Oasis Petroleum Inc.
Form 10-K
February 25, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 1-34776

Oasis Petroleum Inc.
(Exact name of registrant as specified in its charter)

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

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

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share (Title of Class)	New York Stock Exchange (Name of Exchange)

Securities Registered Pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant’s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant’s most recently completed second fiscal quarter: $2,205,627,149
Number of shares of registrant’s common stock outstanding as of February 18, 2016: 180,556,502

Documents Incorporated By Reference:
Portions of the registrant’s definitive proxy statement for its 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2015, are incorporated by reference into Part III of this report for the year ended December 31, 2015.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this Annual Report on Form 10-K, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Annual Report on Form 10-K, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "
"potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about:

- our business strategy;
- estimated future net reserves and present value thereof;
- timing and amount of future production of oil and natural gas;
- drilling and completion of wells;
- estimated inventory of wells remaining to be drilled and completed;
- costs of exploiting and developing our properties and conducting other operations;
- availability of drilling, completion and production equipment and materials;
- availability of qualified personnel;
- owning and operating a well services company;
- owning, operating and developing a midstream company;
- infrastructure for salt water disposal;
- gathering, transportation and marketing of oil and natural gas, both in the Williston Basin and other regions in the United States;
- property acquisitions;
- integration and benefits of property acquisitions or the effects of such acquisitions on our cash position and levels of indebtedness;
- the amount, nature and timing of capital expenditures;
- availability and terms of capital;
- our financial strategy, budget, projections, execution of business plan and operating results;
- cash flows and liquidity;
- oil and natural gas realized prices;
- general economic conditions;
- operating environment, including inclement weather conditions;
- effectiveness of risk management activities;
- competition in the oil and natural gas industry;
- counterparty credit risk;
- environmental liabilities;
- governmental regulation and the taxation of the oil and natural gas industry;
- developments in oil-producing and natural gas-producing countries;
- technology;
- uncertainty regarding future operating results; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this Annual Report on Form 10-K. We disclaim any obligation to update or revise these statements unless required by securities law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Annual Report on Form 10-K are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under "Item 1A. Risk

Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report on Form 10-K. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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PART I

Item 1. Business

Overview

Oasis Petroleum Inc. (together with our consolidated subsidiaries, the "Company," "we," "us," or "our") was originally formed in 2007 and was incorporated pursuant to the laws of the State of Delaware in 2010. We are an independent exploration and production company focused on the acquisition and development of unconventional oil and natural gas resources in the North Dakota and Montana regions of the Williston Basin. Oasis Petroleum North America LLC ("OPNA") conducts our exploration and production activities and owns our proved and unproved oil and natural gas properties. We also operate a well services business through Oasis Well Services LLC ("OWS") and a midstream services business through Oasis Midstream Services LLC ("OMS").

As of December 31, 2015, we have accumulated 484,745 net leasehold acres in the Williston Basin, of which approximately 91% is held by production. We are currently exploiting significant resource potential from the Bakken and Three Forks formations, which are present across a substantial portion of our acreage. We believe the location, size and concentration of our acreage create an opportunity for us to achieve cost, recovery and production efficiencies through the development of our project inventory. Our management team has a proven track record in identifying, acquiring and executing large, repeatable development drilling programs, which we refer to as "resource conversion" opportunities, and has substantial Williston Basin experience.

In 2015, we completed and placed on production 80 gross operated wells in the Williston Basin and had average daily production of 50,477 Boe per day. As of December 31, 2015, we had 1,095 gross (595.5 net) producing wells in the Bakken and Three Forks formations. DeGolyer and MacNaughton, our independent reserve engineers, estimated our net proved reserves to be 218.2 MMBoe as of December 31, 2015, of which 68% were classified as proved developed and of which 85% were oil.

Our business strategy

Our goal is to enhance value by investing capital to build reserves, production and cash flows at attractive rates of return through the following strategies:

- Efficiently develop our Williston Basin leasehold position. We are developing our acreage position to maximize the value of our resource potential, while maintaining flexibility to preserve future value when oil prices are low. During 2014, when the NYMEX West Texas Intermediate crude oil index price ("WTI") averaged $92.07 per barrel throughout the year, we completed and brought on production 195 gross (147.4 net) operated Bakken and Three Forks wells in the Williston Basin. During 2015, when WTI averaged $48.75 per barrel, we completed and brought on production 80 gross (62.4 net) operated Bakken and Three Forks wells. As of December 31, 2015, we had 85 gross operated wells waiting on completion in the Bakken and Three Forks formations. Our 2016 capital plan, which was finalized when WTI for 2016 was projected to average approximately $35.00 per barrel, contemplates operating two rigs and completing and placing on production approximately 46 gross (28.6 net) operated wells. We have the ability to increase or decrease the number of wells drilled and the number of wells completed during 2016 based on market conditions and program results.
- Enhance returns by focusing on operational and cost efficiencies. Our management team is focused on continuous improvement of our operations and has significant experience in successfully operating cost-efficient development programs. We believe the magnitude and concentration of our acreage within the Williston Basin, particularly in the core of the play, has and will continue to provide us with the opportunity to capture economies of scale, including the ability to drill multiple wells from a single drilling pad into multiple formations, utilizing centralized production and oil, gas and water fluid handling facilities and infrastructure, and reducing the time and cost of rig mobilization. In addition, we expect OWS and OMS to continue to provide operational synergies going forward compared to third party providers.
- Adopt and employ leading drilling and completion techniques. Our team is focused on enhancing our drilling and completion techniques to maximize overall well economics. We have significantly reduced the number of days that it takes to drill wells, and we believe completion techniques have significantly evolved over the last several years, resulting in increased initial production rates and recoverable hydrocarbons per well. High intensity completion techniques continue to deliver production performance greater than prior completion techniques. We continuously

evaluate our internal drilling and completion results and monitor the results of other operators to improve our operating practices. This continued evolution may enhance our initial production rates, increase ultimate recovery factors, lower well capital costs and improve rates of return on invested capital.

- Maintain financial flexibility. Based on current market conditions, we have a strong liquidity position. In February 2016, we completed a public equity offering of 39,100,000 shares, raising $182.9 million of net proceeds to be used for general corporate purposes and to fund a portion of our 2016 capital expenditures. We have no near-term debt maturities,

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and, in April 2015, we amended our revolving credit facility to extend its maturity date from April 2018 to April 2020, provided that our 7.25% senior unsecured notes due 2019 are retired or refinanced 90 days prior to their maturity. In October 2015, we successfully completed consent solicitations respecting amendments to the indentures governing certain of our senior unsecured notes, which amendments allow us to incur secured credit facilities indebtedness up to the amount of our borrowing base at the time of the incurrence, but not to exceed $1,525.0 million. In February 2016, our spring borrowing base redetermination was completed, resulting in a borrowing base decrease from $1,525.0 million to $1,150.0 million. As of December 31, 2015, we had $138.0 million of borrowings and $5.2 million of outstanding letters of credit under our revolving credit facility and $1,199.4 million of pro forma liquidity available, including adjustments for the new borrowing base and the net proceeds from our public equity offering in February 2016. Our liquidity position, along with internally generated cash flows from operations and settlements from our derivative contracts in 2016, will provide continued financial flexibility as we actively manage the pace of development on our acreage position in the Williston Basin. We also currently believe we have access to the public and private capital markets, and we intend to maintain a balanced capital structure by prudently raising proceeds from future offerings as additional capital needs arise. We are also continuing to evaluate options to monetize certain assets in our portfolio, which could result in increased liquidity and lower leverage.

- Pursue strategic acquisitions with significant resource potential. As opportunities arise, we intend to identify and acquire additional acreage and producing assets in the Williston Basin to supplement our existing operations. Going forward, we may selectively target additional basins that would allow us to employ our resource conversion strategy on large undeveloped acreage positions similar to what we have accumulated in the Williston Basin.

Our competitive strengths

We have a number of competitive strengths that we believe will help us to successfully execute our business strategies:

- Substantial leasehold position in one of North America’s leading unconventional oil-resource plays. We believe our acreage is one of the largest concentrated leasehold positions that is prospective in the Bakken and Three Forks formations. As of December 31, 2015, substantially all of our 484,745 net leasehold acres in the Williston Basin were highly prospective in the Bakken and Three Forks formations, and 85% of our 218.2 MMBoe estimated net proved reserves in this area were comprised of oil. In addition, we have 442,292 net acres held by production as of December 31, 2015. In 2015, we increased per well capital efficiency through our focused development efforts in our core acreage and improved operational efficiency, coupled with lower service costs from third-party vendors and OWS. In 2016, we will continue to concentrate our drilling and completion activities in our core acreage, which is located in the deepest part of the Williston Basin.
- Large, multi-year project inventory. We believe we have a large inventory of potential drilling locations that we have not yet drilled, a majority of which are operated by us. We plan to slow the pace of completions again in 2016 to 46 gross (28.6 net) operated wells in the Williston Basin in order to maintain financial flexibility and preserve the value of our inventory.
- Management team with proven operating and acquisition skills. Our senior management team has extensive expertise in the oil and gas industry. Our senior technical team has an average of more than 25 years of industry experience, including experience in multiple North American resource plays as well as experience in international basins. We believe our management and technical team is one of our principal competitive strengths relative to our industry peers due to our team’s proven track record in identification, acquisition and execution of resource conversion opportunities. In addition, our technical team possesses substantial expertise in horizontal drilling techniques and managing and acquiring large development programs.
- Incentivized management team. In 2015, an average of 57% of our executive officers’ overall compensation was in long-term equity-based incentive awards, and such officers owned 2.5% of our outstanding common stock as of December 31, 2015. We believe our executive officers’ ownership interest in us provides them with significant incentives to grow the value of our business for the benefit of all stakeholders.
- Operating control over the majority of our portfolio. In order to maintain better control over our asset portfolio, we have established a leasehold position comprised primarily of properties that we expect to operate. As of December 31, 2015, 97% of our estimated net proved reserves were attributable to properties that we expect to operate, and our

average working interest in our 2016 operated completion plan is expected to be 66%. Approximately 92% of our 2016 drilling and completion capital expenditure budget is related to operated wells. Controlling operations will allow us to dictate the pace of development and better manage the costs, type and timing of exploration and development activities. We believe that maintaining operational control over the majority of our acreage will allow us to better pursue our strategies of enhancing returns through operational and cost efficiencies and maximizing hydrocarbon recovery through continuous improvement of drilling and completion techniques. We are also better able to control infrastructure

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investment to drive down operating costs, optimize oil price realizations and increase the monetization of gas production.

Our operations

Estimated net proved reserves

The table below summarizes our estimated net proved reserves and related PV-10 at December 31, 2015, 2014 and 2013 based on reports prepared by DeGolyer and MacNaughton, our independent reserve engineers. In preparing its reports, DeGolyer and MacNaughton evaluated 100% of the reserves and discounted values at December 31, 2015, 2014 and 2013 in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to companies involved in oil and natural gas producing activities. Our estimated net proved reserves and related future net revenues, PV-10 and Standardized Measure do not include probable or possible reserves and were determined using the preceding twelve months' unweighted arithmetic average of the first-day-of-the-month index prices for oil and natural gas, which were held constant throughout the life of the properties. The unweighted arithmetic average first-day-of-the-month prices for the prior twelve months were $50.16/Bbl for oil and $2.63/MMBtu for natural gas, $95.28/Bbl for oil and $4.35/MMBtu for natural gas and $96.96/Bbl for oil and $3.66/MMBtu for natural gas for the years ended December 31, 2015, 2014 and 2013, respectively. These prices were adjusted by lease for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the wellhead. The information in the following table does not give any effect to or reflect our commodity derivatives. Future operating costs, production taxes and capital costs were based on current costs as of each year-end. For a definition of proved reserves under the SEC rules, please see the "Glossary of oil and natural gas terms" included at the end of this report. For more information regarding our independent reserve engineers, please see "Independent petroleum engineers" below.

	At December 31,					
	2015		2014		2013	
Reserves Data:						
Estimated proved reserves:						
Oil (MMBbls)	184.9		235.4		198.6	
Natural gas (Bcf)	199.8		220.1		176.0	
Total estimated proved reserves (MMBoe)	218.2		272.1		227.9	
Percent oil	85	%	87	%	87	%
Estimated proved developed reserves:						
Oil (MMBbls)	127.4		127.3		106.8	
Natural gas (Bcf)	120.8		114.0		92.2	
Total estimated proved developed reserves (MMBoe)	147.6		146.3		122.1	
Percent proved developed	68	%	54	%	54	%
Estimated proved undeveloped reserves:						
Oil (MMBbls)	57.5		108.1		91.8	
Natural gas (Bcf)	79.0		106.1		83.8	
Total estimated proved undeveloped reserves (MMBoe)	70.7		125.7		105.8	
PV-10 (in millions)(1)	$2,022.7		$5,481.4		$5,486.9	
Standardized Measure (in millions)(2)	$1,914.3		$3,981.7		$3,727.6	

(1) PV-10 is a non-GAAP financial measure and generally differs from Standardized Measure, the most directly comparable financial measure under accounting principles generally accepted in the United States of America ("GAAP"), because it does not include the effect of income taxes on discounted future net cash flows. Neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our oil and natural gas reserves. The oil and gas industry uses PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific tax characteristics of such entities. See "Reconciliation of PV-10 to Standardized Measure" below.

(2) Standardized Measure represents the present value of estimated future net cash flows from proved oil and natural gas reserves, less estimated future development, production, plugging and abandonment costs and income tax e