

Oasis Petroleum Inc.  
Form 10-K  
February 27, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

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

Commission file number: 1-34776

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

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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)  
(281) 404-9500

77002  
(Zip Code)

(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

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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

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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: \$3,636,448,683

Number of shares of registrant's common stock outstanding as of February 21, 2014: 101,216,201

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Documents Incorporated By Reference:

Portions of the registrant's definitive proxy statement for its 2014 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2013, are incorporated by reference into Part III of this report for the year ended December 31, 2013.

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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, and Section 21E of the Securities and Exchange Act of 1934, as amended. 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,” “predict,” “potential,” “project” and similar 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 well services and midstream companies;
- 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, including our recent acquisitions of oil and gas properties in our West Williston and East Nesson project areas, 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”) is 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. As of December 31, 2013, we have accumulated 515,314 net leasehold acres in the Williston Basin. 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 in our core project areas create an opportunity for us to achieve cost, recovery and production efficiencies through the large-scale 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 2013, we completed and placed on production 136 gross operated wells in the Williston Basin. We have built our Williston Basin assets primarily through acquisitions and development in our three primary project areas: West Williston, East Nesson and Sanish.

DeGolyer and MacNaughton, our independent reserve engineers, estimated our net proved reserves to be 227.9 MMBoe as of December 31, 2013, of which 54% were classified as proved developed and of which 87% were oil. The following table presents summary data for each of our primary project areas as of December 31, 2013:

Project area	Net acreage	Productive Bakken and Three Forks Wells		Estimated net proved reserves as of December 31, 2013		2013 Average daily production Boe/d
		Gross	Net	MMBoe	% Developed	
West Williston	361,626	462	253.4	154.0	52	% 21,170
East Nesson	145,345	254	123.7	65.3	53	% 10,054
Sanish	8,343	323	25.0	8.6	97	% 2,680
Total	515,314	1,039	402.1	227.9	54	% 33,904

## Our history

Oasis Petroleum Inc. was incorporated in February 2010 pursuant to the laws of the State of Delaware to become a holding company for Oasis Petroleum LLC (“OP LLC”), our predecessor, which was formed as a Delaware limited liability company in February 2007. We completed our initial public offering (“IPO”) in June 2010. In connection with our IPO and related corporate reorganization, we acquired all of the outstanding membership interests in OP LLC in exchange for shares of our common stock. Oasis Petroleum North America LLC (“OPNA”) conducts our exploration and production activities and owns our proved and unproved oil and natural gas properties. In 2011, we formed Oasis Well Services LLC (“OWS”), which provides well services to OPNA, and Oasis Petroleum Marketing LLC (“OPM”), which provides marketing services to OPNA. In 2013, we formed Oasis Midstream Services LLC (“OMS”), which provides midstream services to OPNA. As part of the formation of OMS, the Company transferred substantially all of its salt water disposal and other midstream assets from OPNA to OMS.

## 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:

Aggressively develop our Williston Basin leasehold position. We intend to continue to drill and develop our acreage position to maximize the value of our resource potential. During 2013, we completed and brought on production 136 gross (106.1 net) operated Bakken and Three Forks wells in the Williston Basin. As of December 31, 2013, we had 41 gross operated wells waiting on completion and 18 gross operated wells drilling in the Bakken and Three Forks formations. Our 2014 drilling plan contemplates completing approximately 205 gross (147.8 net) operated wells in our project areas. We believe we have the ability to increase or decrease the number of wells drilled during 2014 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 converting early-stage resource conversion opportunities into cost-efficient development projects. We believe the magnitude and concentration of our acreage within our project areas provide us with the opportunity to capture economies of scale, including the ability to drill multiple

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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 are increasing OWS in 2014 to two fracturing fleets, and we expect OWS and OMS to continue to provide capital savings and lower our operated well costs 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 believe these techniques have significantly evolved over the last several years, resulting in increased initial production rates and recoverable hydrocarbons per well through the implementation of techniques such as drilling longer laterals and more tightly spaced fracturing stimulation stages. 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.

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. During 2013, we acquired, through four distinct transactions, approximately 161,000 net acres in and around our West Williston and East Nesson project areas (the "West Williston Acquisition" and the "East Nesson Acquisitions," respectively). 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.

Maintain financial flexibility. We are committed to maintaining sufficient liquidity and reasonable leverage levels. As of December 31, 2013, we had \$335.6 million of borrowings and \$5.2 million of outstanding letters of credit under our revolving credit facility and \$1,251.1 million of liquidity available, including \$91.9 million in cash and \$1,159.2 million available under our revolving credit facility. This liquidity position, along with internally generated cash flows, will provide additional financial flexibility as we continue to develop our acreage position in the Williston Basin. We also currently believe we have access to the public equity and debt markets, and we intend to maintain a balanced capital structure by prudently raising proceeds from future offerings as additional capital needs arise.

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. As of December 31, 2013, substantially all of our 515,314 net leasehold acres in the Williston Basin were highly prospective in the Bakken and Three Forks formations and 87% of our 227.9 MMBoe estimated net proved reserves in this area were comprised of oil. We increased our operated drilling spacing units by 123 through acquisitions, acreage additions and trades during 2013. In addition, we have 422,386 net acres held-by-production as of December 31, 2013. We believe our acreage is one of the largest concentrated leasehold positions that is prospective in the Bakken and Three Forks formations, and much of our acreage is in areas of significant drilling activity by other exploration and production companies. We expect that the scale and concentration of our acreage will enable us to continue to reduce our drilling and completion costs and improve operational efficiency as we continue in full development mode and drill more wells on pads utilizing simultaneous operations in 2014.

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 is operated by us. We plan to complete 205 gross (147.8 net) operated wells in the Williston Basin in 2014.

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. As of December 31, 2013, our executive officers owned over 4% of our outstanding common stock, and an average of 57% of their overall compensation was in long-term equity-based incentive awards. 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. We expect to operate approximately 94% of our net drilling locations. As of December 31, 2013, 94% of our estimated net proved reserves were attributable to properties that we expect to operate. Approximately 95% of our 2014 drilling and completion capital

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expenditure budget is related to operated wells. As of December 31, 2013, our average working interest in our operated and non-operated potential drilling locations was 68% and 10%, respectively. 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 investment to drive down operating costs and increase gas production and oil price realizations.

## Our operations

## Estimated net proved reserves

The table below summarizes our estimated net proved reserves and related PV-10 at December 31, 2013, 2012 and 2011 for each of our project areas based on reports prepared by DeGolyer and MacNaughton, our independent reserve engineers. In preparing its reports, DeGolyer and MacNaughton evaluated properties representing all of our PV-10 at December 31, 2013, 2012 and 2011 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 were determined using the preceding twelve months’ unweighted arithmetic average of the first-day-of-the-month prices and do not include probable or possible reserves. The information in the following table does not give any effect to or reflect our commodity derivatives. 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.

Project area	At December 31, 2013		At December 31, 2012		At December 31, 2011	
	Proved reserve (MMBoe)	PV-10 <sup>(1)</sup> (in millions)	Proved reserve (MMBoe)	PV-10 <sup>(1)</sup> (in millions)	Proved reserve (MMBoe)	PV-10 <sup>(1)</sup> (in millions)
Williston Basin:						
West Williston	154.0	\$3,571.0	94.6	\$2,066.6	51.6	\$1,242.6
East Nesson	65.3	1,663.4				