Diamondback Energy, Inc. Provides Third Quarter Update

October 13, 2020

MIDLAND, Texas, Oct. 13, 2020 (GLOBE NEWSWIRE) -- Diamondback Energy, Inc. (NASDAQ: FANG) ("Diamondback" or the "Company") today provided an operational update for the third quarter of 2020.

HIGHLIGHTS

- Q3 2020 average production of 170.0 MBO/d (287.3 MBOE/d)
- Q3 2020 average realized hedged prices of $38.17 per barrel of oil, $12.09 per barrel of natural gas liquids and $0.95 per Mcf of natural gas, resulting in a total equivalent price of $26.22 per BOE; hedged pricing excludes $5.8 million of realized gains from the early termination of 6.55 MBO/d of Q4 2020 oil hedges
- Q3 2020 average unhedged realized prices of $38.75 per barrel of oil, $12.09 per barrel of natural gas liquids and $1.11 per Mcf of natural gas, resulting in a total equivalent price of $26.75 per BOE
- Q3 2020 cash CAPEX of $281 million. Q3 2020 activity-based CAPEX incurred of approximately $206 million
- Exited the third quarter with $0 drawn on the Company's revolving credit facility and over $2 billion of liquidity
- Drilled 32 gross operated horizontal wells and turned 41 wells to production in the third quarter
- Reiterating Q4 2020 production guidance of 170 – 175 MBO/d (280 – 290 MBOE/d), full year 2020 production guidance of 178 – 182 MBO/d (290 – 305 MBOE/d) and full year 2020 cash CAPEX of $1.8 - $1.9 billion
- Diamondback continues to believe it can maintain Q4 2020 oil production through full year 2021 with a capital budget 25% – 35% less than 2020's capital budget

"After returning curtailed production in a second quarter that included minimal completion activity due to a historic decline in commodity prices, Diamondback returned to work in the third quarter to stem production declines and stabilize our production base. As expected, production bottomed in the third quarter and is set to rise slightly in the fourth quarter to meet our fourth quarter production target of between 170,000 and 175,000 barrels of oil per day. This production level is the proposed baseline for our future activity plans, and we anticipate we can hold this production flat in 2021 while spending 25% - 35% less capital than in 2020. We exited the quarter with no balance on our revolving credit facility, implying true free cash flow generation in the third quarter. Diamondback is expected to continue to generate free cash flow at current forward commodity prices, with excess free cash flow above our dividend to be used for debt retirement," stated Travis Stice, Chief Executive Officer of Diamondback.

Mr. Stice continued, "While it is important that our industry recovers from this downturn and works to again attract attention and capital from the investment community with well-thought-out long-term investment frameworks, the concept of production growth should not be discussed until commodity prices recover and global inventories return to normalized levels. Our industry, and particularly North American shale producers, must acknowledge two fundamental truths: we have a significant influence on the global oil market, and today that market is oversupplied. As such, if North American producers decide to grow again, even at mid-single-digit rates, we will magnify the issues our industry is fighting today and face repercussions from other global producers. Should the investment community reward companies touting growth, other producers are going to follow suit, and this downturn will carry on longer. To that end, we will consider appropriately growing production again should the global oil market call on growth through a price signal, but that day is not today."

Mr. Stice continued, "Therefore, Diamondback's investment framework and capital allocation philosophy at current oil prices remain very simple and have not changed: protect our base dividend, spend maintenance capital to hold oil production flat, and use excess free cash flow to pay down debt, in that order. Our industry has shifted its focus to 2021 breakeven prices. While this is an important metric and Diamondback's cost structure and asset quality stand out as differential in terms of 2021 breakeven price benchmarking, a breakeven price is just that, and does not mean the industry is generating sufficient returns to attract capital to the sector."

DERIVATIVES UPDATE

The Company now has an average of 162.2 thousand barrels of oil per day protected in the fourth quarter of 2020, with 98% of those hedges having unlimited downside protection as a swap, put or collar. The Company has an average of 87.4 thousand barrels per day of hedge protection in 2021 through a combination of collars and swaps. These hedge positions are consolidated to include hedges in place at Viper Energy Partners LP ("Viper").

As of October 12, 2020, the Company had the following outstanding consolidated derivative contracts, including derivative contracts at Viper. The Company's derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on New York Mercantile Exchange West Texas Intermediate pricing and Crude Oil Brent and with natural gas derivative settlements based on the New York Mercantile Exchange Henry Hub pricing. When aggregating multiple contracts, the weighted average contract price is disclosed.

	Crude Oil (Bbls/day, $/Bbl)					
	Q4 2020	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**FY 2022**
Swaps - WTI (Cushing)	11,000	—	—	—	—	—
	$ 43.47	$ —	$ —	$ —	$ —	$ —
Swaps - WTI (Magellan East Houston)	4,000	5,000	5,000	5,000	5,000	—
	$ 61.95	$ 37.78	$ 37.78	$ 37.78	$ 37.78	$ —

Swaps - Crude Brent Oil[1]	24,200	10,000	10,000	5,000	5,000	—
	$ 47.62	$ 41.56	$ 41.56	$ 41.62	$ 41.62	$ —
Long Puts - WTI (Cushing)	4,700	—	—	—	—	—
	$ 46.51	$ —	$ —	$ —	$ —	$ —
Short Puts - Crude Brent Oil	—	—	—	—	—	5,000
	$ —	$ —	$ —	$ —	$ —	$ 35.00
Calls - WTI (Cushing)[2]	8,000	—	—	—	—	—
	$ 45.00	$ —	$ —	$ —	$ —	$ —
Costless Collars - WTI (Cushing)	45,779	10,000	10,000	10,000	10,000	—
Long Put Price ($/Bbl)	$ 35.92	$ 30.00	$ 30.00	$ 30.00	$ 30.00	$ —
Ceiling Price ($/Bbl)	$ 42.29	$ 43.05	$ 43.05	$ 43.05	$ 43.05	$ —
Costless Collars - WTI (Magellan East Houston)	4,000	—	—	—	—	—
Long Put Price ($/Bbl)	$ 39.00	$ —	$ —	$ —	$ —	$ —
Ceiling Price ($/Bbl)	$ 49.00	$ —	$ —	$ —	$ —	$ —
Costless Collars - Crude Brent Oil	64,710	70,000	70,000	60,000	60,000	—
Long Put Price ($/Bbl)	$ 37.59	$ 39.09	$ 39.09	$ 39.43	$ 39.43	$ —
Ceiling Price ($/Bbl)	$ 45.63	$ 48.57	$ 48.57	$ 48.12	$ 48.12	$ —
Costless Put Spreads - WTI (Magellan East Houston)	3,800	—	—	—	—	—
Short Put Price ($/Bbl)	$ 25.00	$ —	$ —	$ —	$ —	$ —
Long Put Price ($/Bbl)	$ 50.00	$ —	$ —	$ —	$ —	$ —
Basis Swaps - WTI (Midland)	45,087	—	—	—	—	—
	$ (1.33)	$ —	$ —	$ —	$ —	$ —
Basis Swaps - Argus WTL	8,000	—	—	—	—	—
	$ (1.31)	$ —	$ —	$ —	$ —	$ —
Roll Swaps - WTI	120,000	—	—	—	—	—
	$ (1.05)	$ —	$ —	$ —	$ —	$ —

(1) *Includes of 5,000 of swaps in the first half of 2021 whereby the counterparty has the right to extend the hedge into the second half of 2021 at an average price of $51/Bbl*

(2) *Includes a deferred premium at a weighted-average price of $1.89/Bbl*

	Natural Gas (Mmbtu/day, $/Mmbtu)					
	Q4 2020	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**FY 2022**
Natural Gas Swaps - Henry Hub	60,000	190,000	190,000	190,000	190,000	—
	$ 2.48	$ 2.62	$ 2.62	$ 2.62	$ 2.62	$ —
Natural Gas Swaps - Waha Hub	90,000	—	—	—	—	—
	$ 1.58	$ —	$ —	$ —	$ —	$ —
Natural Gas Basis Swaps - Waha Hub	145,000	230,000	230,000	230,000	230,000	100,000
	$ (1.57)	$ (0.69)	$ (0.69)	$ (0.69)	$ (0.69)	$ (0.42)

	Natural Gas Liquids (Bbls/day, $/Bbl)					
	Q4 2020	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**FY 2022**
Natural Gas Liquids Swaps - Mont Belvieu Ethane	7,000	—	—	—	—	—
	$ 8.43	$ —	$ —	$ —	$ —	$ —
Natural Gas Liquids Swaps - Mont Belvieu Propane	5,000	—	—	—	—	—
	$ 21.76	$ —	$ —	$ —	$ —	$ —

About Diamondback Energy, Inc.

Diamondback is an independent oil and natural gas company headquartered in Midland, Texas focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. For more information, please visit www.diamondbackenergy.com.

Forward Looking Statements

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than historical facts, that address activities that Diamondback assumes, plans, expects, believes, intends or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements are based on management's current beliefs, based on currently available information, as to the outcome and timing of future events, including domestic and global industry conditions, oil and natural gas inventories, cost structure and liquidity position, capital allocation philosophy, future dividends, production, drilling and capital expenditure plans, commodity prices, effects of hedging arrangements and the impact of the ongoing COVID-19 pandemic. These forward-looking statements involve certain risks and uncertainties that could cause the results to differ materially from those expected by the management of Diamondback. Information concerning these risks and other factors can be found in Diamondback's filings with the Securities and Exchange Commission, including its Forms 10-K, 10-Q and 8-K, which can be obtained free of charge on the Securities and Exchange Commission's web site at http://www.sec.gov. Diamondback undertakes no obligation to update or revise any forward-looking statement.

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