectively, the “Notes”) is payable semi-annually in arrears. The Notes are guaranteed on a senior unsecured basis by the Company, along with its material subsidiaries (the “Guarantors”), which are 100% owned by the Company. These guarantees are full and unconditional and joint and several among the Guarantors, subject to certain customary release provisions. The indentures governing the Notes contain customary events of default as well as covenants that place restrictions on the Company and certain of its subsidiaries.

11. Asset Retirement Obligations

The following table reflects the changes in the Company’s ARO during the three months ended March 31, 2018:

	(In thousands)
Balance at December 31, 2017	$ 48,799
Liabilities incurred during period	2,703
Liabilities settled during period	(1)
Accretion expense during period[1]	665
Revisions to estimates	84
Balance at March 31, 2018	$ 52,250

(1) Included in depreciation, depletion and amortization on the Company's Condensed Consolidated Statements of Operations.

At March 31, 2018, the current portion of the total ARO balance was approximately $0.3 million and was included in accrued liabilities on the Company's Condensed Consolidated Balance Sheet.

12. Income Taxes

The Company’s effective tax rate for the three months ended March 31, 2018 was 18.2% as compared to an effective tax rate of 40.2% for the same period in 2017. The effective tax rate for the three months ended March 31, 2018 was lower than the statutory federal rate of 21% primarily due to (i) the tax impact of a decrease in the Company’s deferred state tax rate as a result of the Permian Basin Acquisition and (ii) the portion of OMP’s earnings attributable to the non-controlling public limited partners, which are not taxable to the Company. These decreases are partially offset by (i) state income taxes, (ii) an increase in the valuation allowance recorded against the Company’s Montana net operating loss carryforwards and (iii) a permanent difference related to equity-based compensation shortfalls.

The effective tax rate for the three months ended March 31, 2017 was higher than the statutory federal rate of 35% primarily due to state taxes and a permanent difference related to nondeductible executive compensation. These increases were partially offset by a permanent difference related to equity-based compensation windfalls.

Valuation allowance. The Company had valuation allowances of $3.3 million and $1.2 million as of March 31, 2018 and December 31, 2017, respectively, because the Company has concluded it is more likely than not that it will be unable to utilize certain state net operating loss carryforwards and charitable contribution carryforwards. As of each reporting date, the Company’s management considers new evidence, both positive and negative, which could impact management’s view with regard to future realization of deferred tax assets. During the three months ended March 31, 2018, the valuation allowance was increased by $2.2 million, primarily against the Company’s Montana net operating loss carryforwards, as a result of the Permian Basin Acquisition and the corresponding shift of projected future taxable income into other states.

Tax Cuts and Jobs Act. On December 22, 2017, the U.S. government enacted the Tax Act, which made broad and complex changes to the U.S. tax code. Due to the complexities involved in the accounting for the enactment of the new law, the SEC issued SAB 118, which provides guidance on the accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date to complete the accounting under ASC 740, "Income Taxes." In accordance with SAB 118, the Company was able to make reasonable estimates on certain effects of the Tax Act in the financial statements as of December 31, 2017. There have been no material changes to the provisional estimate as disclosed in the Company’s 2017 Form 10-K. The Company will continue to analyze the impact of the new law and additional impacts will be recorded as they are identified during the measurement period provided for in SAB 118.

13. Equity-Based Compensation

Restricted stock awards. The Company has granted restricted stock awards to employees and directors under its Amended and Restated 2010 Long Term Incentive Plan, the majority of which vest over a three-year period. The fair value of restricted stock awards is based on the closing sales price of the Company’s common stock on the date of grant. Compensation expense is recognized ratably over the requisite service period.

During the three months ended March 31, 2018, employees and non-employee directors of the Company were granted restricted stock awards equal to 2,865,780 shares of common stock with a $9.58 weighted average grant date per share value. Equity-based compensation expense recorded for restricted stock awards for the three months ended March 31, 2018 was $4.8 million and $5.4 million for the three months ended March 31, 2017. Equity-based compensation expense is included in general and administrative expenses on the Company’s Condensed Consolidated Statements of Operations.

Performance share units. The Company has granted performance share units (“PSUs”) to officers of the Company under its Amended and Restated 2010 Long Term Incentive Plan. The PSUs are awards of restricted stock units, and each PSU that is earned represents the right to receive one share of the Company’s common stock.

The Company accounts for PSUs as equity awards pursuant to the FASB’s authoritative guidance for share-based payments. The number of PSUs to be earned is subject to a market condition, which is based on a comparison of the total shareholder return (“TSR”) achieved with respect to shares of the Company’s common stock against the TSR achieved by a defined peer group at the end of the performance periods. Depending on the Company’s TSR performance relative to the defined peer group, award recipients will earn between 0% and 200% of the initial PSUs granted. All compensation expense related to the PSUs will be recognized if the requisite performance period is

fulfilled, even if the market condition is not achieved.

The aggregate grant date fair value of the market-based awards was determined using a Monte Carlo simulation model. The Monte Carlo simulation model uses assumptions regarding random projections and must be repeated numerous times to achieve a probabilistic assessment. The key valuation assumptions for the Monte Carlo model are the forecast period, initial value, stock price on the date of grant, risk-free interest rate, volatility and correlation coefficients. The risk-free interest rates are the U.S. Treasury bond rates on the date of grant that correspond to each performance period. The initial value is the average of the volume weighted average prices for the 30 trading days prior to the start of the performance cycle for the Company and each of its peers. Volatility was calculated from the daily historical returns of stock prices over a historical period

for the Company and each of its peers. The correlation coefficients are measures of the strength of the linear relationship between and amongst the Company and its peers estimated based on historical stock price data.

The following assumptions were used for the Monte Carlo model to determine the grant date fair value and associated equity-based compensation expense of the PSUs granted during the three months ended March 31, 2018:

Risk-free interest rate	2.08% - 2.31%	
Oasis volatility	72.88	%
Oasis initial value	$8.82	
Oasis stock price on date of grant	$9.27	

During the three months ended March 31, 2018, officers of the Company were granted 854,400 PSUs with a $12.71 weighted average grant date per share value. Equity-based compensation expense recorded for PSUs for the three months ended March 31, 2018 was $1.9 million and $1.3 million for the three months ended March 31, 2017. Equity-based compensation expense is included in general and administrative expenses on the Company's Condensed Consolidated Statements of Operations.

OMP phantom unit awards. In September 2017, OMP GP adopted the Oasis Midstream Partners LP 2017 Long Term Incentive Plan ("OMP LTIP"). The OMP LTIP provides for the grant, from time to time at the discretion of the board of directors of OMP GP, of options, unit appreciation rights, restricted units, phantom units, unit awards, substitute awards, other unit-based awards or cash awards and includes any tandem distribution equivalent rights with respect to certain awards. Each award of phantom unit vests in equal amounts each year over a three-year period, and compensation expense will be recognized over the requisite service period.

The Phantom Units are accounted for as liability-classified awards since the awards will settle in cash, and equity-based compensation cost is accounted for under the fair value method in accordance with GAAP. Under the fair value method for liability-classified awards, compensation cost is remeasured each reporting period at fair value based upon the closing price of a publicly traded common unit. The Company will reimburse OMP for the cash settlement amount of these awards, which is included in general and administrative expenses on the Company's Condensed Consolidated Statements of Operations. Equity-based compensation expense relating to the OMP phantom unit awards for the three months ended March 31, 2018 was $0.1 million. The Company did not record any equity-based compensation related to the OMP phantom unit awards for the three months ended March 31, 2017 because the awards were granted in the fourth quarter of 2017.

OMP restricted unit awards. During the three months ended March 31, 2018, certain directors of OMP were granted 12,200 restricted unit awards which vest over a one-year period with a weighted average grant date fair value of $16.50 per common unit. These awards are accounted for as equity-classified awards since the awards will settle in common units upon vesting. Equity-based compensation cost is accounted for under the fair value method in accordance with GAAP. Under the fair value method for equity-classified awards, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the vesting period. Compensation cost associated with these awards was approximately $0.1 million for the three months ended March 31, 2018 and is included in general and administrative expenses on the Company's Condensed Consolidated Statements of Operations.

14. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the earnings (loss) attributable to Oasis common stockholders by the weighted average number of shares outstanding for the periods presented. The calculation of diluted earnings (loss) per share includes the potential dilutive impact of unvested restricted stock awards and contingently issuable shares related to PSUs and senior convertible notes during the periods presented, unless their effect is anti-dilutive. There are no adjustments made to the income (loss) attributable to Oasis available to common stockholders in the calculation of diluted earnings (loss) per share.

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The following is a calculation of the basic and diluted weighted average shares outstanding for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Basic weighted average common shares outstanding	290,105	233,068
Dilutive effect of restricted stock awards and PSUs	1,633	3,238
Dilutive effect of senior convertible notes[1]	—	1,594
Diluted weighted average common shares outstanding	291,738	237,900

(1) No contingently issuable shares related to senior convertible notes were included in computing earnings (loss) per share for the three months ended March 31, 2018 because the effect was anti-dilutive.

For the three months ended March 31, 2018 and 2017, the Company excluded these unvested stock awards from the diluted earnings (loss) per share calculation because the effects were anti-dilutive based on the treasury stock method. The following is a calculation of weighted average common shares excluded from diluted earnings (loss) per share due to the anti-dilutive effect:

	Three Months Ended March 31,	
	2018	2017
	(In thousands)	
Restricted stock awards and PSUs	5,281	2,884

The Company issued its Senior Convertible Notes in September 2016 (see Note 10 – Long-Term Debt). The Company has the option to settle conversions of its Senior Convertible Notes with cash, shares of common stock or a combination of cash and common stock at its election. The Company's intent is to settle the principal amount of the Senior Convertible Notes in cash upon conversion. As a result, only the amount by which the conversion value exceeds the aggregate principal amount of the notes (conversion spread) is considered in the diluted earnings per share computation under the treasury stock method. As of March 31, 2018, the conversion value did not exceed the principal amount of the notes, and accordingly, there was no impact to diluted earnings per share for the three months ended March 31, 2018.

15. Business Segment Information

The Company's exploration and production segment is engaged in the acquisition and development of oil and natural gas properties. Revenues for the exploration and production segment are derived from the sale of oil and natural gas production. The Company's midstream services business segment (OMS) performs produced and flowback water gathering and disposal services, fresh water services, natural gas gathering and processing and crude oil gathering and transportation and other midstream services for the Company's oil and natural gas wells operated by OPNA and other third-party operators. Revenues for the midstream segment are primarily derived from produced and flowback water pipeline transport, produced and flowback water disposal, fresh water sales, natural gas gathering and processing and crude oil gathering, blending, stabilization and transportation. The Company's well services business segment (OWS) performs completion services for the Company's oil and natural gas wells operated by OPNA. Revenues for the well services segment are derived from providing well services, product sales and equipment rentals. The revenues and expenses related to work performed by OMS and OWS for OPNA's working interests are eliminated in consolidation, and only the revenues and expenses related to non-affiliated working interest owners are included in the Company's Condensed Consolidated Statements of Operations. These segments represent the Company's three operating units, each offering different products and services. The Company's corporate activities have been allocated to the supported

business segments accordingly.

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Management evaluates the performance of the Company's business segments based on operating income, which is defined as segment operating revenues less operating expenses, including DD&A. The following table summarizes financial information for the Company's three business segments for the periods presented:

	Exploration and Production	Midstream Services	Well Services	Eliminations	Consolidated
	(In thousands)				
Three months ended March 31, 2018:					
Revenues from non-affiliates	$381,708	$27,922	$11,586	$—	$421,216
Inter-segment revenues	—	36,640	33,302	(69,942)	—
Total revenues	381,708	64,562	44,888	(69,942)	421,216
Operating income	79,962	32,237	8,148	(7,362)	112,985
Other expense	(108,146)	(258)	(41)	—	(108,445)
Income (loss) before income taxes including non-controlling interests	$(28,184)	$31,979	$8,107	$(7,362)	$4,540
Three months ended March 31, 2017:					
Revenues from non-affiliates	$264,883	$14,606	$5,627	$—	$285,116
Inter-segment revenues	—	23,035	15,352	(38,387)	—
Total revenues	264,883	37,641	20,979	(38,387)	285,116
Operating income (loss)	968	20,763	(3,592)	1,953	20,092
Other income (expense)	19,768	(2)	4	—	19,770
Income (loss) before income taxes	$20,736	$20,761	$(3,588)	$1,953	$39,862
At March 31, 2018:					
Property, plant and equipment, net	$6,600,397	$732,801	$47,310	$(193,902)	$7,186,606
Total assets[(1)]	6,994,927	752,301	50,605	(158,903)	7,638,930
At December 31, 2017:					
Property, plant and equipment, net	$5,663,323	$649,923	$46,779	$(186,539)	$6,173,486
Total assets[(1)]	6,050,255	663,614	52,800	(151,539)	6,615,130

(1) Intercompany receivables (payables) for all segments were reclassified to capital contributions from (distributions to) parent and not included in total assets.

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16. Commitments and Contingencies

The Company has various contractual obligations in the normal course of its operations. As of March 31, 2018, there have been no material changes to the Company's future commitments as disclosed in Note 18 in the Company's 2017 Annual Report.

Litigation. The Company is party to various legal and/or regulatory proceedings from time to time arising in the ordinary course of business. When the Company determines that a loss is probable of occurring and is reasonably estimable, the Company accrues an undiscounted liability for such contingencies based on its best estimate using information available at the time. The Company discloses contingencies where an adverse outcome may be material, or in the judgment of management, the matter should otherwise be disclosed.

Mirada litigation. On March 23, 2017, Mirada Energy, LLC, Mirada Wild Basin Holding Company, LLC and Mirada Energy Fund I, LLC (collectively, "Mirada") filed a lawsuit against Oasis, OPNA and Oasis Midstream Services LLC, seeking monetary damages in excess of $100 million, declaratory relief, attorneys' fees and costs (Mirada Energy, LLC, et al. v. Oasis Petroleum North America LLC, et al.; in the 334th Judicial District Court of Harris County, Texas; Case Number 2017-19911). Mirada asserts that it is a working interest owner in certain acreage owned and operated by the Company in Wild Basin. Specifically, Mirada asserts that the Company has breached certain agreements by: (1) failing to allow Mirada to participate in the Company's midstream operations in Wild Basin; (2) refusing to provide Mirada with information that Mirada contends is required under certain agreements and failing to provide information in a timely fashion; (3) failing to consult with Mirada and failing to obtain Mirada's consent prior to drilling more than one well at a time in Wild Basin; and (4) by overstating the estimated costs of proposed well operations in Wild Basin. Mirada seeks a declaratory judgment that the Company be removed as operator in Wild Basin at Mirada's election and that Mirada be allowed to elect a new operator; certain agreements apply to the Company and Mirada and Wild Basin with respect to this dispute; the Company be required to provide all information within its possession regarding proposed or ongoing operations in Wild Basin; and the Company not be permitted to drill, or propose to drill, more than one well at a time in Wild Basin without obtaining Mirada's consent. Mirada also seeks a declaratory judgment with respect to the Company's current midstream operations in Wild Basin. Specifically, Mirada seeks a declaratory judgment that Mirada has a right to participate in the Company's Wild Basin midstream operations, consisting of produced water disposal, crude oil gathering and gas gathering and processing; that, upon Mirada's election to participate, Mirada is obligated to pay its proportionate costs of the Company's midstream operations in Wild Basin; and that Mirada would then be entitled to receive a share of revenues from the midstream operations and would not be charged any amount for its use of these facilities for production from the "Contract Area." On June 30, 2017, Mirada amended its original petition to add a claim that the Company has breached certain agreements by charging Mirada for midstream services provided by its affiliates and to seek a declaratory judgment that Mirada is entitled to be paid its share of total proceeds from the sale of hydrocarbons received by OPNA or any affiliate of OPNA without deductions for midstream services provided by OPNA or its affiliates.

On February 2, 2018 and February 16, 2018, Mirada filed a second and third amended petition, respectively. In these filings, Mirada alleges new legal theories for being entitled to enforce the underlying contracts and added Bighorn DevCo LLC, Bobcat DevCo LLC and Beartooth DevCo LLC as defendants, asserting that these entities were created in bad faith in an effort to avoid contractual obligations owed to Mirada.

The Company believes that Mirada's claims are without merit, that the Company has complied with its obligations under the applicable agreements and that some of Mirada's claims are grounded in agreements that do not apply to the Company. The Company filed an answer denying all of Mirada's claims and intends and continues to vigorously defend against Mirada's claims. Discovery is ongoing, and each of the parties has made a number of procedural filings and motions, and additional filings and motions can be expected over the course of the claim. Trial is currently scheduled for May 2019. However, the Company cannot predict or guarantee the ultimate outcome or resolution of such matter. If such matter were to be determined adversely to the Company's interests, or if the Company were forced to settle such matter for a significant amount, such resolution or settlement could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows. Such an adverse determination could materially impact the Company's ability to operate its properties in Wild Basin or develop its identified drilling

locations in Wild Basin on its current development schedule. A determination that Mirada has a right to participate in the Company's midstream operations could materially reduce the interests of the Company in their current assets and future midstream opportunities and related revenues in Wild Basin. In addition, the Company has agreed to indemnify OMP for any losses resulting from this litigation under the omnibus agreement it entered into with OMP at the time of OMP's initial public offering.

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17. Condensed Consolidating Financial Information

The Notes (see Note 10 – Long-Term Debt) are guaranteed on a senior unsecured basis by the Guarantors, which are 100% owned by the Company. These guarantees are full and unconditional and joint and several among the Guarantors. Certain of the Company's operating units, including OMP, which is accounted for on a consolidated basis, do not guarantee the Notes ("Non-Guarantor Subsidiaries").

The following financial information reflects consolidating financial information of the parent company, Oasis Petroleum Inc. ("Issuer"), its Guarantors on a combined basis and the Non-Guarantor Subsidiaries on a combined basis, prepared on the equity basis of accounting. The information is presented in accordance with the requirements of Rule 3-10 under the SEC's Regulation S-X. The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the Guarantors operated as independent entities. The Company has not presented separate financial and narrative information for each of the Guarantors because it believes such financial and narrative information would not provide any additional information that would be material in evaluating the sufficiency of the Guarantors.

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Condensed Consolidating Balance Sheet

	March 31, 2018				
	Parent/ Issuer	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
	(In thousands, except share data)				
ASSETS					
Current assets					
Cash and cash equivalents	$179	$13,508	$ 4,048	$—	$17,735
Accounts receivable, net	—	370,001	977	—	370,978
Accounts receivable - affiliates	373,954	55,939	57,087	(486,980)	—
Inventory	—	23,039	—	—	23,039
Prepaid expenses	447	4,760	747	—	5,954
Intangible assets, net	—	958	—	—	958
Other current assets	—	193	—	—	193
Total current assets	374,580	468,398	62,859	(486,980)	418,857
Property, plant and equipment					
Oil and gas properties (successful efforts method)	—	8,914,811	—	(3,715)	8,911,096
Other property and equipment	—	220,293	743,578	—	963,871
Less: accumulated depreciation, depletion, amortization and impairment	—	(2,647,665)	(40,696)	—	(2,688,361)
Total property, plant and equipment, net	—	6,487,439	702,882	(3,715)	7,186,606
Investments in and advances to subsidiaries	5,198,126	428,245	—	(5,626,371)	—
Deferred income taxes	191,671	—	—	(191,671)	—
Long-term inventory	—	12,506	—	—	12,506
Other assets	—	19,062	1,899	—	20,961
Total assets	$5,764,377	$7,415,650	$ 767,640	$(6,308,737)	$7,638,930
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$—	$15,534	$ 593	$—	$16,127
Accounts payable - affiliates	40,406	431,041	15,533	(486,980)	—
Revenues and production taxes payable	—	245,198	—	—	245,198
Accrued liabilities	284	165,899	67,239	—	233,422
Accrued interest payable	19,872	736	73	—	20,681
Derivative instruments	—	149,657	—	—	149,657
Advances from joint interest partners	—	4,888	—	—	4,888
Other current liabilities	—	40	—	—	40
Total current liabilities	60,562	1,012,993	83,438	(486,980)	670,013
Long-term debt	1,953,534	626,000	117,000	—	2,696,534
Deferred income taxes	—	498,420	—	(191,671)	306,749
Asset retirement obligations	—	50,624	1,331	—	51,955
Derivative instruments	—	19,699	—	—	19,699
Other liabilities	—	7,822	—	—	7,822
Total liabilities	2,014,096	2,215,558	201,769	(678,651)	3,752,772
Stockholders' equity					
Capital contributions from affiliates	—	3,640,084	224,008	(3,864,092)	—

Common stock, $0.01 par value: 450,000,000 shares authorized; 319,384,813 shares issued and 317,363,008 shares outstanding	3,154	—	—	—	3,154
Treasury stock, at cost: 2,021,805 shares	(28,200)	—	—	—	(28,200)
Additional paid-in-capital	3,055,003	8,994	—	(8,994)	3,055,003
Retained earnings	720,324	1,413,388	21,593	(1,436,730)	718,575
Oasis share of stockholders' equity	3,750,281	5,062,466	245,601	(5,309,816)	3,748,532
Non-controlling interests	—	137,626	320,270	(320,270)	137,626
Total stockholders' equity	3,750,281	5,200,092	565,871	(5,630,086)	3,886,158
Total liabilities and stockholders' equity	$5,764,377	$7,415,650	$ 767,640	$(6,308,737)	$7,638,930

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Condensed Consolidating Balance Sheet

	December 31, 2017				
	Parent/ Issuer	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
	(In thousands, except share data)				
ASSETS					
Current assets					
Cash and cash equivalents	$178	$15,659	$ 883	$—	$16,720
Accounts receivable, net	—	362,746	834	—	363,580
Accounts receivable - affiliates	425,668	46,020	85,818	(557,506)	—
Inventory	—	19,367	—	—	19,367
Prepaid expenses	267	6,586	778	—	7,631
Derivative instruments	—	344	—	—	344
Other current assets	—	193	—	—	193
Total current assets	426,113	450,915	88,313	(557,506)	407,835
Property, plant and equipment					
Oil and gas properties (successful efforts method)	—	7,840,921	—	(1,966)	7,838,955
Other property and equipment	—	214,818	653,928	—	868,746
Less: accumulated depreciation, depletion, amortization and impairment	—	(2,499,867)	(34,348)	—	(2,534,215)
Total property, plant and equipment, net	—	5,555,872	619,580	(1,966)	6,173,486
Investments in and advances to subsidiaries	4,790,976	422,132	—	(5,213,108)	—
Derivative instruments	—	9	—	—	9
Deferred income taxes	183,568	—	—	(183,568)	—
Long-term inventory	—	12,200	—	—	12,200
Other assets	—	19,587	2,013	—	21,600
Total assets	$5,400,657	$6,460,715	$ 709,906	$(5,956,148)	$6,615,130
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$—	$13,370	$ —	$—	$13,370
Accounts payable - affiliates	34,382	511,486	11,638	(557,506)	—
Revenues and production taxes payable	—	213,995	—	—	213,995
Accrued liabilities	216	177,446	58,818	—	236,480
Accrued interest payable	38,796	53	114	—	38,963
Derivative instruments	—	115,716	—	—	115,716
Advances from joint interest partners	—	4,916	—	—	4,916
Other current liabilities	—	40	—	—	40
Total current liabilities	73,394	1,037,022	70,570	(557,506)	623,480
Long-term debt	1,949,606	70,000	78,000	—	2,097,606
Deferred income taxes	—	489,489	—	(183,568)	305,921
Asset retirement obligations	—	47,195	1,316	—	48,511
Derivative instruments	—	19,851	—	—	19,851
Other liabilities	—	6,182	—	—	6,182
Total liabilities	2,023,000	1,669,739	149,886	(741,074)	3,101,551
Stockholders' equity					

Capital contributions from affiliates	—	3,264,691	234,935	(3,499,626)	—
Common stock, $0.01 par value: 450,000,000 shares authorized; 270,627,014 shares issued and 269,295,466 shares outstanding	2,668	—	—	—	2,668
Treasury stock, at cost: 1,331,548 shares	(22,179)	—	—	—	(22,179)
Additional paid-in-capital	2,677,217	8,922	—	(8,922)	2,677,217
Retained earnings	719,951	1,379,475	11,639	(1,393,080)	717,985
Oasis share of stockholders’ equity	3,377,657	4,653,088	246,574	(4,901,628)	3,375,691
Non-controlling interests	—	137,888	313,446	(313,446)	137,888
Total stockholders’ equity	3,377,657	4,790,976	560,020	(5,215,074)	3,513,579
Total liabilities and stockholders’ equity	$5,400,657	$6,460,715	$ 709,906	$(5,956,148)	$6,615,130

Condensed Consolidating Statement of Operations

	Three Months Ended March 31, 2018				
	Parent/ Issuer	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
	(In thousands)				
Revenues					
Oil and gas revenues	—	363,671	—	—	$ 363,671
Purchased oil and gas sales	—	18,037	—	—	18,037
Midstream revenues	—	1,150	61,421	(34,649)	27,922
Well services revenues	—	11,586	—	—	11,586
Total revenues	—	394,444	61,421	(34,649)	421,216
Operating expenses					
Lease operating expenses	—	55,699	—	(10,918)	44,781
Midstream operating expenses	—	746	17,116	(9,877)	7,985
Well services operating expenses	—	7,387	—	—	7,387
Marketing, transportation and gathering expenses	—	26,672	—	(5,659)	21,013
Purchased oil and gas expenses	—	17,998	—	—	17,998
Production taxes	—	31,000	—	—	31,000
Depreciation, depletion and amortization	—	146,227	6,364	(3,326)	149,265
Exploration expenses	—	769	—	—	769
Impairment	—	93	—	—	93
General and administrative expenses	7,232	17,678	6,150	(3,120)	27,940
Total operating expenses	7,232	304,269	29,630	(32,900)	308,231
Operating income (loss)	(7,232)	90,175	31,791	(1,749)	112,985
Other income (expense)					
Equity in earnings of subsidiaries	32,164	31,529	—	(63,693)	—
Net loss on derivative instruments	—	(71,116)	—	—	(71,116)
Interest expense, net of capitalized interest	(32,446)	(4,438)	(262)	—	(37,146)
Other expense	—	(183)	—	—	(183)
Total other expense	(282)	(44,208)	(262)	(63,693)	(108,445)
Income (loss) before income taxes	(7,514)	45,967	31,529	(65,442)	4,540
Income tax benefit (expense)	8,104	(8,932)	—	—	(828)
Net income including non-controlling interests	590	37,035	31,529	(65,442)	3,712
Less: Net income attributable to non-controlling interests	—	3,122	21,574	(21,574)	3,122
Net income attributable to Oasis	$590	$ 33,913	$ 9,955	$ (43,868)	$ 590

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Condensed Consolidating Statement of Operations

	Three Months Ended March 31, 2017			
	Parent/ Issuer	Combined Guarantor Subsidiaries	Intercompany Eliminations	Consolidated
	(In thousands)			
Revenues				
Oil and gas revenues	$—	$ 237,252	$ —	$ 237,252
Purchased oil and gas sales	—	27,631	—	27,631
Midstream revenues	—	14,606	—	14,606
Well services revenues	—	5,627	—	5,627
Total revenues	—	285,116	—	285,116
Operating expenses				
Lease operating expenses	—	43,872	—	43,872
Midstream operating expenses	—	3,327	—	3,327
Well services operating expenses	—	4,560	—	4,560
Marketing, transportation and gathering expenses	—	10,951	—	10,951
Purchased oil and gas expenses	—	28,002	—	28,002
Production taxes	—	20,299	—	20,299
Depreciation, depletion and amortization	—	126,666	—	126,666
Exploration expenses	—	1,489	—	1,489
Impairment	—	2,682	—	2,682
General and administrative expenses	7,065	16,111	—	23,176
Total operating expenses	7,065	257,959	—	265,024
Operating income (loss)	(7,065)	27,157	—	20,092
Other income (expense)				
Equity in earnings of subsidiaries	49,103	—	(49,103)	—
Net gain on derivative instruments	—	56,075	—	56,075
Interest expense, net of capitalized interest	(32,851)	(3,470)	—	(36,321)
Other income	—	16	—	16
Total other income	16,252	52,621	(49,103)	19,770
Income before income taxes	9,187	79,778	(49,103)	39,862
Income tax benefit (expense)	14,638	(30,675)	—	(16,037)
Net income	$23,825	$ 49,103	$ (49,103)	$ 23,825

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Condensed Consolidating Statement of Cash Flows

	Three Months Ended March 31, 2018				
	Parent/ Issuer	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
	(In thousands)				
Cash flows from operating activities:					
Net income including non-controlling interests	$590	$ 37,035	$ 31,529	$ (65,442)	$ 3,712
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities:					
Equity in earnings of subsidiaries	(32,164)	(31,529)	—	63,693	—
Depreciation, depletion and amortization	—	146,227	6,364	(3,326)	149,265
Impairment	—	93	—	—	93
Deferred income taxes	(8,104)	8,932	—	—	828
Derivative instruments	—	71,116	—	—	71,116
Equity-based compensation expenses	6,418	273	63	—	6,754
Deferred financing costs amortization and other	3,929	1,432	114	—	5,475
Working capital and other changes:					
Change in accounts receivable	51,714	(23,888)	36,992	(70,526)	(5,708)
Change in inventory	—	(3,672)	—	—	(3,672)
Change in prepaid expenses	(180)	641	31	—	492
Change in long-term inventory and other assets	—	(315)	—	—	(315)
Change in accounts payable, interest payable and accrued liabilities	(12,832)	(66,000)	8,062	70,526	(244)
Change in other liabilities	—	563	—	—	563
Net cash provided by operating activities	9,371	140,908	83,155	(5,075)	228,359
Cash flows from investing activities:					
Capital expenditures	—	(169,994)	(84,844)	—	(254,838)
Acquisitions	—	(520,728)	—	—	(520,728)
Derivative settlements	—	(36,974)	—	—	(36,974)
Advances from joint interest partners	—	(28)	—	—	(28)
Net cash used in investing activities	—	(727,724)	(84,844)	—	(812,568)
Cash flows from financing activities:					
Proceeds from Revolving Credit Facilities	—	1,413,000	57,000	—	1,470,000
Principal payments on Revolving Credit Facilities	—	(857,000)	(18,000)	—	(875,000)
Deferred financing costs	—	(215)	—	—	(215)
Purchases of treasury stock	(6,021)	—	—	—	(6,021)
Distributions to non-controlling interests	—	34,866	(38,316)	—	(3,450)
Investment in subsidiaries / capital contributions from parent	(3,259)				