



DIAMONDBACK
Energy

2019
CORPORATE
RESPONSIBILITY
REPORT

ABOUT THIS REPORT

This is the second annual corporate responsibility report for Diamondback Energy, Inc. (“Diamondback”). Except where otherwise noted, the scope of this report comprises all operations (excluding Viper Energy Partners) and includes data through December 31, 2018.

To determine the content of the report, we conducted research, peer benchmarking, and conversations with internal stakeholders. The report is informed by Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and International Petroleum Industry Environmental Conservation Association (IPIECA) standards. We consider this document to be an honest summation of our corporate responsibility efforts and are pleased to share it with you.



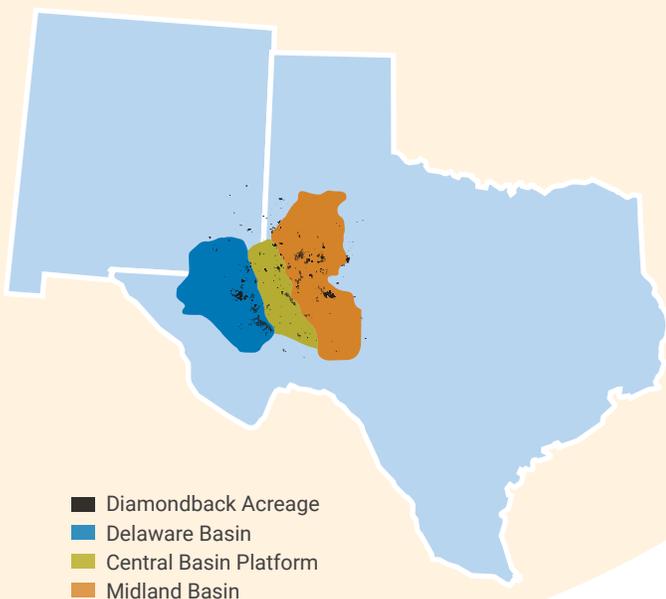
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ABOUT DIAMONDBACK

Headquartered in Midland, Texas, Diamondback began operations in December 2007 with the acquisition of 4,174 net acres in the Permian Basin of West Texas. The company became incorporated in December 2011 and completed an initial public offering in October 2012. In just over six years as a public company, Diamondback has grown its acreage position to more than 364,000 net acres in the Permian Basin. As of December 31, 2018, the company had 711 full-time employees, up from approximately 250 employees a year earlier. Our common stock is listed on the Nasdaq Global Select Market under the symbol FANG.

Diamondback Permian Basin Acreage



As an independent oil and natural gas company, Diamondback focuses on the acquisition, development, exploration, and production of unconventional, onshore oil and natural gas reserves. Since our formation, we have focused these efforts solely within the Permian Basin.

Our strategic approach allows us to:

- » Enhance returns through our low-cost development strategy of resource conversion, capital allocation, and continued improvements in operational and cost efficiencies
- » Grow production and reserves by responsibly developing our oil-rich resource base and maximizing its value and resource potential
- » Continue seeking ways to maximize hydrocarbon recovery by refining and enhancing our drilling and completion techniques
- » Pursue accretive acquisitions using our proven ability to evaluate resource potential and identify those that best meet our strategic and financial targets
- » Maintain financial flexibility with low leverage

On November 29, 2018, Diamondback completed its acquisition of Energen Corporation, increasing our acreage by approximately 150,000 net acres in the Midland and Delaware basins and adding approximately 466.4 million barrels oil equivalent (MMBOE) to our year-end proved reserves of 992.0 MMBOE, compared with 335.4 MMBOE at the end of 2017.¹

¹Figures include the reserves of Viper Energy Partners.

DIAMONDBACK AT A GLANCE



711

EMPLOYEES IN 2018
COMPARED 252 IN 2017



42%

WOMEN IN PROFESSIONAL
POSITIONS IN 2018
COMPARED WITH 24% IN 2017



10X

MORE RECYCLED WATER USED
IN 2018, 10.7% OF TOTAL WATER
USED IN COMPLETIONS



12.16

GHG INTENSITY
DOWN 15% FROM 2017



65%

AVERAGE DAILY PRODUCTION
VOLUMES UP BY 65%
COMPARED WITH 2017²



ZERO

NOTICES OF ANY NON-COMPLIANCE
OR FINES FOR ENVIRONMENTAL
PERFORMANCE IN 2018

²Figures include Viper Energy Partners.

2018 FINANCIAL AND OPERATING PERFORMANCE HIGHLIGHTS³

During 2018, we increased average daily production volumes by 65% from 79.2 MBOE/d at the end of 2017 to 130.4 MBOE/d in 2018, including one month of Energen production after the acquisition. We ended the year producing more than 250 MBOE/d.

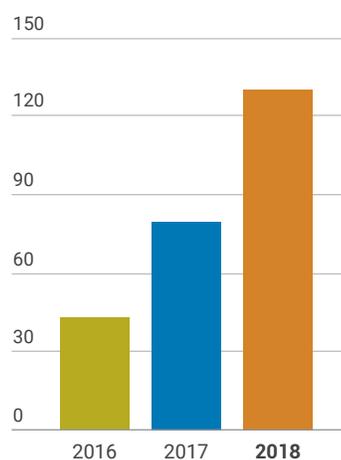
Our full-year lease operating expenses and cash G&A decreased year over year on a per unit basis, resulting in realized cash margins per BOE of 81% and extending our track record of cost leadership.

Excluding the effect of the Energen transaction, Diamondback generated a full-year return on average capital employed of 11.4%, which we believe serves as a proxy for corporate returns and demonstrates how effectively we deploy capital.

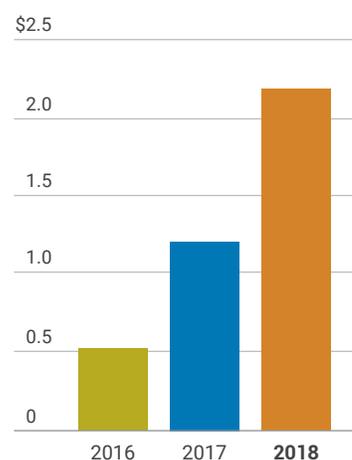
Also in 2018, we initiated our return of capital program by instituting an annual cash dividend of \$0.50 per share, paid quarterly. At the end of 2018, we announced a 50% increase to our dividend beginning in 2019, and expect to use multiple avenues to maximize shareholder returns in the future. More details on our 2018 financial and operating performance can be found in our [Form 10-K](#).



Total Average Production
(BOE/d in thousands)



Total Revenues
(In millions)



³Figures include Viper Energy Partners, with the exception of the cash dividend statement.

LETTER FROM THE CEO

Welcome to Diamondback's second annual corporate responsibility report, which documents the many ways in which we operate responsibly and sustainably. With each step we take to help create a positive impact in communities where we do business, we also see our company grow stronger and more successful.

Diamondback remains committed to our role as a good corporate citizen. Our industry, perhaps more than any other, faces substantial challenges in defining how we add value to our stockholders, our community, and both the U.S. and global economies. We understand these challenges, and we are committed to being a constructive partner in the economic and social environments in which we operate and live.

The burning of fossil fuels and other related practices directly impact our global environment. At the same time, businesses and homes around the world require affordable energy, including energy derived from oil and gas. We believe domestic production of oil and gas is good for the United States, and we are proud that we operate exclusively in the Permian Basin, one of the oldest and most economically productive oil basins in the world. Oil and gas production in the Permian Basin is heavily monitored and regulated by multiple local, state, and federal agencies, and Diamondback complies with all such agencies' requirements. From worker safety to product transportation, spill prevention, control, and remediation, we believe there are few other places where hydrocarbon extraction is as safe and minimally impactful to the outside environment.



Travis D. Stice
CEO and Director

The success of the Permian Basin and growth in production from the shale revolution in the United States has created a significant number of jobs, generated substantial tax revenues, and improved our trade balance. Domestic production reduces the United States' reliance on foreign oil, and our industry's innovation (including Diamondback's) has directly led to the U.S. regaining its position as the largest producer of oil in the world.

Diamondback is one of the fastest growing and most efficient operators in the Permian Basin. I am proud of how far we have come as a company in a short period of time. At the end of 2018, we surpassed a daily production level of 250,000 net barrels of oil equivalent, compared with approximately 79,224 in 2017. That means in 2018 we produced about one out of every 50 barrels produced in the United States—a significant achievement by our dedicated team of more than 700 employees and our partners. We recognize



We are committed to being a constructive partner in the economic and social environments in which we operate and live.



that this rapid growth contributed to greater challenges in 2018, particularly concerning Diamondback's environmental impact and on-the-job safety performance. We are investing to continue to lead our industry in efficiency and safety while we embrace new opportunities for our company to help build a brighter future.

Our corporate responsibility initiatives in 2018 centered on a dozen key areas where we have a material impact, or that directly impact our business: risk management, energy intensity, global climate change, emissions, waste and spills, water use, business ethics, compliance, diversity and inclusion, health and safety, training and education, and community engagement. The process of assessing and reporting on Diamondback's performance in each of these areas gives us clearer insights on where and how we can improve.

Here are a few examples of our 2018 accomplishments related to corporate responsibility that exemplify how all of us at Diamondback are embracing the opportunity to be a greater force for positive change:



ENVIRONMENT

Our use of recycled water in Diamondback's production operations grew 10-fold, to more than 10.7% of total water used in completions.



SAFETY

We launched several new and improved safety technologies, including a cloud-based application that helps field employees identify and immediately report incidents, potential hazards, and near misses using a mobile device.



COMMUNITY

We joined with 19 fellow energy companies to launch the Permian Strategic Partnership, which commits more than \$100 million over the next five years toward developing superior educational programs, accessible housing, a supportive healthcare system, safer roads, and a more skilled workforce for communities across West Texas and south-eastern New Mexico. Our team members also increased their volunteering activities at Travis Elementary School in Midland.

This report focuses not just on what Diamondback has done in the past year, but also on our present and future commitments to improve in all facets of corporate responsibility. Diamondback's five core values of leadership, integrity, excellence, people, and teamwork are key to our recent accomplishments and will guide our work going forward.

Our success hinges not only on our ability to execute better and produce at a lower cost than our competition, but also on our ongoing commitment to meet the demand for affordable energy through the safe and responsible development of our resources in the Permian Basin. Our future as a company remains bright, and we look forward to celebrating new milestones in the years to come. Thank you.

Sincerely,

Travis D. Stice
CEO and Director

OUR COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

We are serious about caring for the environment—starting with the places where we work and live.



Our overall approach includes four key activities:

- » Implement best available control technology (BACT)
- » Improve our hydrocarbon gathering and processing infrastructure, increase our recycling and disposal of produced water, and limit our use of fresh water
- » Safely produce oil and gas while minimizing impacts from air emissions, flared gas, and spills
- » Maximize fluid transportation via pipelines rather than diesel-powered trucks

Diamondback's significant growth and increased production in 2018 influenced our correspondingly higher volumes of emissions, water use, total spills, and other environmental impacts. We are working to implement better mitigation solutions and develop stronger preventative maintenance plans aimed at reducing our environmental footprint going forward.

ENERGY, GREENHOUSE GASES AND EMISSIONS

Consistent with our overall approach to environmental responsibility, Diamondback strives to limit and capture air emissions by implementing BACT on all new facilities and wells and retrofitting our older, larger facilities. Diamondback's leak detection and repair (LDAR) program utilizes various technologies, including optical gas imaging cameras, to monitor facilities. We act promptly to correct any identified flaws and leaks.

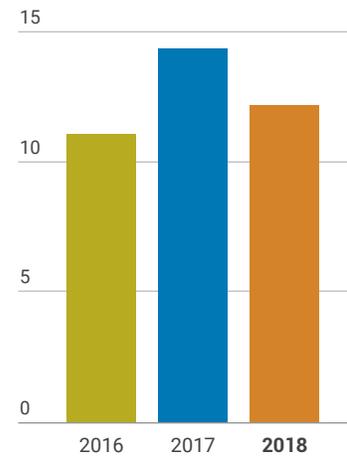
This past year, we hired a third-party consultant to analyze and perform direct measurements of vent gasses on our petroleum storage tank emission-control systems. The findings helped us quantify our instantaneous flow rates and change our battery designs to more effectively recover gas emissions.

Other specific activities in 2018 included:

- » Replacing gas-driven pneumatic control systems with a compressed instrument air system on facility upgrades or new builds
- » Installing low-bleed valves company-wide
- » Installing one horizontal heater instead of three vertical heaters on each newly built tank battery to further reduce emissions
- » Continuing to install combustion equipment at each site to ensure the highest quantity of natural gas burned per 100 cubic feet vented (i.e., not captured)
- » Engineering and designing equipment to reduce the amount of gas hitting tanks

More detail and methodologies for the data and calculations presented in this section can be found in the Appendix starting on [page 28](#).

GHG Intensity
(mt CO₂e/MBOE)



2018 METHANE INTENSITY

0.37%



FLARED GAS

One of our highest priorities is to minimize the flaring of gas at all well sites.

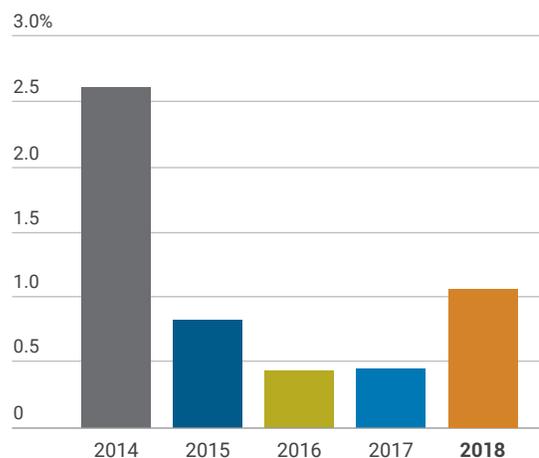
As our net production of oil, natural gas, and natural gas liquids nearly doubled in 2018 compared with the prior year, our sites also experienced an accompanying increase in total volume of flared gas. Also, one of our third-party natural gas plants experienced an unexpected shutdown that required increased flaring of Diamondback's natural gas production at the end of 2018, which contributed to an increase in emissions.

We continue to adopt improved technologies and onsite practices that move us closer to our ultimate goal: Capture 100% of air emissions coming off tanks, and drastically reduce combustion and flared gas released into the atmosphere. To accomplish this, every facility built since 2014 features vapor recovery towers and vapor recovery units. These systems reduced flared gas by 30% on an absolute basis between 2014 and 2017 and contributed to a decrease per unit of overall production during that same time period. We will continue to work to lower fluid volumes on a gross and per-unit basis.

Free Water Knockout Technology

In response to ever-changing industry technology and field conditions, we continue to enhance our tank battery designs to include more efficient control technologies. For example, we install free water knockouts (FWKOs) in place of gun barrels on all new tank battery locations. The FWKOs help prevent flash gas in the tanks from production surges and can handle higher volumes of produced water. This equipment also allows more time for the entrained gas to separate from the water, thereby capturing potential emissions and sending them to pipelines instead.

Gas Flares as a Percentage of Total Production





WATER USAGE

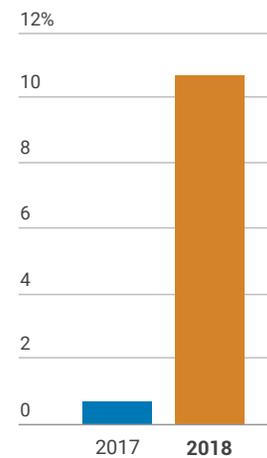
Diamondback considers water to be an essential resource and strives to use it responsibly. To help minimize the company's draw on local water resources, we use a blend of recycled produced water, brackish water and freshwater for our completion operations across the basin.

Our use of recycled water for completions increased to 10.7% of total water used in completions in 2018, compared with less than 1% in 2017.

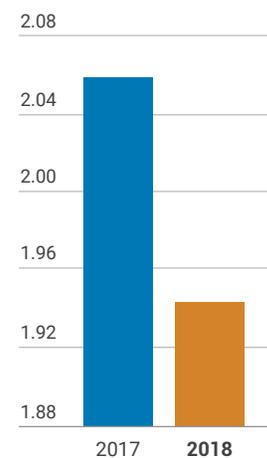
We source brackish (non-potable) water for our drilling and hydraulic fracturing operations where it is available and economically feasible. This helps conserve the available supply of fresh water, since brackish water is too high in salinity for irrigation or household use. In 2018, brackish water comprised approximately 16.6% of our water use for completions in the Delaware Basin and 6.1% of our overall water used for completions. With increasing midstream infrastructure, we can utilize more recycled and brackish water.

Modifying our completion design has also helped us maximize productivity while minimizing freshwater use, helping us to decrease our water intensity rate between 2017 and 2018.

Percentage of Recycled Produced Water (BBL)



Water Intensity (BBL of water used in completions/BOE)



SPILLS AND SPILL MANAGEMENT

Our goal as a company is to work toward zero spills of crude oil, natural gas, and produced water. We follow a disciplined process of prevention, management, and containment. We also work to mitigate spills by assessing and optimizing our facility designs and construction practices.

Diamondback creates and maintains Spill Prevention Control and Countermeasure (SPCC) plans in accordance with federal regulation for our production facilities that have the potential to impact waters of the United States. In addition, we evaluate all new facilities and implement SPCC plans at locations where the tenets of plan implementation would better protect surrounding areas not specifically mentioned in the regulation. Each battery we construct includes a lined secondary containment area to contain and subsequently recover potential releases of liquids.

Total Number of Spills >1BBL



440
IN 2017

607
IN 2018

While we are still working to reduce our spill rate, in 2018 we recovered more than 80% of the volume of spills that occurred.

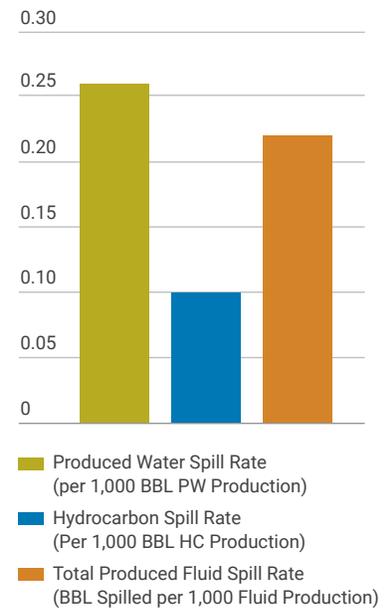
Spill-Prevention Technologies

We install high-liquid-level alarms on all storage tanks as well as high-level “well-kill” systems. The high-level alarm allows operations personnel to respond to upset situations at the facility. As an additional protection measure, the “well-kill” alarm will automatically shut in the wells associated with the facility to avoid tank overflows. Through additional automation at Diamondback facilities, lease operations personnel can also view tank levels and production data through their phones and computers, allowing them to monitor facilities while attending to other daily responsibilities.

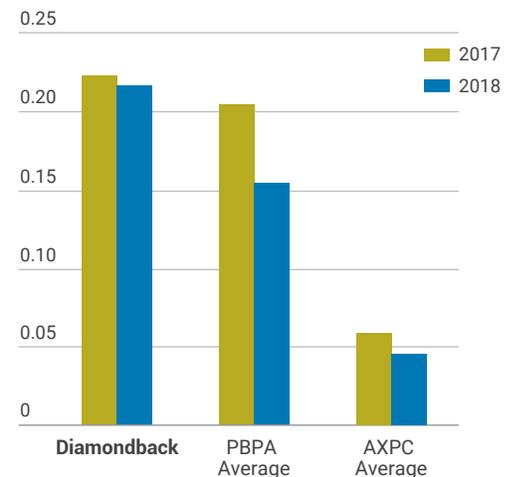
Spill Recovery

Diamondback constructs secondary containment around its tank battery facilities with an impervious barrier. In the event of a liquid release, we strive to capture any released liquids and return them to the tank with no impact on the ecosystem around the facility. If a release does breach our containment, we mobilize remediation personnel as soon as the spill is discovered to begin cleaning up any affected areas.

Diamondback Spill Rate (2018)

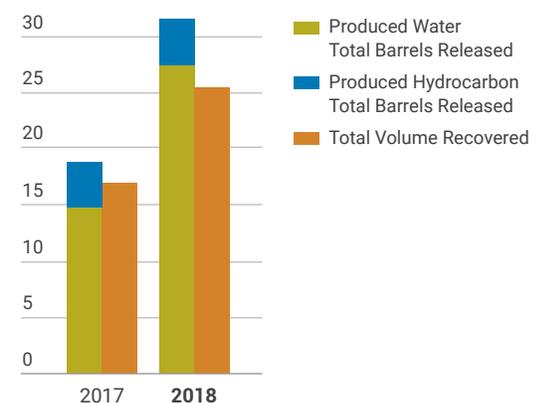


Total Fluid Spill Rate per 1,000 BBL Produced Fluids vs. Industry Average



Source: AXPC 2018 Draft EHS Benchmark Survey and PBPA 2018 HSE Survey

Total Volume of Spills and Total Volume Recovered (BBL in thousands)



WASTE

Reducing waste at our operations not only helps the environment, but also makes sound business sense. Since production and completions typically generate negligible waste, we primarily focus on minimizing waste at our drilling sites.

A portion of the wells we drill in the Permian Basin require the use of an oil-based mud called diesel invert. After use, we dry the cuttings from drilling operations to a level of less than 5% total petroleum hydrocarbons (TPH) before deep-burying it on site and re-using the oil-based mud. Our goal is to achieve a 1% TPH level in our used diesel invert over time.

COMPLIANCE

Our oil and natural gas exploration, development, and production operations are subject to stringent environmental laws and regulations, including those related to waste handling, remediation of hazardous substances, water discharge, and air emissions. In 2018, we did not receive any notice of non-compliance or fines related to our environmental performance.

OUR CLIMATE CHANGE STATEMENT AND RESTRICTED CARBON SCENARIO ANALYSIS

Diamondback and its stakeholders are committed to understanding the potential impact of growing alternative energy sources and the transition to a lower-carbon economy on Diamondback's oil and gas portfolio. We take these questions seriously and seek to factor changing conditions into our strategic plans, primarily through scenario planning to assess portfolio resilience over the long term.

In order to analyze potential risks to Diamondback's oil and gas portfolio in a carbon-constrained environment, we utilized the most recent International Energy Agency (IEA) *World Energy Outlook* published in November 2018, to examine various supply and demand scenarios through 2040 (see <https://www.iea.org/weo2018/scenarios/>). The 2018 WEO details global energy trends and the possible impacts to supply and demand, carbon emissions, air pollution and energy access. The IEA's WEO scenarios have become widely recognized as industry standard for long-term energy analysis. Therefore, such scenarios represent an appropriate stress test for Diamondback's portfolio outlook.

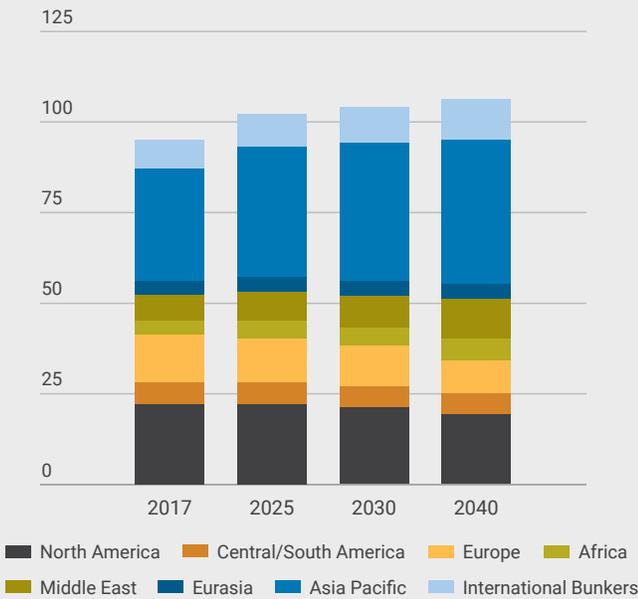
The Three Main Scenarios of the IEA's 2018 World Energy Outlook

The IEA's 2018 WEO report featured the following three main scenarios:

- » **Current Policies Scenario**—This scenario represents the “business-as-usual” case.
- » **New Policies Scenario**—This scenario provides an assessment of where today's policy frameworks and current policy ambitions might take the energy sector in the coming decades, taking into account the continued evolution of known technologies. According to the IEA, those policy ambitions include those announced as of August 2018.
- » **Sustainable Development Scenario**—This scenario reflects an energy consumption pathway that limits global increases in temperature to 1.5 degrees Celsius and aligns with the Paris Agreement and the main energy-related components of the United Nations Sustainable Development Goals.

The IEA views the New Policies Scenario as its central scenario and the most likely environment in which our industry will operate. In that scenario, global oil demand growth slows, but does not peak before 2040. Demand in 2040 is 106 million barrels per day (MMbpd), 11 MMbpd greater than today. In its 2018 report, the IEA revised the demand scenario in 2040 up by more than 1 MMbpd compared with 2017's Outlook, largely because of faster near-term growth and changes to fuel-efficiency policies in the United States.

Oil Demand 2017–40, NPS (mb/d)



Source: IEA 2018 World Energy Outlook

Even in the Sustainable Development scenario, consistent with a 50% chance of limiting the concentration of carbon dioxide in the atmosphere to around 450 parts per million, worldwide energy use is projected to grow by 2% through 2040, and oil and gas are still expected to account for almost half of the energy mix in 2040.

The IEA's New Policies Scenario and Sustainable Development Scenario represent strong potential actions to reduce global fossil fuel demand. Therefore, we believe they serve as good tests of Diamondback's resilience and of our ability to profitably develop and produce energy resources in a demand-constrained world.

Both the New Policies and Sustainable Development scenarios indicate that companies producing oil and gas on the lower end of breakeven costs will be best positioned to succeed, as the lowest-cost resources would be developed first.



Diamondback's Position in the Permian Basin

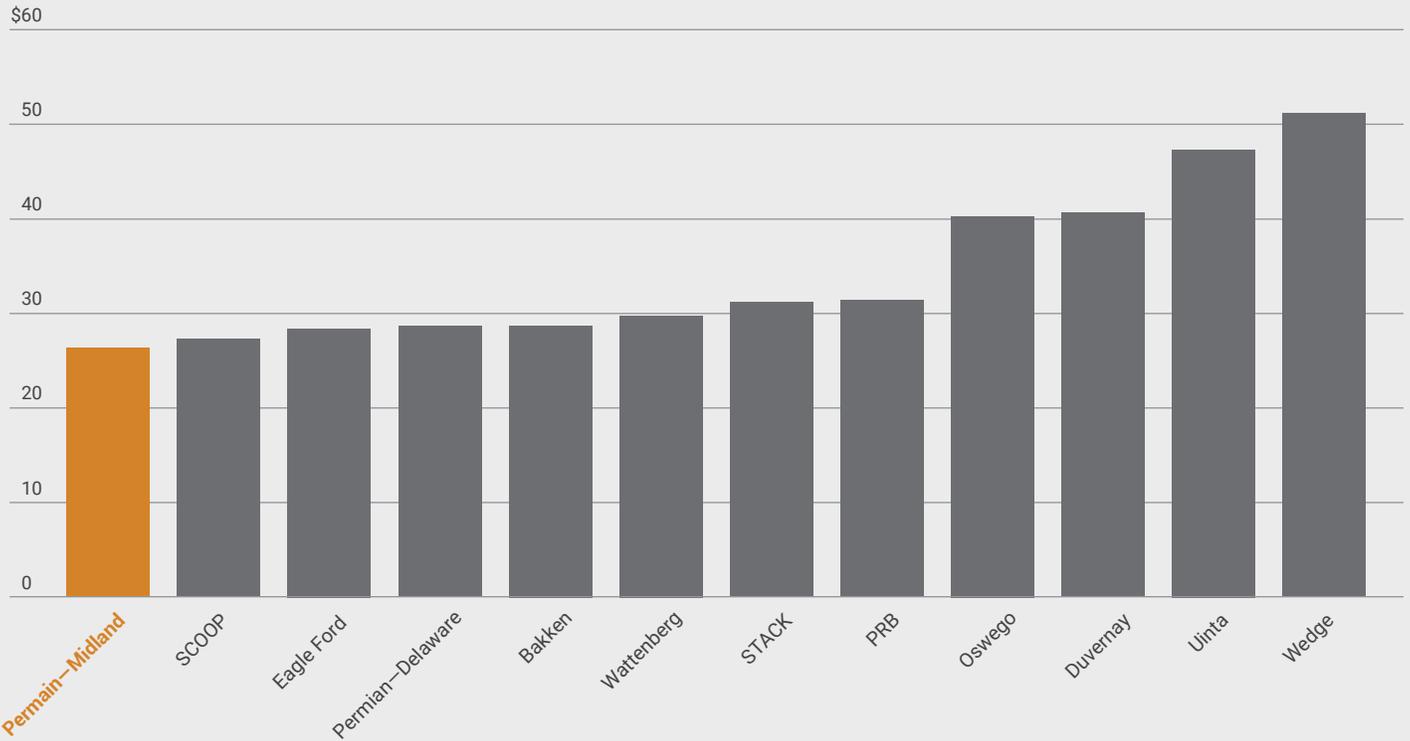
Diamondback operates entirely within the Permian Basin. The Permian Basin spans West Texas and southeastern New Mexico and is one of the most prolific oil and gas basins in the United States. The Permian Basin encompasses several sub-basins, including the Midland Basin and the Delaware Basin. In its 2018 report, "2018 Oil & Gas Price Breakeven Analysis And Basin Benchmarking Update Assessment of 100+ North America Shale/Resource Plays," Citi called the Midland Basin one of the 'best in class' North America onshore oil resource plays with an estimated oil price breakeven cost of approximately \$26 per barrel as of mid-2018. In the same report, Citi estimated the Delaware Basin oil price breakeven cost of approximately \$29 per barrel. As of December 31, 2018, Diamondback owned 195,000 acres in the Midland Basin and 170,000 acres in the Delaware Basin.

Current forecasts and estimates indicate that the resource potential of the Permian Basin will continue to grow. A July 2019 U.S. Energy Information Agency report forecasted Permian production to average 4.4 MMbpd in 2019 and to increase to 5.1 MMbpd in 2020.

Cost Analysis

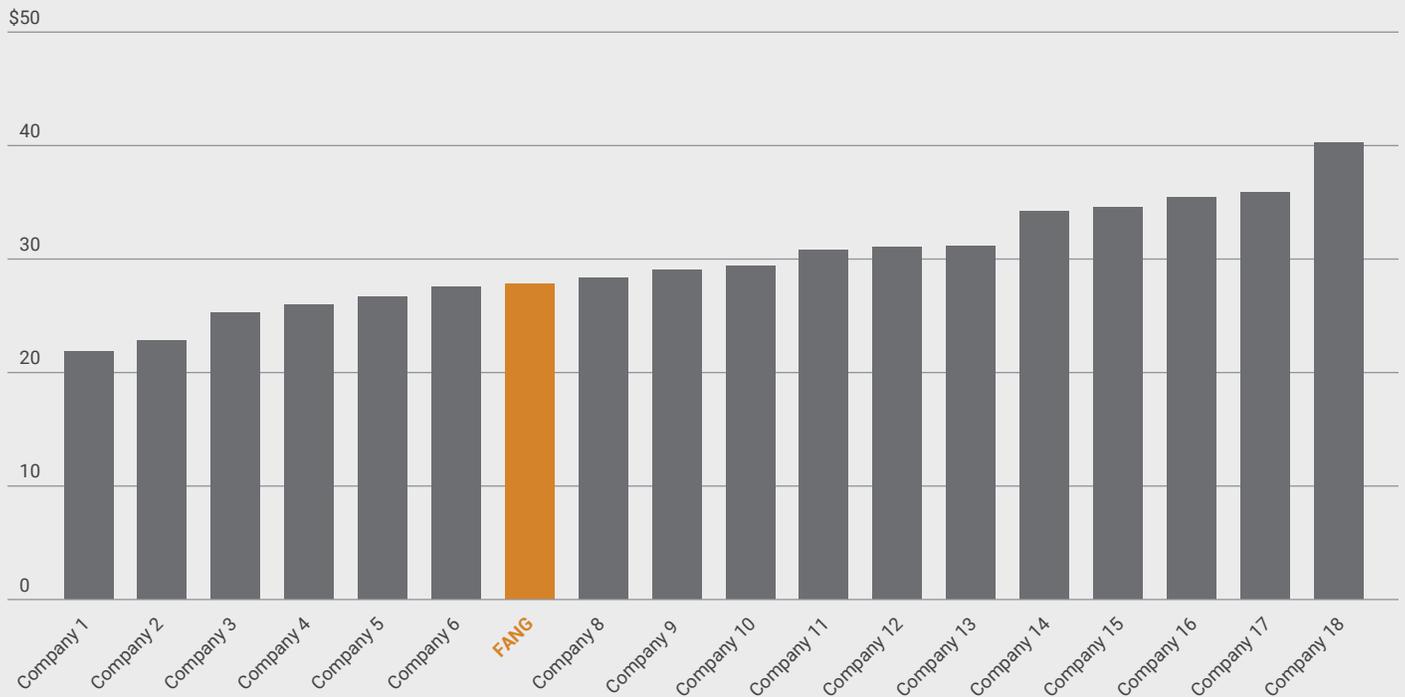
Diamondback is a leading, low-cost operator among North American oil shale players. In its March 2018 report, Citi stated that Diamondback was one of the lowest-cost producers on an overall corporate level and production-weighted basis. The report also noted that we have one of the industry's lowest per-unit cash operating cost structures and one of the highest 2018 oil production mixes.

Citi Half-Cycle Oil Price Breakeven Analysis—E&P Coverage Group Production-Growth-Weighted Average Basin Benchmarking (Assuming \$3.00/Mcfe Flat Natural Gas Price)



Source: Citigroup Oil & Gas Price Breakeven Analysis And Basin Benchmarking Update, March 2018

Citi North America Onshore Half-Cycle Oil Price Breakeven Analysis—E&P Coverage Group Production-Growth-Weighted Average Company Benchmarking (at \$3.00/Mcfe Flat Natural Gas Price)

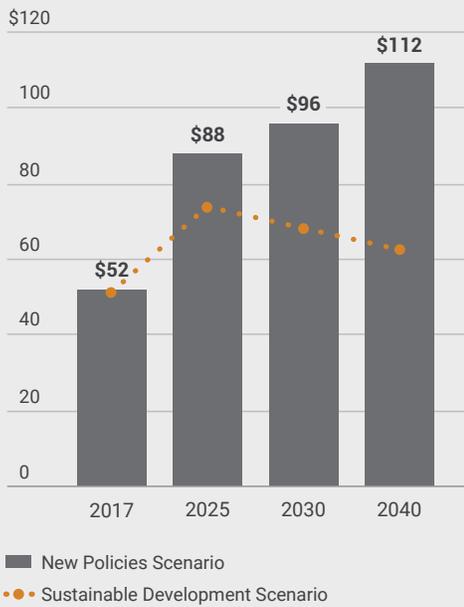


Source: Citigroup Oil & Gas Price Breakeven Analysis And Basin Benchmarking Update, March 2018

Seaport Global Securities 2018 Capital Efficiency Study also placed Diamondback in the top 5 companies for recycle ratios in 2018, a key profitability measure of a company’s production efficiency.

If the New Policies Scenario or Sustainable Development Scenarios outlined by the IEA come to fruition over the next 20 years, oil and gas prices are likely to increase as efforts to limit fossil fuel consumption occur. However, in both cases, the lowest cost resources will be considered first for development. At the \$27.75/BBL breakeven cost attributed to Diamondback by Citi, current data suggests Diamondback will be well below the 2040 projected breakeven prices in both the New Policies Scenario and the Sustainable Development Scenario, indicating that Diamondback is in a strong position to continue to produce oil and gas economically and help meet the global demand for oil.

Fossil Fuel Price Estimates
(\$/BBL)



Source: IEA 2018 World Energy Outlook

In addition, The Carbon Tracker issued its updated “2 Degrees of Separation” report in June 2018. This analysis examined the oil sector’s economic viability in a carbon-constrained regulatory environment using the IEA’s Sustainable Development Scenario and a 1.75 degrees Celsius global warming scenario based on the IEA’s Beyond 2 Degrees Scenario. The analysis found that Diamondback was in the 2nd quartile in terms of being among the least exposed oil producers to 2025 carbon-related capital expenditures. The study also noted that companies like Diamondback, which have a relatively low percentage of potential future capital directed to high-cost projects, are more aligned with a 2-degree and 1.75-degree warming limit. This reinforces our belief that we are in a strong position to produce oil and gas economically in a carbon-constrained scenario.

Our scenario planning analysis suggests that Diamondback’s strategic focus on high-return, low-cost operations in the Permian Basin should allow Diamondback to continue to monetize our reserves even in the most carbon-constrained of the three main 2018 IEA WEO scenarios.

Looking Ahead

Climate change is an important concern for our company and our stakeholders. We will continue to search for innovative ways to implement cost-effective, appropriate steps to monitor, measure and reduce our energy use, waste and emissions.

OUR COMMITMENT TO MANAGING AND REDUCING RISKS



We systematically identify, assess, and resolve a broad spectrum of current and potential risks that might compromise our ability to operate safely and responsibly. Diamondback's senior leaders also monitor emerging trends and shifting conditions in the energy industry—ranging from new regulatory requirements to the impacts of global climate change—so we are prepared to respond effectively.



MAINTAINING SECURE FACILITIES AND OPERATIONS

Diamondback facilities experienced no major security incidents in 2018. Even so, we are vigilant about safeguarding our people and property.

Our security experts regularly deploy and update technologies designed to thwart accidental or intentional threats. Protective measures added in 2018 include a SCADA-based monitoring system that uses video cameras and thermal sensors to relay up-to-the-minute views of the fluid levels in our tanks, track vehicle arrivals and departures in real time, and detect spills. The cameras and sensors also help us quickly identify and respond to weather-related incidents, such as fires or power outages sparked by lightning strikes.

GUARDING AGAINST CYBERATTACKS AND BREACHES

Diamondback's information technology (IT) security is always evolving. We continually harden our systems to repel threats and minimize damage from a breach. Our IT personnel and end users also receive training in cybersecurity best practices.

PREPARING FOR EMERGENCIES

Due to the nature of our work, we prepare for the unexpected by developing emergency response plans to cover the most likely situations we would face, including natural disasters and human threats. In coordination with city officials, police, firefighters, and medical teams, we distribute these plans through multiple channels and update them yearly or whenever significant changes in the community occur.

Each of our corporate and field-office facilities has its own written plan that includes information on how to safely evacuate the building. Teams of employees are trained to assist their co-workers in the event of a fire, bomb threat, or other crisis.

MINIMIZING RISKS TO LOCAL COMMUNITIES

Most of Diamondback's operations are in non-populated areas. In situations where our work poses a potential risk, we assign personnel to communicate with concerned residents and monitor our daily operations to mitigate any adverse impacts. We also install automated monitoring equipment at all production facilities to help safeguard people and the environment.

OUR COMMITMENT TO GOVERNANCE AND BUSINESS ETHICS



At Diamondback, we are committed to operating with integrity and transparency while striving for best-in-class corporate governance and business ethics.



OVERALL GOVERNANCE

The Chairman and CEO positions at Diamondback are held by separate individuals, with the Chairman serving as an Independent Director. In addition, our Board of Directors comprises a supermajority of independent members who possess diverse experience as well as a variety of skills, qualifications and viewpoints.

We increased the size of our Board from five members to seven in 2018 and advanced our board diversity. Our newest members are:

- » Melanie M. Trent, who brings nearly 15 years of legal and executive management experience as well as strong energy industry knowledge
- » Michael L. Hollis, our President and Chief Operating Officer, whose experience in the oil and gas industry spans nearly two decades

Recently, our Board also adopted [Corporate Governance Guidelines](#) as a way to reinforce its commitment to sound governance practices and policies. We believe our Board structure provides broad, unique perspectives on key decisions while ensuring an optimal level of integrity and transparency.

CORPORATE RESPONSIBILITY OVERSIGHT

Our 16-member executive team oversees all corporate responsibility strategies and activities at Diamondback. Every committee of the Board is composed solely of independent directors, helping to ensure thorough oversight and review of material business issues such as corporate responsibility and sustainability. Each committee has a written charter that complies with all applicable legal requirements and sets forth the committee's principal responsibilities. We engage our top 20 stockholders at least annually for their insight and suggestions regarding

our corporate governance standards and sustainability efforts, which helps inform our decisions.

BUSINESS ETHICS

Our compliance program consists of standards of conduct and internal controls reasonably capable of detecting and reducing the likelihood of criminal and other improper conduct, including these six principal components:

- » Organizational leadership
- » Standards and procedures
- » Efforts to exclude bad actors from positions of authority
- » Training and education
- » Monitoring, auditing, and evaluation of program effectiveness
- » Appropriate disciplinary and remedial actions

CODE OF CONDUCT

Our [Code of Business Conduct and Ethics](#) forms the foundation of this program and our commitment as a company. It lays out clear standards for dealing with issues such as personal conflicts of interest, confidentiality, equal employment opportunity, and harassment. In addition to the general code of conduct, specific supplemental policies address individual issues not relevant to the entire company, such as the supplemental policy for officers, directors, and other designated individuals.

COMPLIANCE

The Board of Directors exercises overall compliance program oversight, while the Chief Financial Officer and General Counsel assume day-to-day responsibility. The CEO's role is to foster a culture of transparency, integrity, and compliance with all applicable laws.

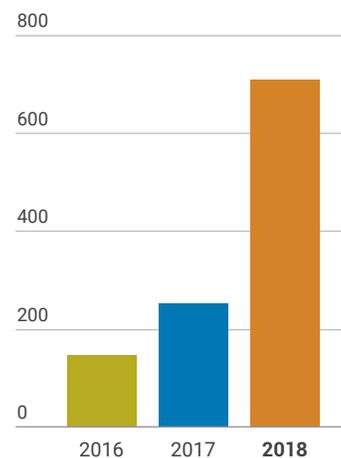
OUR COMMITMENT TO OUR PEOPLE

The well-being of our employees and contractors matters at Diamondback. Through our company-wide efforts to minimize workplace incidents and prepare for other unexpected events, protecting our people and creating an environment where they can thrive is a fundamental component of our corporate responsibility efforts.



We also value the perspectives, experiences, and ideas contributed by our employees from a diverse range of ethnic, cultural, and ideological backgrounds. As our number of employees has increased significantly in recent years, we continue to focus on our company culture and on maintaining a positive workplace environment.

Total Employees





DIVERSITY AND INCLUSION

We continue to cultivate an inclusive and respectful work environment that encourages our employees to achieve their full potential.

Diamondback’s employee base has grown nearly 390% over the past two years. As part of that growth, we actively seek to attract and retain an increasingly diverse workforce.

At the end of 2018, women held 28% of all management positions and 42% of all professional positions at Diamondback, compared with 23% and 24%, respectively, in 2017. The overall proportion of minority employees in our company also increased to 22% in 2018, compared with 18% in 2017 and 16% in 2016.

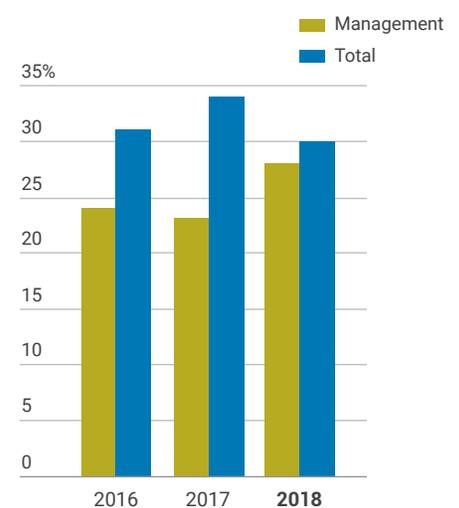
Equal employment opportunity is a core tenet within our People Policies Handbook. All employment decisions are based on merit, qualifications, and abilities. Employees can raise questions or concerns about any type of potential discrimination in our workplace—without fear of reprisal—to the Human Resources department or through our toll-free Compliance Hotline.

PROFESSIONAL DEVELOPMENT

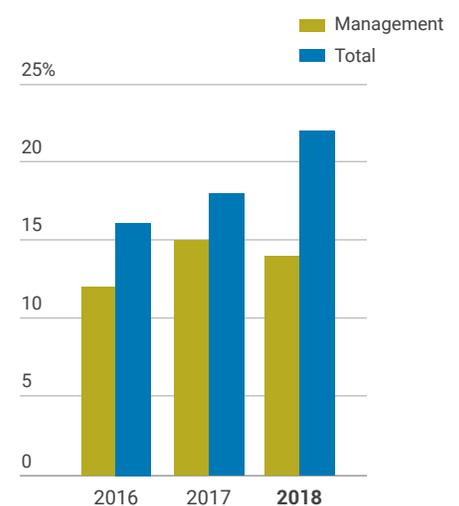
Diamondback, like other companies in the energy industry, provides many entry-level jobs in addition to employing people with professional degrees. We support our employees in pursuing opportunities to expand their professional skills, and we offer training sessions at our various locations.

Offerings in 2018 included a Social Styles course designed to improve teamwork by helping employees understand the differences in each other’s approaches to communication, problem solving, and other interactions in the workplace.

Percentage of Female Employees



Percentage of Minority Employees



HEALTH AND SAFETY

We operate under the belief that all safety incidents should be preventable. Our primary focus is on keeping Diamondback employees and those working with us out of harm's way.

Our formal health and safety program includes employee training and new-hire orientation on a variety of environmental and safety topics, including proper reporting. It also ensures employees have all necessary equipment to operate safely.

We use robust tracking methods and work closely with regulatory organizations to prevent incidents, implement controls and countermeasures, and comply with all applicable regulations.

Identifying Potential Hazards

We strive to give our employees a greater role and stronger voice in helping us identify where improvements should be made to better keep people out of harm's way. In 2018, Diamondback launched a mobile application that allows field employees to identify and immediately report incidents, potential hazards, and near misses.

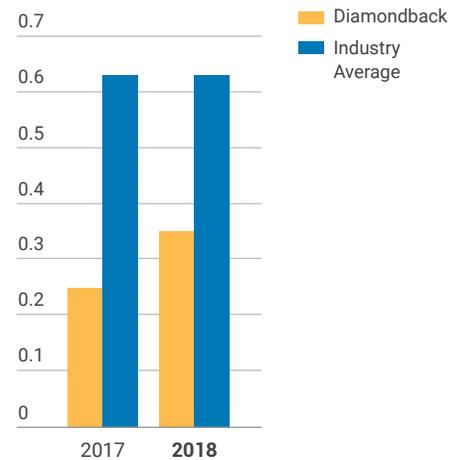
Employees can upload a summary and photos of the hazardous situation from their smartphone, tablet, or laptop. The mobile application has replaced the paper notecards that people used to fill out by hand and submit at the end of their shift. Our reporting is now fast and accurate, resulting in more timely corrective actions.

Workplace Incidents

Diamondback has a record of zero work-related fatalities from 2016–2018. However, our total OSHA recordable cases—comprising work-related injuries and illnesses that require medical treatment beyond first aid—rose in 2018, but our combined total recordable incident rate (TRIR) for employees and contractors remained below the industry average.

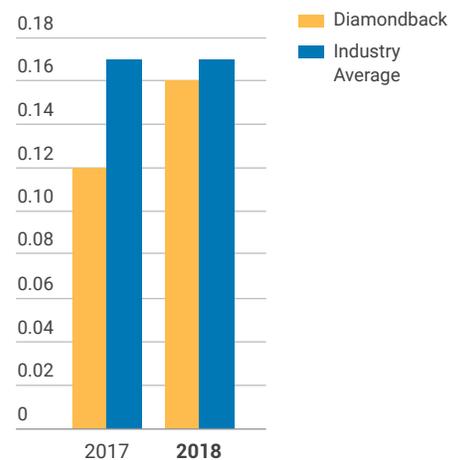
Two recordable cases involving Diamondback employees during 2018—after having zero such cases from 2015–2017—increased our TRIR for employees in 2018.

Total Recordable Incident Rate
Onshore—Combined Contractor and Employee
(per 200k hours)



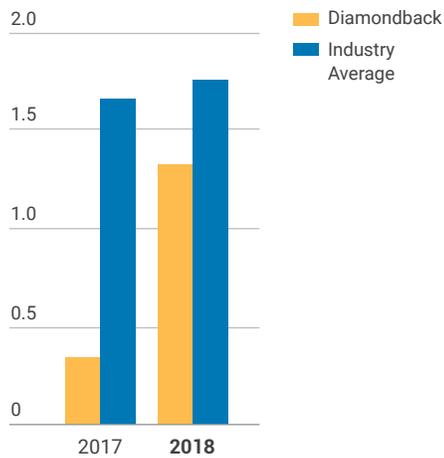
Source: AXPC 2018 EHS Benchmarking Survey

Lost Time Incident Rate
Onshore/Offshore—Combined Contractor and Employee
(per 200k hours)



Source: AXPC 2018 EHS Benchmarking Survey

Vehicle Incident Rate (Onshore) vs Industry Average (per million miles)



Source: AXPC 2018 EHS Benchmarking Survey

USING GPS TO PROMOTE SAFER DRIVING

Our vehicle incident rate climbed in 2018. We are working to turn this trend around through additional driver training and safety monitoring technologies.

All Diamondback vehicles (excluding those acquired through the merger with Energen in November 2018) are equipped with global positioning system (GPS) technology that monitors safety-related driving practices such as speed, acceleration, braking, and cornering rate. We plan to equip Energen vehicles with GPS by the third quarter of 2019. If daily GPS snapshots show a pattern of risky behavior behind the wheel for a specific employee, we intervene with additional coaching to reinforce safe practices. We also reward employees who maintain a safe driving record and those who demonstrate marked improvement. In addition, the GPS technology helps our drivers find the shortest and most efficient routes for their daily work—saving fuel and reducing emissions.

SCREENING OF CONTRACTORS

Since 2016, Diamondback has been working with PEC Safety, a national organization that collects safety and environmental incident data on contractors who work in our production

operations. Contractors upload Diamondback-specific information every quarter, which PEC Safety grades as green (low incident), yellow (moderate incident), or red (high incident). This relationship allows us to manage risk by having more data beyond what could otherwise be gathered.

We expanded our use of these tools and data in 2018 and continue to do so in 2019. Contractors are evaluated on 14 different criteria, such as having a formal safety program, a written safety manual, employee background checks, and clear requirements for personal protective equipment.

PEC's machine learning and predictive modeling technology helps us evaluate the likelihood of a contractor having a recordable incident over a three-month period. As a result, we are managing risk by identifying areas where we most need to focus on preventing workplace accidents and injuries.

EMPLOYEE TRAINING AND AWARENESS

Our people undergo training and education each year on regulatory compliance, industry standards and innovative opportunities to effectively manage the challenges of developing our resources. Topics include supervisory training, harassment training, and Sarbanes-Oxley (SOX) compliance training.

We stepped up our efforts to educate Diamondback employees and contractors on safety protocols in 2018. Examples include setting more explicit safety goals among our operations teams and scheduling additional, mandatory training sessions focused on the root causes behind incidents.

Our field operations personnel refresh their safety training on a monthly basis. We devoted approximately 1,854 personnel-hours to various safety topics in 2018, including:

- » Spill prevention and control
- » Defensive driving
- » First aid and CPR
- » Civilian response to crisis scenarios

OUR COMMITMENT TO COMMUNITIES

Diamondback has a strong bond to our neighbors in the Permian Basin and other areas where we conduct business. We support an array of activities and organizations that enhance the quality of life in local communities as well as in the broader world.



Our company's philanthropic approach focuses on advancing education, supporting organizations that serve the needs of underprivileged children, and helping those who are most disadvantaged in our communities. We also join with our employees in supporting other causes and strongly encourage all team members to volunteer in their community. Our goals for 2019 include making volunteerism an even more integral part of our company culture.



SPOTLIGHT:

**ENERGIZING LOCAL COMMUNITIES:
PERMIAN STRATEGIC PARTNERSHIP**

“

The Permian Strategic Partnership gives us an even more powerful framework for building communities where all people have the resources and opportunity to thrive.

”

Diamondback is deeply connected to the Permian Basin—not simply because its natural resources sustain our operations, but also because we value the quality of life in this region that our employees and neighbors call home. In November 2018, we helped launch a broad-reaching effort to work with local leaders on addressing social and economic needs.

Through the Permian Strategic Partnership (PSP), Diamondback and 19 fellow energy companies have committed more than \$100 million over the next five years to benefit communities across West Texas and southeastern New Mexico. Initial goals of the PSP include developing superior educational programs, accessible housing, a supportive healthcare system, safer roads, and a more skilled workforce.

“The Permian Strategic Partnership gives us an even more powerful framework for building communities where all people have the resources and opportunity to thrive,” says Marc Dinger, Diamondback Senior Vice President of Government Affairs and Deputy General Counsel, who also serves on the PSP’s affordable housing committee. “Wherever local communities have challenges or see opportunities to grow stronger, we want to be part of the solution.”

With CEO Travis Stice on the PSP Board of Directors and other Diamondback senior executives involved in various committees, we expect to support a growing number of projects throughout the next five years. We recognize that one of the keys to success lies in working closely with established programs and organizations in each community to ensure our pooled investments can go further and create meaningful results.



SUPPORTING LOCAL STUDENTS

Our employees work closely with the staff at Travis Elementary School, which is in a section of Midland with a high proportion of low-income and underserved families. We support new and expanded learning opportunities for Travis students throughout the year and work to create a positive educational environment for the students and their families.

Volunteer activities during the 2018–19 school year included:

- » Hosting an event in the fall to help parents register their children for school, and providing vouchers for each family to redeem at the food trucks that we arranged for this registration day to encourage participation
- » Greeting parents and students on the first day of classes, guiding them to their new classrooms, and arranging a live music performance by members of a local symphony on the school lawn
- » Sponsoring a Literacy Night for families to learn more about the programs and services available in this community, including English-as-a-second-language courses and tutoring for adults who are learning to read
- » Providing gift bags with thank-you letters to the teachers, custodians, and cafeteria staff during Staff Appreciation Week
- » Ensuring all children have enough school supplies by donating funds and purchasing items such as pencils, crayons, markers, and composition notebooks
- » Volunteering at the school's Grandparents Day celebration

MARC NIGHT FUNDRAISER

We support MARC, a regional nonprofit that provides services and advocacy for people with intellectual, developmental and cognitive disabilities. In December 2018, Diamondback co-sponsored MARC Night at the Jackalopes semi-professional hockey game and purchased 100 tickets to help raise funds for the nonprofit.

TALL CITY 9/11 MEMORIAL STAIR CLIMB

In 2018, we were a leading sponsor of this annual fundraiser for the Professional Fire Fighters Association, and many of our team members participated. The Tall City 9/11 Memorial Stair Climb honors the New York first responders to that disaster by simulating the daunting task of climbing the World Trade Center stairs while working to rescue people. Participants in the local event climb Midland's Wilco Tower five times—roughly equaling the height of the Twin Towers—to commemorate the heroic actions of rescue workers everywhere.

AMERICAN CANCER SOCIETY SUPPORT

We helped sponsor a fundraiser in the Permian Basin that raised more than \$500,000 in 2018. All funds raised at this annual event are used in Midland or Odessa to support cancer treatment, lodging for cancer patients, transportation to and from treatment, funding of scientific breakthroughs and cures, and a 24-hour-a-day helpline.

MOVING FORWARD

We are proud of the company's accomplishments in 2018, and we intend to carry that momentum forward by continuing our commitment to corporate responsibility throughout Diamondback's business and our interactions with local communities. Our employees are leading the way through their resolve to live our core values of leadership, integrity, excellence, people, and teamwork.



In the years ahead, we will continue to benchmark our operations against industry peers and strive for continuous improvement. As we enhance our corporate responsibility efforts and increase shareholder value, we look forward to providing periodic updates in future reports that detail both our challenges and successes.

APPENDIX:

KEY PERFORMANCE INDICATORS

EXPLORATION & PRODUCTION	METRIC	2018	2017	2016	FOOTNOTE
Hydrocarbons Produced					(a)
Oil	MBBL	34,367	21,418	11,562	
Gas	MMcf	34,669	20,660	10,728	
NGL	MBBL	7,465	4,056	2,399	
Total Net Hydrocarbons Produced	MBOE	47,610	28,917	15,749	
Average Daily Production	MBOE/d	130.4	79.2	43.1	
Proved Reserves (Includes Viper)					(a)
Oil	MBBL	626,936	233,181	139,174	
Gas	Mmcf	1,048,649	285,369	174,896	
NGL	MBBL	190,291	54,609	37,134	
Total Proved Reserves	MBOE	992,001	335,351	205,457	
People					
Employees	#	711	252	145	
Female Management	%	28%	23%	24%	
Female Professionals	%	42%	24%	31%	
Female Others	%	23%	49%	36%	
Total Female Employees	%	30%	34%	31%	
Minority Management	%	14%	15%	12%	
Minority Professionals	%	14%	16%	8%	
Minority Others	%	30%	22%	25%	
Total Minority Employees	%	22%	18%	16%	
Safety (Employee)					(b)
"OSHA Recordable" Cases	#	2	—	—	
"Days Away From Work" Cases	#	2	—	—	
Total Recordable Incident Rate	per 200k hours	0.53	—	—	
Lost Time Incident Rate	per 200k hours	0.53	—	—	
Safety (Contractor)					(b)
"OSHA Recordable" Cases	#	41	20	6	
"Days Away From Work" Cases	#	18	10	—	
Total Recordable Incident Rate	per 200k hours	0.35	0.25	0.09	
Lost Time Incident Rate	per 200k hours	0.15	0.13	—	
Safety (Workforce)					(b)
"OSHA Recordable" Cases	#	43	20	6	
"Days Away From Work" Cases	#	20	10	—	
Total Recordable Incident Rate	per 200k hours	0.35	0.25	0.09	
Lost Time Incident Rate	per 200k hours	0.16	0.12	—	
Vehicle Safety					(b)
Preventable Vehicle Incidents	#	6	1	2	
Vehicle Incident Rate	%	1.33	0.34	0.90	

APPENDIX:

KEY PERFORMANCE INDICATORS

EXPLORATION & PRODUCTION	METRIC	2018	2017	2016	FOOTNOTE
Emissions					(c)
Volume of Flared Hydrocarbons	MSCF	3,026,846	780,630	416,983	
Gas Flares as a % of Production	%	1.06%	0.45%	0.44%	
Flaring Intensity	MSCF/MBOE	63.58	27.00	26.48	
CO ₂ Emissions	mt CO ₂	309,812	299,758	27,093	(b)
CH ₄ Emissions	mt CH ₄	8,108	4,598	5,890	(d)
CH ₄ Intensity	%	0.37%	unavailable	unavailable	(d)
N ₂ O Emissions	mt N ₂ O	2.01	2.10	0.25	(b)
Total GHG Emissions	mt CO ₂ e	538,750	415,336	174,413	(b)
GHG Intensity	mt CO ₂ e/MBOE	12.16	14.36	11.07	(b)
VOC emissions	mt VOC	3,788	3,157	8,147	(b)
Spills					(b)
Hydrocarbon Spills >1BBL	#	288	211	unavailable	
Nonhydrocarbon Spills >1BBL	#	319	229	unavailable	
Hydrocarbon Volumes	BBL	4,098	4,013	2,021	
Produced Water Volumes	BBL	27,441	14,843	4,544	
Combined Volumes	BBL	31,539	18,856	6,565	
Spills Recovered	%	81%	90%	unavailable	
Total Produced Fluid Spill per 1,000 BBL Produced Fluids		0.22	0.22	0.17	(e)
Other Environmental					
Environmental Fines and Penalties	\$	0	0	0	
Water					
Total Water Used in Production	BBL	92,539,701	59,525,500	unavailable	
Brackish Water Used in Production	BBL	5,674,745	unavailable	unavailable	
Recycled Water Used in Production	BBL	9,911,337	434,854	unavailable	
Freshwater Used in Production	BBL	76,953,619	59,090,646	unavailable	
Recycled vs Used	%	10.7%	0.7%	unavailable	
Water Intensity	BBL/BOE	1.94	2.06	unavailable	
Governance					
Independent Board Members	%	71%	80%	80%	
Women Board Members	%	14%	0%	0%	

All figures in the report reflect Diamondback Energy data +1 month Energen, unless otherwise noted.

(a) These figures represent Diamondback Energy plus Viper Energy Partners.

(b) These figures represent Diamondback Energy's 2018 activity, excluding Energen. Without Energen's production in December 2018, Diamondback production was 44.3 MMBOE, the value we used for intensity calculations where noted.

(c) 2018 emission data is pending EPA review and third party verification.

(d) The 2018 figures represent Diamondback Energy and Energen 2018 combined activity. Methane intensity % is calculated as (tonnes of methane emissions)/((total gas produced)*(average mole fraction of methane in produced gas)*(methane density of .0192 kg/scf)*(1000 scf/mscf)*(1 tonne/1000 kg)).

(e) This metric is calculated using gross hydrocarbon liquid production and gross water produced.

The image features a large, stylized background of an oil pumpjack (jack-o'-lantern) in silhouette against a light sky. The pumpjack is positioned on the right side of the frame, with its long walking beam extending towards the center. The left side of the image is dominated by a solid orange vertical bar that transitions into a lighter orange curved shape at the bottom left. The company logo is located in the upper right quadrant of the image.

DIAMONDBACK Energy

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