Table of Contents

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

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED June 30, 2014
OR

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934**
Commission File Number 001-35700

Diamondback Energy, Inc.
(Exact Name of Registrant As Specified in Its Charter)

Delaware	**45-4502447**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification Number)**
500 West Texas, Suite 1200 Midland, Texas	**79701**
(Address of Principal Executive Offices)	**(Zip Code)**

(432) 221-7400
(Registrant Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 ☒ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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. (Check One):

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	o	Smaller Reporting Company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 29, 2014, 56,632,635 shares of the registrant's common stock were outstanding.

DIAMONDBACK ENERGY, INC.
TABLE OF CONTENTS

GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a description of the meanings of some of the oil and natural gas industry terms used throughout this report:

3-D seismic. Geophysical data that depict the subsurface strata in three dimensions. 3-D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2-D, or two-dimensional, seismic.

Bbl. Stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons.

Bbls/d. Bbls per day.

BOE. Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.

BOE/d. BOE per day.

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Condensate. Liquid hydrocarbons associated with the production of a primarily natural gas reserve.

Developed acreage. The number of acres that are allocated or assignable to productive wells or wells capable of production.

Development well. A well drilled within the proved area of a natural gas or oil reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

Exploratory well. A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir or to extend a known reservoir.

Field. An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Finding and development costs. Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves divided by proved reserve additions and revisions to proved reserves.

Fracturing. The process of creating and preserving a fracture or system of fractures in a reservoir rock typically by injecting a fluid under pressure through a wellbore and into the targeted formation.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Horizontal drilling. A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle with a specified interval.

MBbls. Thousand barrels of crude oil or other liquid hydrocarbons.

MBOE. One thousand barrels of crude oil equivalent, determined using a ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

Mcf. Thousand cubic feet of natural gas.

Mcf/d. Mcf per day.

MMBtu. Million British Thermal Units.

MMcf. Million cubic feet of natural gas.

Net acres or net wells. The sum of the fractional working interest owned in gross acres or gross wells, as the case may be.

Net revenue interest. An owner's interest in the revenues of a well after deducting proceeds allocated to royalty and overriding interests.

PDP. Proved developed producing.

Play. A set of discovered or prospective oil and/or natural gas accumulations sharing similar geologic, geographic and temporal properties, such as source rock, reservoir structure, timing, trapping mechanism and hydrocarbon type.

Plugging and abandonment. Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

PUD. Proved undeveloped.

Productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Stratigraphic play. An oil or natural gas formation contained within an area created by permeability and porosity changes characteristic of the alternating rock layer that result from the sedimentation process.

Structural play. An oil or natural gas formation contained within an area created by earth movements that deform or rupture (such as folding or faulting) rock strata.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or 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, 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 quarterly report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “predict,” “potential,” “project,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. In particular, the factors discussed in this quarterly report on Form 10–Q and detailed under *Part II, Item 1A. Risk Factors* in this report and our Annual Report on Form 10–K for the year ended December 31, 2013 could affect our actual results and cause our actual results to differ materially from expectations, estimates or assumptions expressed, forecasted or implied in such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- exploration and development drilling prospects, inventories, projects and programs;
- oil and natural gas reserves;
- identified drilling locations;
- ability to obtain permits and governmental approvals;
- technology;
- financial strategy;
- realized oil and natural gas prices;
- production;
- lease operating expenses, general and administrative costs and finding and development costs;
- future operating results; and
- plans, objectives, expectations and intentions.

All forward-looking statements speak only as of the date of this quarterly report. You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this quarterly report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Diamondback Energy, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2014	December 31, 2013
	(In thousands, except par values and share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 36,993	$ 15,555
Accounts receivable:		
Joint interest and other	24,697	14,437
Oil and natural gas sales	40,648	23,533
Related party	3,310	1,303
Inventories	3,308	5,631
Deferred income taxes	4,327	112
Derivative instruments	—	213
Prepaid expenses and other	1,421	1,184
Total current assets	114,704	61,968
Property and equipment		
Oil and natural gas properties, based on the full cost method of accounting ($456,692 and $369,561 excluded from amortization at June 30, 2014 and December 31, 2013, respectively)	2,191,321	1,648,360
Pipeline and gas gathering assets	6,846	6,142
Other property and equipment	4,973	4,071
Accumulated depletion, depreciation, amortization and impairment	(283,152)	(212,236)
	1,919,988	1,446,337
Derivative instruments	—	218
Other assets	12,702	13,091
Total assets	$ 2,047,394	$ 1,521,614
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable-trade	$ 23,475	$ 2,679
Accounts payable-related party	67	17
Accrued capital expenditures	81,550	74,649
Other accrued liabilities	38,236	34,750
Revenues and royalties payable	15,170	9,225
Derivative instruments	10,379	—
Total current liabilities	168,877	121,320
Long-term debt	496,000	460,000
Asset retirement obligations	5,437	2,989
Deferred income taxes	124,743	91,764
Total liabilities	795,057	676,073
Contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.01 par value, 100,000,000 shares authorized, 50,807,635 issued and outstanding at June 30, 2014; 47,106,216 issued and outstanding at December 31, 2013	509	471
Additional paid-in capital	1,060,537	842,557
Retained earnings	53,855	2,513
Total Diamondback Energy, Inc. stockholders' equity	1,114,901	845,541
Noncontrolling interest	137,436	—
Total equity	1,252,337	845,541
Total liabilities and equity	$ 2,047,394	$ 1,521,614

See accompanying notes to consolidated financial statements.

Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands, except per share amounts)			
Revenues:				
Oil sales	$ 115,282	$ 41,034	$ 205,040	$ 66,287
Natural gas sales	1,913	988	3,668	1,727
Natural gas sales - related party	2,416	680	3,996	1,092
Natural gas liquid sales	3,304	1,649	5,888	3,471
Natural gas liquid sales - related party	4,089	1,043	6,416	1,726
Total revenues	127,004	45,394	225,008	74,303
Costs and expenses:				
Lease operating expenses	10,425	5,103	18,232	9,809
Lease operating expenses - related party	71	392	179	594
Production and ad valorem taxes	8,106	2,672	13,684	4,550
Production and ad valorem taxes - related party	448	116	712	192
Gathering and transportation	102	31	316	106
Gathering and transportation - related party	601	216	969	274
Depreciation, depletion and amortization	40,021	14,815	70,994	25,553
General and administrative expenses (including non-cash stock based compensation, net of capitalized amounts, of $1,128 and $477 for the three months ended June 30, 2014 and 2013, respectively, and $3,318 and $936 for the six months ended June 30, 2014 and 2013, respectively)	3,610	2,355	7,875	4,540
General and administrative expenses - related party	324	266	616	552
Asset retirement obligation accretion expense	104	45	176	88
Total costs and expenses	63,812	26,011	113,753	46,258
Income from operations	63,192	19,383	111,255	28,045
Other income (expense)				
Interest expense	(7,739)	(535)	(14,244)	(1,020)
Other income - related party	30	388	60	777
Other expense	(1,408)	—	(1,408)	—
Gain (loss) on derivative instruments, net	(11,088)	3,037	(15,486)	3,029
Total other income (expense), net	(20,205)	2,890	(31,078)	2,786
Income before income taxes	42,987	22,273	80,177	30,831
Provision for income taxes				
Deferred	15,163	7,802	28,764	10,964
Net income	27,824	14,471	51,413	19,867
Less: Net income attributable to noncontrolling interest	71	—	71	—
Net income attributable to Diamondback Energy, Inc.	$ 27,753	$ 14,471	$ 51,342	$ 19,867
Earnings per common share				
Basic	$ 0.55	$ 0.37	$ 1.03	$ 0.52
Diluted	$ 0.54	$ 0.36	$ 1.02	$ 0.52
Weighted average common shares outstanding				
Basic	50,777	39,402	49,622	38,237
Diluted	51,142	39,719	50,047	38,477

See accompanying notes to consolidated financial statements.

Diamondback Energy, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity
(Unaudited)

	Common Stock		Additional Paid-in	Retained	Non-controlling	
	Shares	Amount	Capital	Earnings	Interest	Total
			(In thousands)			
Balance December 31, 2013	47,106	$ 471	$ 842,557	$ 2,513	$ —	$ 845,541
Net proceeds from issuance of common units - Viper Energy Partners LP	—	—	—	—	137,365	137,365
Stock based compensation	—	—	5,906	—	—	5,906
Common shares issued in public offering, net of offering costs	3,450	35	208,394	—	—	208,429
Exercise of stock options and vesting of restricted stock units	251	3	3,680	—	—	3,683
Net income	—	—	—	51,342	71	51,413
Balance June 30, 2014	50,807	$ 509	$ 1,060,537	$ 53,855	$ 137,436	$ 1,252,337

See accompanying notes to consolidated financial statements.

Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2014	**2013**
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 51,413	$ 19,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	28,764	10,964
Asset retirement obligation accretion expense	176	88
Depreciation, depletion, and amortization	70,994	25,553
Amortization of debt issuance costs	946	318
Change in fair value of derivative instruments	10,810	(5,429)
Stock based compensation expense	3,318	936
(Gain) loss on sale of assets, net	1,397	(30)
Changes in operating assets and liabilities:		
Accounts receivable	(18,584)	(12,185)
Accounts receivable-related party	(2,007)	5,110
Inventories	977	(96)
Prepaid expenses and other	(219)	(1,517)
Accounts payable and accrued liabilities	2,076	4,543
Accounts payable and accrued liabilities-related party	—	(74)
Accrued interest	3,415	—
Revenues and royalties payable	6,230	1,750
Net cash provided by operating activities	159,706	49,798
Cash flows from investing activities:		
Additions to oil and natural gas properties	(206,779)	(102,785)
Additions to oil and natural gas properties-related party	(2,571)	(9,298)
Acquisition of Gulfport properties	—	(18,550)
Acquisition of leasehold interests	(312,207)	(6,192)
Pipeline and gas gathering assets	(1,165)	—
Purchase of other property and equipment	(934)	(1,615)
Proceeds from sale of property and equipment	11	54
Settlement of non-hedge derivative instruments	—	(289)
Net cash used in investing activities	(523,645)	(138,675)
Cash flows from financing activities:		
Proceeds from borrowings on credit facility	166,000	49,000
Repayment on credit facility	(130,000)	(49,000)
Debt issuance costs	(1,039)	(72)
Public offering costs	(946)	(447)
Proceeds from public offerings	347,679	144,936
Exercise of stock options	3,683	—
Net cash provided by financing activities	385,377	144,417
Net increase in cash and cash equivalents	21,438	55,540
Cash and cash equivalents at beginning of period	15,555	26,358
Cash and cash equivalents at end of period	$ 36,993	$ 81,898

Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Continued
(Unaudited)

See accompanying notes to consolidated financial statements.

	Six Months Ended June 30,	
	2014	**2013**
	(In thousands)	
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	$ 11,409	$ 383
Supplemental disclosure of non-cash transactions:		
Asset retirement obligation incurred	$ 382	$ 111
Asset retirement obligation revisions in estimated liability	$ 588	$ —
Asset retirement obligation acquired	$ 1,312	$ —
Change in accrued capital expenditures	$ 6,901	$ 20,645
Capitalized stock based compensation	$ 2,715	$ 420

See accompanying notes to consolidated financial statements.

Diamondback Energy, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Organization and Description of the Business

Diamondback Energy, Inc. ("Diamondback" or the "Company") together with its subsidiaries, is an independent oil and gas company currently focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. Diamondback was incorporated in Delaware on December 30, 2011.

On June 17, 2014, Diamondback entered into a contribution agreement (the "Contribution Agreement") with Viper Energy Partners LP (the "Partnership"), Viper Energy Partners GP LLC (the "General Partner") and Viper Energy Partners LLC to transfer Diamondback's ownership interest in Viper Energy Partners LLC to the Partnership in exchange for 70,450,000 common units, representing an approximate 92% limited partner interest in the Partnership. Diamondback also owns and controls the General Partner, which holds a non-economic general partner interest in the Partnership. On June 23, 2014, the Partnership completed its initial public offering (the "Viper Offering") of 5,750,000 common units. See Note 4—Viper Energy Partners LP for additional information regarding the Partnership.

The wholly owned subsidiaries of Diamondback, as of June 30, 2014, include Diamondback E&P LLC, a Delaware limited liability company, Diamondback O&G LLC, a Delaware limited liability company, and Viper Energy Partners GP LLC, a Delaware limited liability company. The consolidated subsidiaries include the wholly owned subsidiaries as well as Viper Energy Partners LP, a Delaware limited partnership and Viper Energy Partners LLC, a Delaware limited liability company. Noncontrolling interests represent third-party ownership in the net assets of the consolidated Partnership.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries after all significant intercompany balances and transactions have been eliminated upon consolidation.

The Partnership is consolidated in the financial statements of the Company. As of June 30, 2014, the Company owned approximately 92% of the common units of the Partnership, Wexford Capital LP ("Wexford") owned approximately 1% and third party investors owned the remaining approximate 7% of the common units of the Partnership. The third party limited partnership interests in the Partnership are included in "noncontrolling interest" reported on the consolidated balance sheet.

These financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations, although the Company believes the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10–Q should be read in conjunction with the Company's most recent Annual Report on Form 10–K for the fiscal year ended December 31, 2013, which contains a summary of the Company's significant accounting policies and other disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

Certain amounts included in or affecting the Company's consolidated financial statements and related disclosures must be estimated by management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. These estimates and assumptions affect the amounts the Company reports for assets and liabilities and the Company's disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved oil and natural gas reserves and related present value estimates of future net cash flows therefrom, the carrying value of oil and natural gas properties, asset retirement obligations, the fair value determination of acquired assets and liabilities, stock-based compensation, fair value estimates of commodity derivatives and estimates of income taxes.

3. ACQUISITIONS

2014 Activity

On February 27 and 28, 2014, the Company completed acquisitions of oil and natural gas interests in the Permian Basin from unrelated third party sellers. The Company acquired approximately 6,450 gross (4,785 net) acres with a 74% working interest (56% net revenue interest). The acquisitions were accounted for according to the acquisition method, which requires the recording of net assets acquired and consideration transferred at fair value. These acquisitions were funded in part by the net proceeds of the February 2014 equity offering discussed in Note 8 below.

The following represents the estimated fair values of the assets and liabilities assumed on the acquisition dates. The aggregate consideration transferred was $292,159,000 in cash, subject to post-closing adjustments, resulting in no goodwill or bargain purchase gain.

		(in thousands)
Proved oil and natural gas properties	$	170,174
Unevaluated oil and natural gas properties		123,243
Asset retirement obligations		(1,258)
Total fair value of net assets	$	292,159

The Company has included in its consolidated statements of operations revenues of $19,183,000 and direct operating expenses of $4,601,000 for the period from February 28, 2014 to June 30, 2014 due to the acquisitions. The disclosure of net earnings is impracticable to calculate due to the full cost method of depletion. The following unaudited summary pro forma combined consolidated statement of operations data of Diamondback for the three months and six months ended June 30, 2014 and 2013 have been prepared to give effect to the February 2014 acquisitions as if they had occurred on January 1, 2013. The pro forma data are not necessarily indicative of financial results that would have been attained had the acquisitions occurred on January 1, 2013. The pro forma data also necessarily exclude various operation expenses related to the properties and the financial statements should not be viewed as indicative of operations in future periods.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Pro Forma)			
	(in thousands, except per share amounts)			
Revenues	$ 127,004	$ 62,209	$ 234,983	$ 106,600
Income from operations	63,192	26,872	115,385	41,527
Net income	27,823	19,337	54,033	28,511
Basic earnings per common share	$ 0.55	$ 0.49	$ 1.09	$ 0.75
Diluted earnings per common share	$ 0.54	$ 0.49	$ 1.08	$ 0.74

2013 Activity

In September 2013, the Company completed two separate acquisitions of additional leasehold interests in the Permian Basin from unrelated third party sellers for an aggregate purchase price of $165.0 million, subject to certain adjustments. The first of these acquisitions closed on September 4, 2013 when the Company acquired certain assets located in northwestern Martin County, Texas, consisting of a 100% working interest (80% net revenue interest) in 4,506 gross and net acres. The second of these acquisitions closed on September 26, 2013, when the Company acquired certain assets located primarily in southwestern Dawson County, Texas, consisting of a 71% working interest (55% net revenue interest) in 9,390 gross (6,638 net) acres. These acquisitions were funded with a portion of the net proceeds from the August 2013 equity offering discussed in Note 8 below.

On September 19, 2013, the Company completed the acquisition of the mineral interests underlying approximately 14,804 gross (12,687 net) acres in Midland County, Texas in the Permian Basin. As part of the closing of the acquisition, the mineral interests were conveyed from the previous owners to Viper Energy Partners LLC and, subsequently, were contributed to the Partnership on June 17, 2014. See Note 4—Viper Energy Partners LP for additional information regarding the Partnership. The mineral interests entitle the holder of such interests to receive an average 21.4% royalty interest on all production from this acreage with no additional future capital or operating expense required. The $440.0 million purchase price was funded with the net proceeds of the Company's offering of Senior Notes discussed in Note 7 below.

4. VIPER ENERGY PARTNERS LP

The Partnership is a publicly traded Delaware limited partnership, the common units of which are listed on the NASDAQ Global Market under the symbol "VNOM". The Partnership was formed by Diamondback on February 27, 2014, to, among other things, own, acquire and exploit oil and natural gas properties in North America. The Partnership is currently focused on oil and natural gas properties in the Permian Basin.

Prior to the completion on June 23, 2014 of the Viper Offering, Diamondback owned all of the general and limited partner interests in the Partnership. The Viper Offering consisted of 5,750,000 common units representing approximately 8% of the limited partner interests in the Partnership at a price to the public of $26.00 per common unit, which included 750,000 common units issued pursuant to an option to purchase additional common units granted to the underwriters on the same terms. The Partnership received net proceeds of approximately $137.2 million from the sale of these common units, net of offering expenses and underwriting discounts and commissions.

In connection with the Viper Offering, Diamondback contributed all of the membership interests in Viper Energy Partners LLC to the Partnership in exchange for 70,450,000 common units. In addition, in connection with the closing of the Viper Offering, the Partnership agreed to distribute to Diamondback all cash and cash equivalents and the royalty income receivable on hand in the aggregate amount of approximately $11.3 million and the net proceeds from the Viper Offering. As of June 30, 2014, the Partnership had distributed $137.5 million to Diamondback and the Partnership recorded a payable balance of approximately $11.3 million. The contribution of Viper Energy Partners LLC to the Partnership was accounted for as a combination of entities under common control with assets and liabilities transferred at their carrying amounts in a manner similar to a pooling of interests.

The Company has also entered into the following agreements with the Partnership:

Partnership Agreement

In connection with the closing of the Viper Offering, the General Partner and Diamondback entered into the first amended and restated agreement of limited partnership (the "Partnership Agreement"), dated June 23, 2014. The Partnership Agreement requires the Partnership to reimburse the General Partner for all direct and indirect expenses incurred or paid on the Partnership's behalf and all other expenses allocable to the Partnership or otherwise incurred by the General Partner in connection with operating the Partnership's business. The Partnership Agreement does not set a limit on the amount of expenses for which the General Partner and its affiliates may be reimbursed. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for the Partnership or on its behalf and expenses allocated to the General Partner by its affiliates. The General Partner is entitled to determine the expenses that are allocable to the Partnership.

Tax Sharing

In connection with the closing of the Viper Offering, the Partnership entered into a tax sharing agreement (the "Tax Sharing Agreement") with Diamondback pursuant to which the Partnership will reimburse Diamondback for its share of state and local income and other taxes for which the Partnership's results are included in a combined or consolidated tax return filed by Diamondback with respect to taxable periods including or beginning on June 23, 2014. The amount of any such reimbursement is limited to the tax the Partnership would have paid had it not been included in a combined group with Diamondback. Diamondback may use its tax attributes to cause its combined or consolidated group, of which the Partnership may be a member for this purpose, to owe less or no tax. In such a situation, the Partnership would reimburse Diamondback for the tax the Partnership would have owed had the tax attributes not been available or used for the Partnership's benefit, even though Diamondback had no cash tax expense for that period.

See Note 10—Related Party Transactions for details of the the advisory services agreement the Partnership and General Partner entered into with Wexford.

The Partnership has entered into a secured revolving credit facility with Wells Fargo Bank, National Association, ("Wells Fargo") as administrative agent sole book runner and lead arranger. See Note 7—Debt for a description of this credit facility

5. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	June 30, 2014	December 31, 2013
	(in thousands)	
Oil and natural gas properties:		
Subject to depletion	$ 1,734,629	$ 1,278,799
Not subject to depletion-acquisition costs		
Incurred in 2014	144,516	—
Incurred in 2013	237,540	279,353
Incurred in 2012	73,872	87,252
Incurred in 2011	764	1,598
Incurred in 2010	—	1,358
Total not subject to depletion	456,692	369,561
Gross oil and natural gas properties	2,191,321	1,648,360
Less accumulated depreciation, depletion, amortization and impairment	(281,218)	(210,837)
Oil and natural gas properties, net	1,910,103	1,437,523
Pipeline and gas gathering assets	6,846	6,142
Other property and equipment	4,973	4,071
Less accumulated depreciation	(1,934)	(1,399)
Other property and equipment, net	3,039	2,672
Property and equipment, net of accumulated depreciation, depletion, amortization and impairment	$ 1,919,988	$ 1,446,337

The average depletion rate per barrel equivalent unit of production was $24.46 and $24.81 for the three months and six months ended June 30, 2014, respectively, and $24.42 and $24.44 for the three months and six months ended June 30, 2013, respectively. Internal costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All internal costs not directly associated with exploration and development activities were charged to expense as they were incurred. Capitalized internal costs were approximately $2,632,000 and $4,928,000 for the three months and six months ended June 30, 2014, respectively, and $843,000 and $1,640,000 for the three months and six months ended June 30, 2013, respectively. Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The inclusion of the Company's unevaluated costs into the amortization base is expected to be completed within three to five years.

6. ASSET RETIREMENT OBLIGATIONS

The following table describes the changes to the Company's asset retirement obligation liability for the following periods:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Asset retirement obligation, beginning of period	$ 3,029	$ 2,145
Additional liability incurred	382	111
Liabilities acquired	1,312	—
Liabilities settled	(10)	—
Accretion expense	176	88
Revisions in estimated liabilities	588	—
Asset retirement obligation, end of period	5,477	2,344
Less current portion	40	20
Asset retirement obligations - long-term	$ 5,437	$ 2,324

The Company's asset retirement obligations primarily relate to the future plugging and abandonment of wells and related facilities. The Company estimates the future plugging and abandonment costs of wells, the ultimate productive life of the properties, a risk-adjusted discount rate and an inflation factor in order to determine the current present value of this obligation. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligation liability, a corresponding adjustment is made to the oil and natural gas property balance.

7. DEBT

Long-term debt consisted of the following as of the dates indicated:

	June 30, 2014	December 31, 2013
	(in thousands)	
Revolving credit facility	$ 46,000	$ 10,000
7.625 % Senior Notes due 2021	450,000	450,000
Total long-term debt	$ 496,000	$ 460,000

Senior Notes

On September 18, 2013, the Company completed an offering of $450.0 million in aggregate principal amount of 7.625% senior unsecured notes due 2021 (the "Senior Notes"). The Senior Notes bear interest at the rate of 7.625% per annum, payable semi-annually, in arrears on April 1 and October 1 of each year, commencing on April 1, 2014 and will mature on October 1, 2021. On June 23, 2014, in connection with the Viper Offering, the Company designated the Partnership, the General Partner and Viper Energy LLC as unrestricted subsidiaries and, upon such designation, Viper Energy LLC, which was a guarantor under the indenture governing of the Senior Notes, was released as a guarantor under the indenture. As a result, the Senior Notes are now fully and unconditionally guaranteed by Diamondback O&G LLC and Diamondback E&P LLC and will also be guaranteed by any future restricted subsidiaries of Diamondback. The net proceeds from the Senior Notes were used to fund the acquisition of mineral interests underlying approximately 14,804 gross (12,687 net) acres in Midland County, Texas in the Permian Basin.

The Senior Notes were issued under, and are governed by, an indenture among the Company, the subsidiary guarantors party thereto and Wells Fargo Bank, N.A., as the trustee (the "Indenture"). The Indenture contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit the Company's ability and the ability of the restricted subsidiaries to incur or guarantee additional indebtedness, make certain investments, declare or pay dividends or make other distributions on, or redeem or repurchase, capital stock, prepay subordinated

indebtedness, sell assets including capital stock of subsidiaries, agree to payment restrictions affecting the Company's restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets, enter into transactions with affiliates, incur liens, engage in business other than the oil and gas business and designate certain of the Company's subsidiaries as unrestricted subsidiaries. If the Company experiences certain kinds of changes of control or if it sells certain of its assets, holders of the Senior Notes may have the right to require the Company to repurchase their Senior Notes.

The Company will have the option to redeem the Senior Notes, in whole or in part, at any time on or after October 1, 2016 at the redemption prices (expressed as percentages of principal amount) of 105.719% for the 12-month period beginning on October 1, 2016, 103.813% for the 12-month period beginning on October 1, 2017, 101.906% for the 12-month period beginning on October 1, 2018 and 100.000% beginning on October 1, 2019 and at any time thereafter with any accrued and unpaid interest to, but not including, the date of redemption. In addition, prior to October 1, 2016, the Company may redeem all or a part of the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium at the redemption date. Furthermore, before October 1, 2016, the Company may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds of certain equity offerings at a redemption price of 107.625% of the principal amount of the Senior Notes being redeemed plus any accrued and unpaid interest to the date of redemption, if at least 65% of the aggregate principal amount of the Senior Notes originally issued under the Indenture remains outstanding immediately after such redemption and the redemption occurs within 120 days of the closing date of such equity offering.

In connection with the issuance of the Senior Notes, the Company and the subsidiary guarantors entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the initial purchasers on September 18, 2013, pursuant to which the Company and the subsidiary guarantors have agreed to file a registration statement with respect to an offer to exchange the Senior Notes for a new issue of substantially identical debt securities registered under the Securities Act, which registration statement was filed with the SEC on March 14, 2014. Under the Registration Rights Agreement, the Company also agreed to use its commercially reasonable efforts to cause the exchange offer registration statement to become effective within 360 days after the issue date of the Senior Notes and to consummate the exchange offer 30 days after effectiveness. The Company may be required to file a shelf registration statement to cover resales of the Senior Notes under certain circumstances. If the Company fails to satisfy certain of its obligations under the Registration Rights Agreement, the Company agreed to pay additional interest to the holders of the Senior Notes as specified in the Registration Rights Agreement.

Credit Facility-Wells Fargo Bank

The Company's secured second amended and restated credit agreement, dated November 1, 2013, with a syndication of banks, including Wells Fargo as administrative agent sole book runner and lead arranger, provides for a revolving credit facility in the maximum amount of $600.0 million, subject to scheduled semi-annual and other elective collateral borrowing base redeterminations based on the Company's oil and natural gas reserves and other factors (the "borrowing base"). The borrowing base is scheduled to be re-determined semi-annually with effective dates of April 1st and October 1st. In addition, the Company may request up to three additional redeterminations of the borrowing base during any 12-month period. As of June 30, 2014, the borrowing base was set at $350.0 million and the Company had outstanding borrowings of $46.0 million.

The outstanding borrowings under the credit agreement bear interest at a rate elected by the Company that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.5% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. The Company is obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be paid (a) if the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period) and (b) at the maturity date of November 1, 2018.

On June 9, 2014, Diamondback entered into a first amendment (the "First Amendment") to the second amended and restated credit agreement, dated November 1, 2013. The First Amendment modified certain provisions of the credit agreement to, among other things, allow the Company to designate one or more of our subsidiaries as "Unrestricted

Subsidiaries" that are not subject to certain restrictions contained in the credit agreement. In connection with the Viper Offering, the Company designated the Partnership, the General Partner and Viper Energy LLC as unrestricted subsidiaries under the credit agreement and, upon such designation, Viper Energy LLC, which was a guarantor under the Indenture, was released as a guarantor under the Indenture. As a result, the loan is now secured by substantially all of the assets of the Company, Diamondback E&P LLC and Diamondback O&G LLC and will also be secured by any future restricted subsidiaries of Diamondback.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

Financial Covenant	Required Ratio
Ratio of total debt to EBITDAX	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to $750.0 million in the form of senior or senior subordinated notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid. As of June 30, 2014, the Company had $450.0 million of senior unsecured notes outstanding.

As of June 30, 2014 and December 31, 2013, the Company was in compliance with all financial covenants under its revolving credit facility, as then in effect. The lenders may accelerate all of the indebtedness under the Company's revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. There are no cure periods for events of default due to non-payment of principal and breaches of negative and financial covenants, but non-payment of interest and breaches of certain affirmative covenants are subject to customary cure periods.

Partnership Credit Facility-Wells Fargo Bank

On July 8, 2014, the Partnership entered into a secured revolving credit agreement with Wells Fargo, as the administrative agent, sole book runner and lead arranger. The credit agreement provides for a revolving credit facility in the maximum amount of $500.0 million, subject to scheduled semi-annual and other elective collateral borrowing base redeterminations based on the Partnership's oil and natural gas reserves and other factors (the "borrowing base"). The borrowing base is scheduled to be re-determined semi-annually with effective dates of April 1st and October 1st. In addition, the Partnership may request up to three additional redeterminations of the borrowing base during any 12-month period. As of July 8, 2014, the borrowing base was set at $110.0 million, and Wells Fargo was the only lender under the credit agreement, with a maximum credit amount of $55.0 million. Under the credit agreement, the commitment of the lenders is equal to the lessor of the aggregate maximum credit amounts of the lenders and the borrowing base. As of August 6, 2014, the borrowing base was increased to $110.0 million with Wells Fargo as the only lender under the credit agreement. The Partnership had outstanding borrowings of $50.0 million as of August 6, 2014.

The outstanding borrowings under the credit agreement bear interest at a rate elected by the Partnership that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.5% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. The Partnership is obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be paid (a) if the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period) and (b) at the maturity date of July 8, 2019. The loan is secured by substantially all of the assets of the Partnership and its subsidiaries.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations,

dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

Financial Covenant	Required Ratio
Ratio of total debt to EBITDAX	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

EBITDAX will be annualized beginning with the quarter ending September 30, 2014 and ending with the quarter ended March 31, 2015

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to $250.0 million in the form of senior unsecured notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid.

The lenders may accelerate all of the indebtedness under the Partnership's revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. There are no cure periods for events of default due to non-payment of principal and breaches of negative and financial covenants, but non-payment of interest and breaches of certain affirmative covenants are subject to customary cure periods.

8. CAPITAL STOCK AND EARNINGS PER SHARE

As of June 30, 2014, Diamondback had completed the following equity offerings since the closing of its initial public offering on October 17, 2012:

On May 21, 2013, the Company completed an underwritten primary public offering of 5,175,000 shares of common stock, which included 675,000 shares of common stock issued pursuant to an option to purchase additional shares granted to the underwriters. The stock was sold to the public at $29.25 per share and the Company received net proceeds of approximately $144.4 million from the sale of these shares of common stock, net of offering expenses and underwriting discounts and commissions.

In August 2013, the Company completed an underwritten public offering of 4,600,000 shares of common stock, which included 600,000 shares of common stock issued pursuant to an option to purchase additional shares granted to the underwriters. The stock was sold to the public at $40.25 per share and the Company received net proceeds of approximately $177.5 million from the sale of these shares of common stock, net of offering expenses and underwriting discounts and commissions.

In February 2014, the Company completed an underwritten public offering of 3,450,000 shares of common stock, which included 450,000 shares of common stock issued pursuant to an option to purchase additional shares granted to the underwriters. The stock was sold to the public at $62.67 per share and the Company received net proceeds of approximately $208.4 million from the sale of these shares of common stock, net of offering expenses and underwriting discounts and commissions.

Diamondback Energy, Inc. and Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

Earnings Per Share

The Company's basic earnings per share amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period. Diluted earnings per share include the effect of potentially dilutive shares outstanding for the period. Additionally, for the diluted earnings per share computation, the per share earnings of the Partnership are included in the consolidated earnings per share computation based on the consolidated group's holdings of the subsidiary. A reconciliation of the components of basic and diluted earnings per common share is presented in the table below:

	Three Months Ended June 30,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(in thousands, except per share amounts)					
Basic:						
Net income attributable to common stock	$ 27,753	50,777	$ 0.55	14,471	39,402	$ 0.37
Effect of Dilutive Securities:						
Dilutive effect of potential common shares issuable	$ (74)	365		—	317	
Diluted:						
Net income attributable to common stock	$ 27,679	51,142	$ 0.54	14,471	39,719	$ 0.36

	Six Months Ended June 30,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(in thousands, except per share amounts)					
Basic:						
Net income attributable to common stock	$ 51,342	49,622	$ 1.03	19,867	38,237	$ 0.52
Effect of Dilutive Securities:						
Dilutive effect of potential common shares issuable	$ (74)	425		—	240	
Diluted:						
Net income attributable to common stock	$ 51,268	50,047	$ 1.02	19,867	38,477	$ 0.52

9. STOCK BASED COMPENSATION

For the three months and six months ended June 30, 2014, the Company incurred $2,777,000 and $6,033,000, respectively, of stock based compensation, of which the Company capitalized $1,649,000 and $2,715,000, respectively, pursuant to the full cost method of accounting for oil and natural gas properties. For the three months and six months ended June 30, 2013, the Company incurred $700,000 and $1,356,000, respectively, of stock based compensation, of which the Company capitalized $223,000 and $420,000, respectively, pursuant to the full cost method of accounting for oil and natural gas properties.

On June 17, 2014, in connection with the Viper Offering, the Board of Directors of the General Partner adopted the Viper Energy Partners LP Long Term Incentive Plan ("Viper LTIP"), effective June 17, 2014, for employees, officers, consultants and directors of the General Partner and any of its affiliates, including Diamondback, who perform services for the Partnership. The Viper LTIP provides for the grant of unit options, unit appreciation rights, restricted units, unit awards, phantom units, distribution equivalent rights, cash awards, performance awards, other unit-based awards and substitute awards. A total of 9,144,000 common units has been reserved for issuance pursuant to the Viper LTIP. Common units that are cancelled, forfeited or withheld to satisfy exercise prices or tax withholding obligations will be available for delivery pursuant to other awards. The Viper LTIP is administered by the Board of Directors of the General Partner or a committee thereof.

Stock Options

The following table presents the Company's stock option activity under the 2012 Plan for the six months ended June 30, 2014.

		Weighted Average		
	Options	Exercise Price	Remaining Term	Intrinsic Value
			(in years)	(in thousands)
Outstanding at December 31, 2013	712,955	$ 17.96		
Granted	—	$ —		
Exercised	(205,750)	$ 17.90		
Expired/Forfeited	—	$ —		
Outstanding at June 30, 2014	507,205	$ 17.99	2.23	$ 28,076
Vested and Expected to vest at June 30, 2014	507,205	$ 17.99	2.23	$ 28,076
Exercisable at June 30, 2014	134,955	$ 17.50	1.62	$ 7,536

The aggregate intrinsic value of stock options that were exercised during the six months ended June 30, 2014 was $10,659,000. As of June 30, 2014, the unrecognized compensation cost related to unvested stock options was $1,212,000. Such cost is expected to be recognized over a weighted-average period of 1.4 years.

Restricted Stock Units

The following table presents the Company's restricted stock units activity under the 2012 Plan during the six months ended June 30, 2014.

	Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2013	132,499	$ 19.20
Granted	106,550	$ 62.03
Vested	(45,669)	$ 47.69
Forfeited	(900)	$ 41.66
Unvested at June 30, 2014	192,480	$ 36.04

The aggregate fair value of restricted stock units that vested during the six months ended June 30, 2014 was $3,051,000. As of June 30, 2014, the Company's unrecognized compensation cost related to unvested restricted stock awards and units was $5,081,000. Such cost is expected to be recognized over a weighted-average period of 1.5 years.

Performance Based Restricted Stock Units

To provide long-term incentives for the executive officers to deliver competitive returns to the Company's stockholders, the Company has granted performance based restricted stock units to eligible employees. The ultimate number of shares awarded from these conditional restricted stock units is based upon measurement of total stockholder return of the Company's common stock ("TSR") as compared to a designated peer group during a three-year performance period. In February 2014, eligible employees received initial performance restricted stock unit awards totaling 79,150 units from which a minimum of 0% and a maximum of 200% units could be awarded. The awards have a performance period of January 1, 2013 to December 31, 2015 and cliff vest at December 31, 2015. There were no performance restricted stock units issued or outstanding during the six months ended June 30, 2013.

The fair value of each performance restricted stock unit is estimated at the date of grant using a Monte Carlo simulation, which results in an expected percentage of units to be earned during the performance period. The following table presents a summary of the grant-date fair values of performance restricted stock units granted and the related assumptions.

	2014
Grant-date fair value	$ 125.63
Risk-free rate	0.30%
Company volatility	39.60%

The following table presents the Company's performance restricted stock units activity under the 2012 Plan for the six months ended June 30, 2014.

	Performance Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2013	—	$ —
Granted	79,150	$ 125.63
Vested	—	$ —
Forfeited	—	$ —
Unvested at June 30, 2014 (1)	79,150	$ 125.63

(1) A maximum of 158,300 units could be awarded based upon the Company's final TSR ranking.

As of June 30, 2014, the Company's unrecognized compensation cost related to unvested performance based restricted stock awards and units was $8,111,000. Such cost is expected to be recognized over a weighted-average period of 1.5 years.

Partnership Unit Options

In accordance with the Viper LTIP, the exercise price of unit options granted may not be less than the market value of the common units at the date of grant. The units issued under the Viper LTIP will consist of new common units of the Partnership. On June 17, 2014, the Board of Directors of the General Partner granted 2,500,000 unit options to our executive officers of the General Partner. The unit options vest approximately 33% ratably on each of the next three anniversaries of the date of grant. In the event the fair market value per unit as of the exercise date is less than the exercise price per option unit then the vested options will automatically terminate and become null and void as of the exercise date.

The fair value of the unit options on the date of grant is expensed over the applicable vesting period. The Partnership estimates the fair values of unit options granted using a Black-Scholes option valuation model, which requires the Partnership to make several assumptions. At the time of grant the Partnership did not have a history of market prices, thus the expected volatility was determined using the historical volatility for a peer group of companies. The expected term of options granted was determined based on the contractual term of the awards. The risk-free interest rate is based on the U.S. treasury yield curve rate for the expected term of the unit option at the date of grant. The expected dividend yield was based upon projected performance of the Partnership.

	2014
Grant-date fair value	$ 4.24
Expected volatility	36.0%
Expected dividend yield	5.9%
Expected term (in years)	3.0
Risk-free rate	0.99%

The following table presents the unit option activity under the Viper LTIP for the six months ended June 30, 2014.

	Unit Options	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Intrinsic Value (in thousands)
Outstanding at December 31, 2013	—	$ —		
Granted	2,500,000	$ 26.00		
Outstanding at June 30, 2014	2,500,000	$ 26.00	2.97	$ 19,500
Vested and Expected to vest at June 30, 2014	2,500,000	$ 26.00	2.97	$ 19,500
Exercisable at June 30, 2014	—	$ —	—	$ —

As of June 30, 2014, the unrecognized compensation cost related to unvested unit options was $10,472,000. Such cost is expected to be recognized over a weighted-average period of 3.0 years.

10. RELATED PARTY TRANSACTIONS

Administrative Services

An entity under common management provided technical, administrative and payroll services to the Company under a shared services agreement which began March 1, 2008. The initial term of this shared service agreement was two years. Since the expiration of such two-year period on March 1, 2010, the agreement, by its terms has continued on a month-to-month basis. For the three months and six months ended June 30, 2014, the Company incurred total costs of $1,000 and $2,000, respectively. For the three months and six months ended June 30, 2013, the Company incurred total costs of $51,000 and $109,000, respectively. Costs incurred unrelated to drilling activities are expensed and costs incurred in the acquisition, exploration and development of proved oil and natural gas properties have been capitalized. As of June 30, 2014 and December 31, 2013, the Company owed the administrative services affiliate no amounts and $17,000, respectively. These amounts are included in accounts payable-related party in the accompanying consolidated balance sheets.

Effective January 1, 2012, the Company entered into an additional shared services agreement with this entity. Under this agreement, the Company provides this entity and, at its request, certain affiliates, with consulting, technical and administrative services. The initial term of the additional shared services agreement was two years. The agreement now continues on a month-to-month basis until canceled by either party upon thirty days prior written notice. Costs that are attributable to and billed to other affiliates are reported as other income-related party. For the three months and six months ended June 30, 2014, the affiliate reimbursed the Company $30,000 and $60,000, respectively, and for the three months and six months ended June 30, 2013, the affiliate reimbursed the Company $388,000 and $777,000, respectively, for services under the shared services agreement. As of June 30, 2014 and December 31, 2013, the affiliate owed the Company no amounts for either period.

Drilling Services

Bison Drilling and Field Services LLC (“Bison”), an entity controlled by Wexford, has performed drilling and field services for the Company under master drilling and field service agreements. Under the Company’s most recent master drilling agreement with Bison, effective as of January 1, 2013, Bison committed to accept orders from the Company for the use of at least two of its rigs. At June 30, 2014, Bison was providing drilling services to the Company using one of its rigs. This master drilling agreement is terminable by either party on 30 days’ prior written notice, although neither party will be relieved of its respective obligations arising from a drilling contract being performed prior to the termination of the master drilling agreement. For the three months and six months ended June 30, 2014, the Company incurred total costs for services performed by Bison of $985,000 and $2,495,000, respectively. For the three months and six months ended June 30, 2013, the Company incurred total costs for services performed by Bison of $4,659,000 and $9,627,000, respectively. The Company owed Bison $56,000 as of June 30, 2014 and no amounts as of December 31, 2013.

Effective September 9, 2013, the Company entered into a master service agreement with Panther Drilling Systems LLC ("Panther Drilling"), an entity controlled by Wexford, Panther Drilling provides directional drilling and other services. This master service agreement is terminable by either party on 30 days' prior written notice, although neither party will be relieved of its respective obligations arising from work performed prior to the termination of the master service agreement. In the third quarter 2013, the Company began using Panther Drilling's directional drilling services. For the three months and six months ended June 30, 2014, the Company incurred total costs for services performed by Panther Drilling of $57,000 and $305,000, respectively. The Company owed Panther Drilling $11,000 as of June 30, 2014 and no amounts as of December 31, 2013.

Coronado Midstream

The Company is party to a gas purchase agreement, dated May 1, 2009, as amended, with Coronado Midstream LLC ("Coronado Midstream"), formerly known as MidMar Gas LLC, an entity affiliated with Wexford that owns a gas gathering system and processing plant in the Permian Basin. Under this agreement, Coronado Midstream is obligated to purchase from the Company, and the Company is obligated to sell to Coronado Midstream, all of the gas conforming to certain quality specifications produced from certain of the Company's Permian Basin acreage. Following the expiration of the initial ten year term, the agreement will continue on a year-to-year basis until terminated by either party on 30 days' written notice. Under the gas purchase agreement, Coronado Midstream is obligated to pay the Company 87% of the net revenue received by Coronado Midstream for all components of the Company's dedicated gas, including the liquid hydrocarbons, and the sale of residue gas, in each case extracted, recovered or otherwise processed at Coronado Midstream's gas processing plant, and 94.56% of the net revenue received by Coronado Midstream from the sale of such gas components and residue gas, extracted, recovered or otherwise processed at Chevron's Headlee plant. The Company recognized revenues from Coronado Midstream of $6,505,000 and $10,412,000 for the three months and six months ended June 30, 2014, respectively, and $1,723,000 and $2,818,000 for the three months and six months ended June 30, 2013, respectively. As of June 30, 2014 and December 31, 2013, Coronado Midstream owed the Company $3,310,000 and $1,303,000, respectively, for the Company's portion of the net proceeds from the sale of gas, gas products and residue gas.

Sand Supply

Muskie Proppant LLC ("Muskie"), an entity affiliated with Wexford, processes and sells fracing grade sand for oil and natural gas operations. The Company began purchasing sand from Muskie in March 2013. On May 16, 2013, the Company entered into a master services agreement with Muskie, pursuant to which Muskie agreed to sell custom natural sand proppant to the Company based on the Company's requirements. The Company is not obligated to place any orders with, or accept any offers from, Muskie for sand proppant. The agreement may be terminated at the option of either party on 30 days' notice. The Company incurred no costs for sand purchased from Muskie for the three months and six months ended June 30, 2014, respectively. The Company incurred no costs and costs of $234,000 for sand purchased from Muskie for the three months and six months ended June 30, 2013, respectively. The Company owed Muskie no amounts as of June 30, 2014 or December 31, 2013.

Midland Leases

Effective May 15, 2011, the Company occupied corporate office space in Midland, Texas under a lease with a five-year term. The office space is owned by an entity controlled by an affiliate of Wexford. The Company paid $98,000 and $191,000 for the three months and six months ended June 30, 2014, respectively, and $43,000 and $82,000, for the three months and six months ended June 30, 2013, respectively, under this lease. In the second and third quarters of 2013, the Company amended this agreement to increase the size of the leased premises. The monthly rent under the lease increased from $13,000 to $15,000 beginning on August 1, 2013 and increased further to $25,000 beginning on October 1, 2013. The monthly rent will continue to increase approximately 4% annually on June 1 of each year during the remainder of the lease term.

The Company leased field office space in Midland, Texas from an unrelated third party from March 1, 2011 to March 1, 2014. Effective March 1, 2014, the building was purchased by an entity controlled by an affiliate of Wexford. The remaining term of the lease as of March 1, 2014 is four years. The Company paid rent of $36,000 and $47,000 to the related party for the three months and six months ended June 30, 2014. The monthly base rent is $11,000 which will increase 3% annually on March 1 of each year during the remainder of the lease term.

Oklahoma City Lease

Effective January 1, 2012, the Company occupied corporate office space in Oklahoma City, Oklahoma under a lease with a 67 month term. The office space is owned by an entity controlled by an affiliate of Wexford. The Company paid $62,000 and $126,000 for the three months and six months ended June 30, 2014, respectively, and $58,000 and $111,000 for the three months and six months ended June 30, 2013, respectively, under this lease. Effective April 1, 2013, the Company amended this lease to increase the size of the leased premises, at which time the monthly base rent increased to $19,000 for the remainder of the lease term. The Company is also responsible for paying a portion of specified costs, fees and expenses associated with the operation of the premises.

Advisory Services Agreement & Professional Services from Wexford

The Company entered into an advisory services agreement (the "Advisory Services Agreement") with Wexford, dated as of October 11, 2012, under which Wexford provides the Company with general financial and strategic advisory services related to the business in return for an annual fee of $500,000, plus reasonable out-of-pocket expenses. The Advisory Services Agreement has a term of two years commencing on October 18, 2012, and will continue for additional one-year periods unless terminated in writing by either party at least ten days prior to the expiration of the then current term. It may be terminated at any time by either party upon 30 days prior written notice. In the event the Company terminates such agreement, it is obligated to pay all amounts due through the remaining term. In addition, the Company agreed to pay Wexford to-be-negotiated market-based fees approved by the Company's independent directors for such services as may be provided by Wexford at the Company's request in connection with future acquisitions and divestitures, financings or other transactions in which the Company may be involved. The services provided by Wexford under the Advisory Services Agreement do not extend to the Company's day-to-day business or operations. The Company has agreed to indemnify Wexford and its affiliates from any and all losses arising out of or in connection with the Advisory Services Agreement except for losses resulting from Wexford's or its affiliates' gross negligence or willful misconduct. The Company incurred total costs of $125,000 and $250,000 for the three months and six months ended June 30, 2014, respectively, and $125,000 and $250,000 for the three months and six months ended June 30, 2013, respectively, under the Advisory Services Agreement. As of June 30, 2014 and December 31, 2013, the Company owed Wexford no amounts for either period.

Advisory Services Agreement- Viper Energy Partners LP

In connection with the closing of the Viper Offering, the Partnership and General Partner entered into an advisory services agreement (the "Viper Advisory Services Agreement") with Wexford, dated as of June 23, 2014, under which Wexford provides the Partnership and our General Partner with general financial and strategic advisory services related to the business in return for an annual fee of $500,000, plus reasonable out-of-pocket expenses. The Viper Advisory Services Agreement has a term of two years commencing on June 23, 2014, and will continue for additional one-year periods unless terminated in writing by either party at least ten days prior to the expiration of the then current term. It may be terminated at any time by either party upon 30 days prior written notice. In the event the Partnership or General Partner terminates such agreement, the Partnership is obligated to pay all amounts due through the remaining term. In addition, the Partnership and General Partner have agreed to pay Wexford to-be-negotiated market-based fees approved by the conflict committee of the board of directors of our General Partner for such services as may be provided by Wexford at our request in connection with future acquisitions and divestitures, financings or other transactions in which we may be involved. The services provided by Wexford under the Viper Advisory Services Agreement do not extend to the Partnership or General Partners day-to-day business or operations. The Partnership and General Partner have agreed to indemnify Wexford and its affiliates from any and all losses arising out of or in connection with the Viper Advisory Services Agreement except for losses resulting from Wexford's or its affiliates' gross negligence or willful misconduct.

Secondary Offering Costs

On June 27, 2014, Gulfport and certain entities controlled by Wexford completed an underwritten secondary public offering of 2,000,000 shares of the Company's common stock. The shares were sold to the public at $90.04 per share and the selling stockholders received all proceeds from this offering after deducting the underwriting discount. The Company incurred estimated costs of approximately $40,000 related to this secondary public offering.

On June 24, 2013, Gulfport and certain entities controlled by Wexford completed an underwritten secondary public offering of 6,000,000 shares of the Company's common stock and, on July 5, 2013, the underwriters purchased an additional 869,222 shares of the Company's common stock from these selling stockholders pursuant to an option to purchase such additional shares granted to the underwriters. The shares were sold to the public at $34.75 per share and the selling stockholders received all proceeds from this offering after deducting the underwriting discount. The Company incurred costs of approximately $185,000 related to this secondary public offering.

11. DERIVATIVES

All derivative financial instruments are recorded at fair value. The Company has not designated its derivative instruments as hedges for accounting purposes and, as a result, marks its derivative instruments to fair value and recognizes the cash and non-cash changes in fair value in the consolidated statements of operations under the caption "Gain (loss) on derivative instruments, net."

The Company has used price swap contracts to reduce price volatility associated with certain of its oil sales. With respect to the Company's fixed price swap contracts, the counterparty is required to make a payment to the Company if the settlement price for any settlement period is less than the swap price, and the Company is required to make a payment to the counterparty if the settlement price for any settlement period is greater than the swap price. The Company's derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on Argus Louisiana light sweet pricing.

By using derivative instruments to hedge exposure to changes in commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk. The Company's counterparties are participants in the secured second amended and restated credit agreement, which is secured by substantially all of the assets of the guarantor subsidiaries; therefore, the Company is not required to post any collateral. The Company does not require collateral from its counterparties. The Company has entered into derivative instruments only with counterparties that are also lenders in our credit facility and have been deemed an acceptable credit risk.

As of June 30, 2014, the Company had open crude oil derivative positions with respect to future production as set forth in the tables below. When aggregating multiple contracts, the weighted average contract price is disclosed.

Crude Oil—Argus Louisiana Light Sweet Fixed Price Swap

Production Period	Volume (Bbls)	Fixed Swap Price
July - December 2014	1,288,000	$ 98.64
January - April 2015	331,000	99.71

Balance sheet offsetting of derivative assets and liabilities

The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity. These fair values are recorded by netting asset and liability positions that are with the same counterparty and are subject to contractual terms which provide for net settlement.

Diamondback Energy, Inc. and Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

The following tables present the gross amounts of recognized derivative assets and liabilities, the amounts offset under master netting arrangements with counterparties and the resulting net amounts presented in the Company's consolidated balance sheets as of June 30, 2014 and December 31, 2013.

	June 30, 2014		
	(in thousands)		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet
Derivative liabilities	$ (10,379)	$ —	$ (10,379)

	December 31, 2013		
	(in thousands)		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet
Derivative assets	$ 998	$ (567)	$ 431

The net amounts are classified as current or noncurrent based on their anticipated settlement dates. The net fair value of the Company's derivative assets and liabilities and their locations on the consolidated balance sheet are as follows:

	June 30, 2014	December 31, 2013
	(in thousands)	
Current Assets: Derivative instruments	$ —	$ 213
Noncurrent Assets: Derivative instruments	—	218
Total Assets	$ —	$ 431
Current Liabilities: Derivative instruments	$ (10,379)	$ —
Noncurrent Liabilities: Derivative instruments	—	—
Total Liabilities	$ (10,379)	$ —

None of the Company's derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following table summarizes the gains and losses on derivative instruments included in the consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Non-cash gain (loss) on open non-hedge derivative instruments	$ (7,468)	$ 3,893	$ (10,810)	$ 5,428
Loss on settlement of non-hedge derivative instruments	(3,620)	(856)	(4,676)	(2,399)
Gain (loss) on derivative instruments	$ (11,088)	$ 3,037	$ (15,486)	$ 3,029

Diamondback Energy, Inc. and Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

12. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The Company uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data. These are inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 - Unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are reported at fair value on a recurring basis, including the Company's derivative instruments. The fair values of the Company's fixed price crude oil swaps are measured internally using established commodity futures price strips for the underlying commodity provided by a reputable third party, the contracted notional volumes, and time to maturity. These valuations are Level 2 inputs.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013.

	Fair value measurements at June 30, 2014 using: (in thousands)			
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Liabilities:				
Fixed price swaps	—	(10,379)	—	(10,379)

	Fair value measurements at December 31, 2013 using: (in thousands)			
	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Assets:				
Fixed price swaps	$ —	$ 431	$ —	$ 431

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The following table provides the fair value of financial instruments that are not recorded at fair value in the consolidated financial statements.

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Debt:				
Revolving credit facility	$ 46,000	$ 46,000	$ 10,000	$ 10,000
7.625% Senior Notes due 2021	450,000	497,250	450,000	460,406

The fair value of the revolving credit facility approximates its carrying value based on borrowing rates available to the Company for bank loans with similar terms and maturities and is classified as Level 2 in the fair value hierarchy. The fair value of the Senior Notes was determined using the June 30, 2014 quoted market price, a Level 1 classification in the fair value hierarchy.

13. CONTINGENCIES

In September 2010, Windsor Permian LLC (“Windsor Permian”) (now known as Diamondback O&G LLC) purchased certain property in Goodhue County, Minnesota, that was prospective for hydraulic fracturing grade sand. Prior to the purchase, the prior owners of the property had entered into a Mineral Development Agreement with the plaintiff and the Company purchased the property subject to that agreement. Windsor Permian subsequently contributed the property to Muskie. In an amended complaint filed in November 2012 by the plaintiff against the prior owners of the property, Windsor Permian and certain affiliates of Windsor Permian in the first judicial district court in Goodhue County, Minnesota, the plaintiff sought damages from the Company and the other defendants alleging, among other things, interference with contractual relationship, interference with prospective advantage and unjust enrichment. In an order filed on May 24, 2013, the judge denied certain motions made by the defendants and set a trial date to determine liability, with a damage phase of the matter to commence on a later date if there is a determination of liability. Following a trial on the liability phase on June 21, 2013, the jury determined that the defendants intentionally interfered with plaintiff’s contract but that the interference did not cause the plaintiff to be unable to acquire mining permits prior to the enactment of the moratorium by Goodhue County. In an order filed on July 10, 2013, the judge ordered the damage phase to be set for trial following a pretrial and scheduling conference. Subsequently, the plaintiff disclosed a new damage theory, and the defendants filed motions with the court to dismiss plaintiff’s claims on the grounds that the damage claim was speculative and that plaintiff could not prove damages as a matter of law. Plaintiff also filed a motion for leave to amend its complaint to assert a punitive damage claim. The motions were argued in December 2013. In March 2014, the judge entered an order granting the defendants’ motions to exclude testimony and for summary judgment. All parties agreed not to pursue an appeal from the order and waived any entitlement to costs, which effectively concluded this matter.

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

Diamondback Energy, Inc. and Subsidiaries
Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

14. SUBSEQUENT EVENTS

The Company entered into a definitive purchase agreement dated July 18, 2014 with unrelated third party sellers to acquire additional leasehold interests in Midland, Glasscock, Reagan and Upton Counties, Texas in the Permian Basin, for an aggregate purchase price of approximately $538.0 million, subject to certain adjustments. This transaction includes 16,773 gross (13,136 net) acres with a 78% working interest (approximately 75.1% net revenue interest). The proposed transaction is scheduled to close in early September 2014.

On July 25, 2014, the Company completed an underwritten public offering of 5,750,000 shares of common stock, which included 750,000 shares of common stock issued pursuant to an option to purchase additional shares granted to the underwriters. The stock was sold to the public at $87.00 per share and the Company received net proceeds of approximately $484.9 million from the sale of these shares of common stock, net of the underwriting discount and estimated offering expenses. The net proceeds from this offering will be used to partially fund the acquisition described above. To the extent the pending acquisition is not consummated, or the actual purchase price is less than the net proceeds from the offering, the Company intends to use the net proceeds from the offering to fund a portion of its exploration and development activities and for general corporate purposes, which may include leasehold interest and property acquisitions and working capital.

On July 25, 2014, the Company repaid all outstanding amounts under its credit agreement with Wells Fargo with a portion of the proceeds from its equity offering, pending reborrowing to fund a portion of the purchase price of the acquisition described above.

On July 8, 2014, the Partnership entered into a secured revolving credit agreement with Wells Fargo, as the administrative agent, sole book runner and lead arranger. The Partnership had outstanding borrowings of $50.0 million as of August 6, 2014. See Note—7 Debt for additional information.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and notes thereto presented in this Quarterly Report on Form 10–Q as well as our audited combined consolidated financial statements and notes thereto included in our Annual Report on Form 10–K for the year ended December 31, 2013. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs, and expected performance. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors. See "Part II, Item 1A. Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements."

Overview

We are an independent oil and natural gas company focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. Our activities are primarily directed at the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations which we refer to as the Wolfberry play. We intend to grow our reserves and production through development drilling, exploitation and exploration activities on our multi-year inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves. Substantially all of our revenues are generated through the sale of oil, natural gas liquids and natural gas production. Our production was approximately 75% oil, 15% natural gas liquids and 10% natural gas for the three months ended June 30, 2014, and was approximately 75% oil, 14% natural gas liquids and 11% natural gas for the three months ended June 30, 2013. Our production was approximately 76% oil, 14% natural gas liquids and 10% natural gas for the six months ended June 30, 2014, and was approximately 73% oil, 15% natural gas liquids and 12% natural gas for the six months ended June 30, 2013. On June 30, 2014, our net acreage position in the Permian Basin was approximately 72,300 net acres. See Note 1 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding the organization and description of our business.

Recent Developments

Viper Energy Partners LP

Viper Energy Partners LP, or the Partnership, is a publicly traded Delaware limited partnership, the common units of which are listed on the NASDAQ Global Market under the symbol "VNOM". The Partnership was formed by us on February 27, 2014, to, among other things, own, acquire and exploit oil and natural gas properties in North America. The Partnership is currently focused on oil and natural gas properties in the Permian Basin.

Prior to the completion on June 23, 2014 of the Partnership's initial public offering, or the Viper Offering, we owned all of the general and limited partner interests in the Partnership. The Viper Offering consisted of 5,750,000 common units representing limited partner interests at a price to the public of $26.00 per common unit, which included 750,000 common units issued pursuant to an option to purchase additional common units granted to the underwriters on the same terms. The Partnership received net proceeds of approximately $137.2 million from the sale of these common units, net of offering expenses and underwriting discounts and commissions.

In connection with the Viper Offering, we contributed all of the membership interests in Viper Energy Partners LLC to the Partnership in exchange for 70,450,000 common units. In addition, in connection with the closing of the Viper Offering, the Partnership agreed to distribute to Diamondback all cash and cash equivalents and the royalty income receivable on hand in the aggregate amount of approximately $11.3 million and the net proceeds from the Viper Offering. As of June 30, 2014, the Partnership had distributed $137.5 million to Diamondback and the Partnership recorded a payable balance of approximately $11.3 million. The contribution of Viper Energy Partners LLC to the Partnership was accounted for as a combination of entities under common control with assets and liabilities transferred at their carrying amounts in a manner similar to a pooling of interests.

Acquisitions

On February 27 and 28, 2014, we completed acquisitions of oil and natural gas interests from unrelated third party sellers of additional leasehold interests in Martin County, Texas, in the Permian Basin, for an aggregate purchase price of approximately $292.2 million, subject to certain adjustments. These transactions included 6,450 gross (4,785 net) acres with a 74% working interest (56% net revenue interest). We funded these acquisitions with the net proceeds from an underwritten public offering of our common stock completed on February 26, 2014 and borrowings under our revolving credit facility. Upon completion of these acquisitions, we became the operator of this acquired acreage.

On July 18, 2014, we entered into a definitive purchase agreement with unrelated third party sellers to acquire additional leasehold interests in Midland, Glasscock, Reagan and Upton Counties, Texas in the Permian Basin, for an aggregate purchase price of approximately $538.0 million, subject to certain adjustments. This transaction includes 16,773 gross (13,136 net) acres with a 78% working interest (approximately 75.1% net revenue interest). The proposed transaction is scheduled to close in early September 2014. However, this transaction remains subject to completion of due diligence and satisfaction of other closing conditions. There can be no assurance that we will acquire all or any portion of the acreage subject to the purchase agreement.

Common stock transactions

In February 2014, we completed an underwritten public offering of 3,450,000 shares of common stock, which included 450,000 shares of common stock issued pursuant to an option to purchase additional shares granted to the underwriters. The stock was sold to the public at $62.67 per share and we received net proceeds of approximately $208.4 million from the sale of these shares of common stock, net of offering expenses and underwriting discounts and commissions.

On July 25, 2014, we completed an underwritten public offering of 5,750,000 shares of common stock at a public offering price of $87.00 per share (less the underwriting discount). Pursuant to the underwriting agreement, we granted the underwriters a 30-day option to purchase up to 750,000 additional shares of common stock at the public offering price (less the underwriting discount). The stock was sold to the public at $87.00 per share and we received net proceeds of approximately $484.9 million from the sale of these shares of common stock, net of offering expenses and underwriting discounts and commissions. The net proceeds of this offering will be used to partially fund the pending acquisition described above. To the extent the pending acquisition is not consummated, or the actual purchase price is less than the net proceeds from the offering, we intend to use the net proceeds from the offering to fund a portion of our exploration and development activities and for general corporate purposes, which may include leasehold interest and property acquisitions and working capital.

Operating Results Overview

During the three months ended June 30, 2014, our average daily production was approximately 17,836 BOE/d, consisting of 13,309 Bbls/d of oil, 10,872 Mcf/d of natural gas and 2,716 Bbls/d of natural gas liquids, an increase of 11,246 BOE/d, or 171%, from average daily production of 6,590 BOE/d for the three months ended June 30, 2013, consisting of 4,914 Bbls/d of oil, 4,489 Mcf/d of natural gas and 927 Bbls/d of natural gas liquids.

During the six months ended June 30, 2014, our average daily production was approximately 15,706 BOE/d, consisting of 11,993 Bbls/d oil, 9,380 Mcf/d of natural gas and 2,150 Bbls/d of natural gas liquids, an increase of 10,012 BOE/d, or 176%, from average daily production of 5,694 BOE/d for the six months ended June 30, 2013, consisting of 4,134 Bbls/d of oil, 4,197 Mcf/d of natural gas and 860 Bbls/d of natural gas liquids.

During the three months ended June 30, 2014, we drilled 28 gross (22 net) wells, and participated in an additional one gross non-operated well, in the Permian Basin. During the six months ended June 30, 2014, we drilled 57 gross (46 net) wells, and participated in an additional two gross (one net) non-operated wells, in the Permian Basin.

Sources of our revenue

Our revenues are derived from the sale of oil and natural gas production, as well as the sale of natural gas liquids that are extracted from our natural gas during processing. Our oil and natural gas revenues do not include the effects of derivatives. For the three months ended June 30, 2014 and 2013, our revenues were derived 91% and 90%, respectively, from oil sales, 6% and 6%, respectively, from natural gas liquids sales and 3% and 4%, respectively, from natural gas sales. For the six months ended June 30, 2014 and 2013, our revenues were derived 91% and 89%, respectively, from oil sales, 6% and 7%, respectively, from natural gas liquids sales and 3% and 4%, respectively, from natural gas sales.Our revenues may vary significantly from period to period as a result of changes in volumes of production sold, production mix or commodity prices.

Results of Operations

The following table sets forth selected historical operating data for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(unaudited)			
	(in thousands, except Bbl, Mcf and BOE amounts)			
Operating Results:				
Revenues				
Oil and natural gas revenues	$ 127,004	$ 45,394	$ 225,008	$ 74,303
Operating Expenses				
Lease operating expense	10,496	5,495	18,411	10,403
Production and ad valorem taxes	8,554	2,788	14,396	4,742
Gathering and transportation expense	703	247	1,285	380
Depreciation, depletion and amortization	40,021	14,815	70,994	25,553
General and administrative	3,934	2,621	8,491	5,092
Asset retirement obligation accretion expense	104	45	176	88
Total expenses	63,812	26,011	113,753	46,258
Income from operations	63,192	19,383	111,255	28,045
Interest expense	(7,739)	(535)	(14,244)	(1,020)
Other income - related party	30	388	60	777
Other expense	(1,408)	—	(1,408)	—
Gain (loss) on derivative instruments, net	(11,088)	3,037	(15,486)	3,029
Total other income (expense), net	(20,205)	2,890	(31,078)	2,786
Income before income taxes	42,987	22,273	80,177	30,831
Provision for deferred income taxes	15,163	7,802	28,764	10,964
Net income	27,824	14,471	51,413	19,867
Less: Net income attributable to noncontrolling interest	71	—	71	—
Net income attributable to Diamondback Energy, Inc.	$ 27,753	$ 14,471	$ 51,342	$ 19,867
Production Data:				
Oil (Bbls)	1,211,081	447,203	2,170,712	748,244
Natural gas (Mcf)	989,382	408,530	1,697,801	759,568
Natural gas liquids (Bbls)	247,124	84,360	389,147	155,689
Combined volumes (BOE)	1,623,102	599,651	2,842,826	1,030,528
Daily combined volumes (BOE/d)	17,836	6,590	15,706	5,694
Average Prices[(1)]:				
Oil (per Bbl)	$ 95.19	$ 91.76	$ 94.46	$ 88.59
Natural gas (per Mcf)	4.38	4.08	4.51	3.71
Natural gas liquids (per Bbl)	29.92	31.91	31.62	33.38
Combined (per BOE)	78.25	75.70	79.15	72.10
Average Costs (per BOE)				
Lease operating expense	$ 6.47	$ 9.16	$ 6.48	$ 10.09
Gathering and transportation expense	0.43	0.41	0.45	0.37
Production and ad valorem taxes	5.27	4.65	5.06	4.60
Production and ad valorem taxes as a % of sales	6.7%	6.1%	6.4%	6.4%
Depreciation, depletion, and amortization	24.66	24.71	24.97	24.80
General and administrative[(2)]	2.42	4.37	2.99	4.94
Interest expense	4.77	0.89	5.01	0.99

(1) After giving effect to our derivative instruments, the average prices per Bbl of oil and per BOE were $92.20 and $76.02, respectively, during the three months ended June 30, 2014, and $89.84 and $74.27, respectively, during the three months ended June 30, 2013. After giving effect to our derivative instruments, the average prices per Bbl of oil and per BOE were $92.30 and $77.50, respectively, during the six months ended June 30, 2014, and $85.38 and $69.77, respectively, during the six months ended June 30, 2013.

(2) General and administrative includes non-cash stock based compensation, net of capitalized amounts, of $1,128 and $477 for the three months ended June 30, 2014 and 2013, respectively. Excluding stock based compensation from the above metric results in general and administrative cost per BOE of $1.73 and $3.58 for the three months ended June 30, 2014 and 2013, respectively. General and administrative includes non-cash stock based compensation, net of capitalized amounts, of $3,318 and $936 for the six months ended June 30, 2014 and 2013, respectively. Excluding stock based compensation from the above metric results in general and administrative cost per BOE of $1.82 and $4.03 for the six months ended June 30, 2014 and 2013, respectively.

Comparison of the Three Months Ended June 30, 2014 and 2013

Oil, Natural Gas Liquids and Natural Gas Revenues. Our oil, natural gas liquids and natural gas revenues increased by approximately $81,610,000, or 180%, to $127,004,000 for the three months ended June 30, 2014 from $45,394,000 for the three months ended June 30, 2013. Our revenues are a function of oil, natural gas liquids and natural gas production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 11,246 BOE/d to 17,836 BOE/d during the three months ended June 30, 2014 from 6,590 BOE/d during the three months ended June 30, 2013. The total increase in revenue of approximately $81,610,000 is largely attributable to higher oil, natural gas liquids and natural gas production volumes for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. The increases in production volumes were due to a combination of increased drilling activity and growth through acquisitions. Our production increased by 763,878 Bbls of oil, 162,764 Bbls of natural gas liquids and 580,852 Mcf of natural gas for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. The net dollar effect of the increases in prices of approximately $3,953,000 (calculated as the change in period-to-period average prices multiplied by current period production volumes of oil, natural gas liquids and natural gas) and the net dollar effect of the increase in production of approximately $77,657,000 (calculated as the increase in period-to-period volumes for oil, natural gas liquids and natural gas multiplied by the period average prices) are shown below.

	Change in prices	Production volumes[1]	Total net dollar effect of change
			(in thousands)
Effect of changes in price:			
Oil	$ 3.43	1,211,081	$ 4,156
Natural gas liquids	$ (1.99)	247,124	$ (493)
Natural gas	$ 0.30	989,382	$ 290
Total revenues due to change in price			$ 3,953

	Change in production volumes[1]	Prior period average prices	Total net dollar effect of change
			(in thousands)
Effect of changes in production volumes:			
Oil	763,878	$ 91.76	$ 70,091
Natural gas liquids	162,764	$ 31.91	$ 5,194
Natural gas	580,852	$ 4.08	$ 2,372
Total revenues due to change in production volumes			$ 77,657
Total change in revenues			$ 81,610

(1) Production volumes are presented in Bbls for oil and natural gas liquids and Mcf for natural gas

Lease Operating Expense. Lease operating expense, or LOE, was $10,496,000 ($6.47 per BOE) for the three months ended June 30, 2014, an increase of $5,001,000, or 91%, from $5,495,000 ($9.16 per BOE) for the three months ended June 30, 2013. The increase is due to increased drilling activity and acquisitions, which resulted in additional producing wells for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013. On a per BOE basis, LOE declined as new volumes came on line and expenses were held in line or were reduced. By the end of 2013, we were moving approximately 70% of our produced water by pipeline directly into commercial salt water disposal wells, rather than by truck, thereby further reducing one of our largest components of LOE.

Production and Ad Valorem Tax Expense. Production and ad valorem taxes increased to $8,554,000 for the three months ended June 30, 2014 from $2,788,000 for the three months ended June 30, 2013. In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, whereas production taxes are based upon current year commodity prices. During the three months ended June 30, 2014, our production taxes per BOE increased by $0.12 as compared to the three months ended June 30, 2013, primarily reflecting the impact of higher oil and natural gas prices on production taxes. Our ad valorem taxes have increased primarily as a result of increased valuations on our properties.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization, or DD&A, expense increased $25,206,000, or 170%, from $14,815,000 for the three months ended June 30, 2013 to $40,021,000 for the three months ended June 30, 2014.

The following table provides components of our DD&A expense for the periods presented:

	Three Months Ended June 30,	
	2014	**2013**
	(in thousands, except BOE amounts)	
Depletion of proved oil and natural gas properties	$ 39,704	$ 14,629
Depreciation of other property and equipment	317	186
DD&A	$ 40,021	$ 14,815
Oil and natural gas properties DD&A per BOE	$ 24.46	$ 24.42
Total DD&A per BOE	$ 24.66	$ 24.71

The increases in depletion of proved oil and natural gas properties of $25,075,000 and $0.04 per BOE for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 resulted primarily from higher total production levels, increased net book value on new reserves added and an increase in capitalized interest to the full cost pool.

General and Administrative Expense. General and administrative expense increased $1,313,000 from $2,621,000 for the three months ended June 30, 2013 to $3,934,000 for the three months ended June 30, 2014. The increase was due to increases in stock based compensation, salary, legal, common stock offering, professional service and advisory service expenses. These increases were partially offset by increases in general and administrative costs related to exploration and development activity capitalized to the full cost pool and increases in COPAS overhead reimbursements due to increased drilling activity.

Net Interest Expense. Net interest expense for the three months ended June 30, 2014 was $7,739,000, as compared to $535,000 for the three months ended June 30, 2013, an increase of $7,204,000. This increase was due primarily to the issuance of $450.0 million in aggregate principal amount of our 7.625% senior notes in September 2013.

Derivatives. We are required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. We have not designated our derivative instruments as hedges for accounting purposes. As a result, we mark our derivative instruments to fair value and recognize the cash and non-cash changes in fair value on derivative instruments in our consolidated statements of operations under the line item captioned “Gain (loss) on derivative instruments, net.” For the three months ended June 30, 2014 and 2013, we had a cash loss on settlement of derivative instruments of $3,620,000 and $856,000, respectively. For the three months ended June 30, 2014 and 2013, we had a non-cash loss on open derivative instruments of $7,468,000 and a non-cash gain on open derivative instruments of $3,893,000, respectively.

Income Tax Expense. We recorded deferred income tax expense of $15,163,000 for the three months ended June 30, 2014 as compared to 7,802,000 for the three months ended June 30, 2013. Our effective tax rate was 35.3% for the three months ended June 30, 2014 as compared to 35.0% for the three months ended June 30, 2013.

Comparison of the Six Months Ended June 30, 2014 and 2013

Oil, Natural Gas Liquids and Natural Gas Revenues. Our oil, natural gas liquids and natural gas revenues increased by approximately $150,705,000, or 203%, to $225,008,000 for the six months ended June 30, 2014 from $74,303,000 for the six months ended June 30, 2013. Our revenues are a function of oil, natural gas liquids and natural gas production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 10,012 BOE/d to 15,706 BOE/d during the six months ended June 30, 2014 from 5,694 BOE/d during the six months ended June 30, 2013. The total increase in revenue of approximately $150,705,000 is largely attributable to higher oil, natural gas liquids and natural gas production volumes for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The increases in production volumes were due to a combination of increased drilling activity and growth through acquisitions. Our production increased by 1,422,468 Bbls of oil, 233,458 Bbls of natural gas liquids and 938,233 Mcf of natural gas for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. The net dollar effect of the increases in prices of approximately $13,414,000 (calculated as the change in period-to-period average prices multiplied by current period production volumes of oil, natural gas liquids and natural gas) and the net dollar effect of the increase in production of approximately $137,291,000 (calculated as the increase in period-to-period volumes for oil, natural gas liquids and natural gas multiplied by the period average prices) are shown below.

	Change in prices	Production volumes[1]	Total net dollar effect of change
			(in thousands)
Effect of changes in price:			
Oil	$ 5.87	2,170,712	$ 12,737
Natural gas liquids	$ (1.76)	389,147	$ (686)
Natural gas	$ 0.80	1,697,801	$ 1,363
Total revenues due to change in price			$ 13,414

	Change in production volumes[1]	Prior period average prices	Total net dollar effect of change
			(in thousands)
Effect of changes in production volumes:			
Oil	1,422,468	$ 88.59	$ 126,016
Natural gas liquids	233,458	$ 33.38	$ 7,793
Natural gas	938,233	$ 3.71	$ 3,482
Total revenues due to change in production volumes			$ 137,291
Total change in revenues			$ 150,705

(1) Production volumes are presented in Bbls for oil and natural gas liquids and Mcf for natural gas

Lease Operating Expense. Lease operating expense, or LOE, was $18,411,000 ($6.48 per BOE) for the six months ended June 30, 2014, an increase of $8,008,000, or 77%, from $10,403,000 ($10.09 per BOE) for the six months ended June 30, 2013. The increase is due to increased drilling activity and acquisitions, which resulted in additional producing wells for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013. On a per BOE basis, LOE declined as new volumes came on line and expenses were held in line or were reduced. By the end of 2013, we were moving approximately 70% of our produced water by pipeline directly into commercial salt water disposal wells, rather than by truck, thereby further reducing one of our largest components of LOE.

Production and Ad Valorem Tax Expense. Production and ad valorem taxes increased to $14,396,000 for the six months ended June 30, 2014 from $4,742,000 for the six months ended June 30, 2013. In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, whereas production taxes are based upon current year commodity prices. During the six months ended June 30, 2014, our production taxes per BOE increased by $0.30 as compared to the six months ended June 30, 2013, primarily reflecting the impact of higher oil and natural gas prices on production taxes. Our ad valorem taxes have increased primarily as a result of increased valuations on our properties.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization, or DD&A, expense increased $45,441,000, or 178%, from $25,553,000 for the six months ended June 30, 2013 to $70,994,000 for the six months ended June 30, 2014.

The following table provides components of our DD&A expense for the periods presented:

	Six Months Ended June 30,	
	2014	**2013**
	(in thousands, except BOE amounts)	
Depletion of proved oil and natural gas properties	$ 70,427	$ 25,184
Depreciation of other property and equipment	567	369
DD&A	$ 70,994	$ 25,553
Oil and natural gas properties DD&A per BOE	$ 24.81	$ 24.44
Total DD&A per BOE	$ 24.97	$ 24.80

The increases in depletion of proved oil and natural gas properties of $45,243,000 and $0.37 per BOE for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 resulted primarily from higher total production levels, increased net book value on new reserves added and an increase in capitalized interest to the full cost pool.

General and Administrative Expense. General and administrative expense increased $3,399,000 from $5,092,000 for the six months ended June 30, 2013 to $8,491,000 for the six months ended June 30, 2014. The increase was due to increases in stock based compensation, salary, legal, common stock offering, professional service and advisory service expenses. These increases were partially offset by increases in general and administrative costs related to exploration and development activity capitalized to the full cost pool and increases in COPAS overhead reimbursements due to increased drilling activity.

Net Interest Expense. Net interest expense for the six months ended June 30, 2014 was $14,244,000, as compared to $1,020,000 for the six months ended June 30, 2013, an increase of $13,224,000. This increase was due primarily to the issuance of $450.0 million in aggregate principal amount of our 7.625% senior notes in September 2013.

Derivatives. We are required to recognize all derivative instruments on the balance sheet as either assets or liabilities measured at fair value. We have not designated our derivative instruments as hedges for accounting purposes. As a result, we mark our derivative instruments to fair value and recognize the cash and non-cash changes in fair value on derivative instruments in our consolidated statements of operations under the line item captioned “Loss on derivative instruments, net.” For the six months ended June 30, 2014 and 2013, we had a cash loss on settlement of derivative instruments of $4,676,000 and $2,399,000, respectively. For the six months ended June 30, 2014 and 2013, we had a non-cash loss on open derivative instruments of $10,810,000 and a non-cash gain of $5,428,000, respectively.

Income Tax Expense. We recorded deferred income tax expense of $28,764,000 for the six months ended June 30, 2014 as compared to $10,964,000 for the six months ended June 30, 2013. Our effective tax rate was 35.9% for the six months ended June 30, 2014 as compared to 35.6% for the six months ended June 30, 2013.

Liquidity and Capital Resources

Our primary sources of liquidity have been proceeds from our public equity offerings, borrowings under our revolving credit facility, proceeds from the issuance of the senior notes and cash flows from operations. Our primary use of capital has been for the acquisition, development and exploration of oil and natural gas properties. As we pursue reserves and production growth, we regularly consider which capital resources, including equity and debt financings, are available to meet our future financial obligations, planned capital expenditure activities and liquidity requirements. Our future ability to grow proved reserves and production will be highly dependent on the capital resources available to us.

Liquidity and Cash Flow

Our cash flows for the six months ended June 30, 2014 and 2013 are presented below:

	Six Months Ended June 30,	
	2014	**2013**
	(in thousands)	
Net cash provided by operating activities	$ 159,706	$ 49,798
Net cash used in investing activities	(523,645)	(138,675)
Net cash provided by financing activities	$ 385,377	$ 144,417
Net change in cash	$ 21,438	$ 55,540

Operating Activities

Net cash provided by operating activities was $159,706,000 for the six months ended June 30, 2014 as compared to $49,798,000 for the six months ended June 30, 2013. The increase in operating cash flows is a result of increases in our oil and natural gas revenues due to production growth and lower expenses in 2014.

Our operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for the oil and natural gas we produce. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic activity, weather and other substantially variable factors influence market conditions for these products. These factors are beyond our control and are difficult to predict.

Investing Activities

The purchase and development of oil and natural gas properties accounted for the majority of our cash outlays for investing activities. We used cash for investing activities of $523,645,000 and $138,675,000 during the six months ended June 30, 2014 and 2013, respectively.

During the six months ended June 30, 2014, we spent $210,515,000 on capital expenditures in conjunction with our infrastructure projects and drilling program, in which we drilled 57 gross (46 net) wells and participated in the drilling of an additional two gross (one net) non-operated wells. We spent an additional $312,207,000 on leasehold costs and $934,000 for the purchase of other property and equipment. On February 27 and 28, 2014, we completed acquisitions of additional oil and natural gas leasehold interests in Martin County, Texas, in the Permian Basin, from unrelated third party sellers for an aggregate purchase price of approximately $292.2 million, subject to certain adjustments. These amounts were partially offset by proceeds of $11,000 from the sale of property and equipment.

During the six months ended June 30, 2013, we spent $112,083,000 on capital expenditures in conjunction with our drilling program in which we participated in the drilling of 40 gross (34 net) wells. We spent an additional $6,192,000 on leasehold costs, $1,615,000 for the purchase of other property and equipment, $289,000, net, on the settlement of non-hedge derivative instruments and $18,550,000 for the post-closing adjustment associated with our acquisition of Gulfport Energy Corporation’s oil and natural gas assets in the Permian Basin in connection with our initial public offering in October 2012. These amounts were partially offset by proceeds of $54,000 from the sale of property and equipment.

Our investing activities for the six months ended June 30, 2014 and 2013 are summarized in the following table:

	Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Drilling, completion and infrastructure	$ (210,515)	$ (112,083)
Acquisition of leasehold interests	(312,207)	(6,192)
Acquisition of Gulfport properties	—	(18,550)
Purchase of other property and equipment	(934)	(1,615)
Proceeds from sale of property and equipment	11	54
Settlement of non-hedge derivative instruments	—	(289)
Net cash used in investing activities	$ (523,645)	$ (138,675)

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2014 was $385.4 million as compared to $144.4 million during the same period in 2013. The 2014 amount provided by financing activities was primarily attributable to the net proceeds of $208.4 million from our February 2014 equity offering, net proceeds of $137.2 million from the Viper Offering and borrowings, net of repayment, of $36.0 million under our credit facility. During the six months ended June 30, 2013, we received net proceeds of approximately $144.4 million, after deducting the underwriting discount and offering expenses, we borrowed $49.0 million under our revolving credit facility, which was repaid with proceeds from the May 2013 offering. In both periods, these proceeds were used primarily to acquire property and fund our drilling costs.

Senior Notes

On September 18, 2013, we completed an offering of $450.0 million in aggregate principal amount of 7.625% senior unsecured notes due 2021, which we refer to as the senior notes. The senior notes bear interest at the rate of 7.625% per annum, payable semi-annually, in arrears on April 1 and October 1 of each year, commencing on April 1, 2014, and will mature on October 1, 2021. On June 23, 2014, in connection with the Viper Offering, we designated the Partnership, the General Partner and Viper Energy LLC as unrestricted subsidiaries and, upon such designation, Viper Energy LLC, which was a guarantor under the indenture governing of the Senior Notes, was released as a guarantor under the indenture. As a result, the Senior Notes are now fully and unconditionally guaranteed by Diamondback O&G LLC and Diamondback E&P LLC and will also be guaranteed by any future restricted subsidiaries of Diamondback. The net proceeds from the senior notes were used to fund the acquisition of mineral interests underlying approximately 14,804 gross (12,687 net) acres in Midland County, Texas in the Permian Basin. The senior notes were issued to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act.

The senior notes were issued under, and are governed by, an indenture among us, the subsidiary guarantors party thereto and Wells Fargo Bank, N.A., as the trustee, or the Indenture. We may issue additional senior notes under the Indenture, and all senior notes issued under the Indenture will constitute part of a single class of securities for all purposes of the Indenture. The Indenture contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit our ability and the ability of our restricted subsidiaries to incur or guarantee additional indebtedness, make certain investments, declare or pay dividends or make other distributions on, or redeem or repurchase, capital stock, prepay subordinated indebtedness, sell assets including capital stock of subsidiaries, agree to payment restrictions affecting our restricted subsidiaries, consolidate, merge, sell or otherwise dispose of all or substantially all of our assets, enter into transactions with affiliates, incur liens, engage in business other than the oil and gas business and designate certain of our subsidiaries as unrestricted subsidiaries. If we experience certain kinds of changes of control or if we sell certain of our assets, holders of the senior notes may have the right to require us to repurchase their senior notes.

We have the option to redeem the senior notes, in whole or in part, at any time on or after October 1, 2016 at the redemption prices (expressed as percentages of principal amount) of 105.719% for the 12-month period beginning on October 1, 2016, 103.813% for the 12-month period beginning on October 1, 2017, 101.906% for the 12-month period beginning on October 1, 2018 and 100.000% beginning on October 1, 2019 and at any time thereafter with any accrued and unpaid interest to, but not including, the date of redemption. In addition, prior to October 1, 2016, we may redeem all or a part of the senior notes at a price equal to 100% of the principal amount

thereof, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium at the redemption date. Furthermore, before October 1, 2016, we may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of certain equity offerings at a redemption price of 107.625% of the principal amount of the senior notes being redeemed plus any accrued and unpaid interest to the date of redemption, if at least 65% of the aggregate principal amount of the senior notes originally issued under the Indenture remains outstanding immediately after such redemption and the redemption occurs within 120 days of the closing date of such equity offering.

In connection with the issuance of the senior notes, we and the subsidiary guarantors entered into a registration rights agreement with the initial purchasers on September 18, 2013, pursuant to which we and the subsidiary guarantors have agreed to file a registration statement with respect to an offer to exchange the senior notes for a new issue of substantially identical debt securities registered under the Securities Act, which registration statement was filed with the SEC on March 14, 2014. Under the registration rights agreement, we also agreed to use our commercially reasonable efforts to cause the exchange offer registration statement to become effective within 360 days after the issue date of the senior notes and to consummate the exchange offer 30 days after effectiveness. We may be required to file a shelf registration statement to cover resales of the senior notes under certain circumstances. If we fail to satisfy certain of our obligations under the registration rights agreement, we agreed to pay additional interest to the holders of the senior notes as specified in the registration rights agreement.

Second Amended and Restated Credit Facility

The Company's second amended and restated credit agreement, dated November 1, 2013, with a syndication of banks, including Wells Fargo, as administrative agent sole book runner and lead arranger, provides for a revolving credit facility in the maximum amount of $600.0 million, subject to scheduled semi-annual and other elective collateral borrowing base redeterminations based on the Company's oil and natural gas reserves and other factors (the "borrowing base"). The borrowing base is scheduled to be re-determined semi-annually with effective dates of April 1st and October 1st. In addition, the Company may request up to three additional redeterminations of the borrowing base during any 12-month period. As of June 30, 2014 the borrowing base was set at $350.0 million. As of June 30, 2014, the Company had outstanding borrowings of $46.0 million and $304.0 million available for future borrowings under this facility. Our weighted-average interest rate on borrowings from our credit facility was 1.98% during the six months ended June 30, 2014. On July 25, 2014, we repaid all outstanding amounts under our credit agreement with a portion of the proceeds from our July 2014 equity offering, pending reborrowing to fund a portion of the purchase price for our pending acquisition of additional leasehold interests in the Permian Basin described under "—Recent Developments–Acquisitions."

The outstanding borrowings under the credit agreement bear interest at a rate elected by us that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.5% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. We are obligated to pay a quarterly commitment fee ranging from 0.375% to 0.50% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be repaid (a) to the extent the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period), (b) in an amount equal to the net cash proceeds from the sale of property when a borrowing base deficiency or event of default exists under the credit agreement and (c) at the maturity date of November 1, 2018.

On June 9, 2014, we entered into a first amendment to the second amended and restated credit agreement, dated November 1, 2013. This amendment modified certain provisions of the credit agreement to, among other things, allow us to designate one or more of our subsidiaries as "Unrestricted Subsidiaries" that are not subject to certain restrictions contained in the credit agreement. In connection with the Viper Offering, we designated the Partnership, the General Partner and Viper Energy LLC as unrestricted subsidiaries under the credit agreement and, upon such designation, Viper Energy LLC, which was a guarantor under the Indenture, was released as a guarantor under the Indenture. As a result, the loan is now secured by substantially all of the assets of the Company, Diamondback E&P LLC and Diamondback O&G LLC and will also be secured by any future restricted subsidiaries of Diamondback.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

Financial Covenant	Required Ratio
Ratio of total debt to EBITDAX	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to $750 million in the form of senior or senior subordinated notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid. As of June 30, 2014, we had $450 million of senior notes outstanding.

As of June 30, 2014, we were in compliance with all financial covenants under our revolving credit facility. The lenders may accelerate all of the indebtedness under our revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. With certain specified exceptions, the terms and provisions of our revolving credit facility generally may be amended with the consent of the lenders holding a majority of the outstanding loans or commitments to lend.

Partnership Credit Facility-Wells Fargo Bank

On July 8, 2014, the Partnership entered into a secured revolving credit agreement with Wells Fargo Bank, National Association, or Wells Fargo, as the administrative agent, sole book runner and lead arranger. The credit agreement provides for a revolving credit facility in the maximum amount of $500.0 million, subject to scheduled semi-annual and other elective collateral borrowing base redeterminations based on the Partnership's oil and natural gas reserves and other factors (the "borrowing base"). The borrowing base is scheduled to be re-determined semi-annually with effective dates of April 1st and October 1st. In addition, the Partnership may request up to three additional redeterminations of the borrowing base during any 12-month period. As of July 8, 2014, the borrowing base was set at $110.0 million, and Wells Fargo was the only lender under the credit agreement, with a maximum credit amount of $55.0 million. Under the credit agreement, the commitment of the lenders is equal to the lessor of the aggregate maximum credit amounts of the lenders and the borrowing base. As of August 6, 2014, the borrowing base was increased to $110.0 million with Wells Fargo as the only lender under the credit agreement. The Partnership had outstanding borrowings of $50.0 million as of August 6, 2014.

The outstanding borrowings under the credit agreement bear interest at a rate elected by the Partnership that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.5% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. The Partnership is obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be paid (a) if the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period) and (b) at the maturity date of July 8, 2019. The loan is secured by substantially all of the assets of the Partnership and its subsidiaries.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

Financial Covenant	Required Ratio
Ratio of total debt to EBITDAX	Not greater than 4.0 to 1.0
Ratio of current assets to liabilities, as defined in the credit agreement	Not less than 1.0 to 1.0

EBITDAX will be annualized beginning with the quarter ending September 30, 2014 and ending with the quarter ended March 31, 2015

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to $250 million in the form of senior unsecured notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid.

The lenders may accelerate all of the indebtedness under the Partnership's revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. There are no cure periods for events of default due to non-payment of principal and breaches of negative and financial covenants, but non-payment of interest and breaches of certain affirmative covenants are subject to customary cure periods.

Capital Requirements and Sources of Liquidity

Our board of directors approved a 2014 capital budget for drilling and infrastructure of $425.0 million to $475.0 million, representing an increase of 48% over 2013. We estimate that, of these expenditures, approximately:

- 85% will be spent on 65 to 75 gross (52 to 60 net) operated horizontal wells focused in Midland, Andrews, Upton, Martin and Dawson Counties;
- 8% will be spent on 20 to 25 gross (16 to 20 net) operated vertical wells focused in Midland County;
- 5% will be spent on infrastructure; and
- 2% will be spent on non-operated drilling.

During the six months ended June 30, 2014, our aggregate capital expenditures for drilling and infrastructure were $210.5 million. We do not have a specific acquisition budget since the timing and size of acquisitions cannot be accurately forecasted. During the six months ended June 30, 2014, we spent $312.2 million on acquisitions.

The amount and timing of these capital expenditures is largely discretionary and within our control. We could choose to defer a portion of these planned capital expenditures depending on a variety of factors, including but not limited to the success of our drilling activities, prevailing and anticipated prices for oil and natural gas, the availability of necessary equipment, infrastructure and capital, the receipt and timing of required regulatory permits and approvals, seasonal conditions, drilling and acquisition costs and the level of participation by other interest owners.

Based upon current oil and natural gas price expectations for 2014, we believe that our cash flow from operations and borrowings under our revolving credit facility will be sufficient to fund our operations through year-end 2014. However, future cash flows are subject to a number of variables, including the level of oil and natural gas production and prices, and significant additional capital expenditures will be required to more fully develop our properties. Further, our 2014 capital expenditure budget does not allocate any funds for leasehold interest and property acquisitions.

We monitor and adjust our projected capital expenditures in response to success or lack of success in drilling activities, changes in prices, availability of financing, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs, contractual obligations, internally generated cash flow and other factors both within and outside our control. If we require additional capital, we may seek such capital through traditional reserve base borrowings, joint venture partnerships, production payment financing, asset sales, offerings of debt and or equity securities or other means. We cannot assure you that the needed capital will be available on acceptable terms or at all. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our drilling programs, which could result in a loss of acreage through lease expirations. In addition, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to replace our reserves.

Critical Accounting Policies

There have been no changes in our critical accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of June 30, 2014.

Contractual Obligations

There were no material changes in our contractual obligations and other commitments, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

Our major market risk exposure is in the pricing applicable to our oil and natural gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to our natural gas production. Pricing for oil and natural gas production has been volatile and unpredictable for several years, and we expect this volatility to continue in the future. The prices we receive for production depend on many factors outside of our control.

We use price swap derivatives to reduce price volatility associated with certain of our oil sales. With respect to these fixed price swap contracts, the counterparty is required to make a payment to us if the settlement price for any settlement period is less than the swap price, and we are required to make a payment to the counterparty if the settlement price for any settlement period is greater than the swap price. Our derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on Argus Louisiana light sweet pricing or Inter–Continental Exchange, or ICE, pricing for Brent crude oil.

At June 30, 2014, we had a net liability derivative position of $10,379,000, related to our Argus Louisiana Light Sweet fixed price swaps, as compared to a net asset derivative position of $431,000 as of December 31, 2013 related to our price swap derivatives. Utilizing actual derivative contractual volumes under our fixed price swaps as of June 30, 2014, a 10% increase in forward curves associated with the underlying commodity would have increased the net liability derivative position by $17,037,000 to $27,416,000, while a 10% decrease in forward curves associated with the underlying commodity would have decreased the net liability derivative position into a net derivative asset position of $6,658,000 a decrease of $17,037,000. However, any cash derivative gain or loss would be substantially offset by a decrease or increase, respectively, in the actual sales value of production covered by the derivative instrument.

Counterparty and Customer Credit Risk

Our principal exposures to credit risk are through receivables resulting from joint interest receivables (approximately $24,629,000 at June 30, 2014) and receivables from the sale of our oil and natural gas production (approximately $43,958,000 at June 30, 2014).

We are subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. We do not require our customers to post collateral, and the inability of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. For the six months ended June 30, 2014, two purchasers accounted for more than 10% of our revenue: Shell Trading (US) Company (65%); and Enterprise Crude Oil LLC (17%). For the year ended December 31, 2013, two purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (37%); and Shell Trading (US) Company (37%). No other customer accounted for more than 10% of our revenue during these periods.

Joint operations receivables arise from billings to entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we intend to drill. We have little ability to control whether these entities will participate in our wells. At June 30, 2014, we had one customer that represented approximately 79% of our total joint operations receivables. At December 31, 2013, we had one customer that represented approximately 86% of our total joint operations receivables.

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our indebtedness under our revolving credit facility. The terms of our revolving credit facility provide for interest on borrowings at a floating rate equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.5% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. Our weighted-average interest rate on borrowings from our credit facility was 1.98% during the six months ended June 30, 2014. An increase or decrease of 1% in the interest rate would have a corresponding decrease or increase in our interest expense of approximately $460,000 based on the $46.0 million outstanding in the aggregate under our revolving credit facility on June 30, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we have established disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of June 30, 2014, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2014, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS.

Our business faces many risks. Any of the risks discussed in this Form 10-Q and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

In addition to the information set forth in this Form 10–Q, you should carefully consider the risk factors discussed in *Part I, Item 1A. Risk Factors* in our Annual Report on Form 10–K for the year ended December 31, 2013. There have been no material changes in our risk factors from those described in our Annual Report on Form 10–K for the year ended December 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) We do not have a share repurchase program, and during the three months ended June 30, 2014, we did not purchase any shares of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Description
2.1#	Purchase and Sale Agreement dated February 14, 2014, between Henry Resources LLC, Henry Production LLC, Henry Taw Production LP, Davlin LP, Good Providence LP, William R. Fair, UTH Investments LTD, Paloma Oil & Ranch LP, Chinati Oil & Ranch LP, J. Craig Corbett, Bambana Resources LP, and FC Permian Properties, Inc., as Sellers, and Diamondback E&P LLC, as Buyer (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on February 18, 2014).

Exhibit Number	Description
2.2#	Purchase and Sale Agreement, dated February 14, 2014, between Henry Resources LLC, Henry Production LLC, Henry Taw Production LP, Davlin LP, Good Providence LP, William R. Fair, UTH Investments LTD, Paloma Oil & Ranch LP, Chinati Oil & Ranch LP, J. Craig Corbett, Bambana Resources LP, FC Permian Properties, Inc., Blake Braun, Richard D. Campbell, and Thomas J. Woodside, as Sellers, and Diamondback E&P LLC, as Buyer (incorporated by reference to Exhibit 2.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on February 18, 2014).
2.3#	Purchase and Sale Agreement by and among Rio Oil and Gas, LLC, Rio Oil and Gas (Permian) LLC, Rio Oil and Gas (OPCO), LLC, Bluestem Energy, LP, Bluestem Energy Partners, LP, Bluestem Energy Holdings, LLC, Bluestem Energy Assets, LLC, Bluestem Acquisitions, LLC, BC Operating, Inc., Crown Oil Partners V, LP and Crump Energy Partners II, LLC, as sellers, and Diamondback E&P LLC, as buyer, dated July 18, 2014 (incorporated by reference to Exhibit 2.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on July 21, 2014).
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
4.1	Specimen certificate for shares of common stock, par value $0.01 per share, of the Company (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registration Statement on Form S-1, File No. 333-179502, filed by the Company with the SEC on August 20, 2012).
4.2	Registration Rights Agreement, dated as of October 11, 2012, by and between the Company and DB Energy Holdings LLC (incorporated by reference to Exhibit 4.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
4.3	Investor Rights Agreement, dated as of October 11, 2012, by and between the Company and Gulfport Energy Corporation (incorporated by reference to Exhibit 4.3 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
4.4	Indenture, dated as of September 18, 2013, among Diamondback Energy, Inc., the subsidiary guarantors party thereto and Wells Fargo, N.A., as trustee (including the form of Diamondback Energy, Inc.'s 7.625% Senior Note due October 2021 (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on September 18, 2013).
4.5	First Supplemental Indenture, dated as of November 5, 2013, by and between Diamondback Energy, the subsidiary guarantors party thereto and Wells Fargo, N.A, as trustee (incorporated by reference to Exhibit 4.5 to the Form 10-K, File No. 001-35700, filed by the Company with the SEC on February 19, 2014).
4.6	Registration Rights Agreement, dated as of September 18, 2013, among Diamondback Energy, Inc., the subsidiary guarantors party thereto and Credit Suisse Securities (USA) LLC, as representative of the several initial purchasers (incorporated by reference to Exhibit 4.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on September 18, 2013).
10.1+	2014 Executive Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on April 2, 2014).
10.2+	Amended and Restated Employment Agreement, dated April 24, 2014, effective as of April 18, 2014, by and between Travis D. Stice and Diamondback E&P LLC (incorporated by reference to Exhibit 10.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on June 23, 2014).
10.3	Contribution Agreement by and among Diamondback Energy, Inc., Viper Energy Partners LLC, Viper Energy Partners GP LLC and Viper Energy Partners LP, dated as of June17, 2014 (incorporated by reference to Exhibit 10.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on May 9, 2014).
10.4*	First Amendment, dated June 9, 2014, to the Second Amended and Restated Credit Agreement, originally dated November 1, 2013, by and among the Company, as parent guarantor, Diamondback O&G LLC, as borrower, each of the guarantors party thereto, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent.

Exhibit Number	Description
10.5	Senior Secured Revolving Credit Agreement, dated as of July 8, 2014, among Viper Energy Partners LP, as borrower, Wells Fargo Bank, National Association, as the administrative agent, sole book runner and lead arranger, and certain lenders from time to time party thereto. (incorporated by reference to Exhibit 10.1 to the Form 8-K, File No. 001-36505, filed by Viper Energy Partners LP on July 14, 2014).
31.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1++	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2++	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

The schedules (or similar attachments) referenced in this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule (or similar attachment) will be furnished supplementally to the Securities and Exchange Commission upon request.

* Filed herewith.

** Furnished herewith. Pursuant to Rule 406T of Regulation S-T, these interactive data files are being furnished herewith and are not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are not deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

\+ Management contract, compensatory plan or arrangement.

++ The certifications attached as Exhibit 32.1 and Exhibit 32.2 accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAMONDBACK ENERGY, INC.

Date: August 6, 2014

/s/ Travis D. Stice

Travis D. Stice

Chief Executive Officer

/s/ Teresa L. Dick

Teresa L. Dick

Chief Financial Officer

Exhibit 10.4

Execution Version

FIRST AMENDMENT

TO

SECOND AMENDED AND RESTATED

CREDIT AGREEMENT

DATED AS OF JUNE 9, 2014

AMONG

DIAMONDBACK ENERGY, INC.,
AS PARENT GUARANTOR

DIAMONDBACK O&G LLC,
AS BORROWER,

THE GUARANTORS,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT,

AND

THE LENDERS PARTY HERETO

SOLE BOOK RUNNER AND SOLE LEAD ARRANGER

WELLS FARGO SECURITIES, LLC

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "First Amendment") dated as of June 9, 2014, is among: DIAMONDBACK ENERGY, INC., a Delaware corporation, as the Parent Guarantor (the "Parent Guarantor"); DIAMONDBACK O&G LLC, a Delaware limited liability company (the "Borrower"); each of the undersigned guarantors (together with the Parent Guarantor, the "Guarantors"); each of the lenders party to the Credit Agreement referred to below (collectively, the "Lenders"); and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

R E C I T A L S

A. The Parent Guarantor, the Borrower, the Administrative Agent and the Lenders are parties to that certain Second Amended and Restated Credit Agreement dated as of November 1, 2013 (as amended, modified or supplemented, the "Credit Agreement"), pursuant to which the Lenders have made certain credit available to and on behalf of the Borrower.

B. The Borrower has requested and all of the Lenders have agreed to amend certain provisions of the Credit Agreement as set forth herein.

C. Now, therefore, to induce the Administrative Agent and the Lenders to enter into this First Amendment and in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement, as amended by this First Amendment. Unless otherwise indicated, all section references in this First Amendment refer to sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendments to Section 1.02. Section 1.02 is hereby amended by replacing or adding the following definitions, as applicable, with the following:

> "'Agreement' means this Second Amended and Restated Credit Agreement, as amended by the First Amendment dated as of June 9, 2014, as the same may be further amended, modified or supplemented from time to time.
>
> 'Borrowing Base' means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c), Section 9.05(n)(iii), or Section 9.12(d).

‘Casualty Event’ means any loss, casualty or other insured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Property of the Parent Guarantor, the Borrower or any of their Restricted Subsidiaries having a fair market value in excess of $500,000.

‘Consolidated Net Income’ means with respect to the Parent Guarantor and the Consolidated Restricted Subsidiaries, for any period of determination, the aggregate of the net income (or loss) of the Parent Guarantor and the Consolidated Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of an Unrestricted Subsidiary or any Person in which the Parent Guarantor or any Consolidated Restricted Subsidiaries have an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Parent Guarantor and the Consolidated Restricted Subsidiaries in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such Unrestricted Subsidiary or other Person to the Parent Guarantor or to a Consolidated Restricted Subsidiary, as the case may be; (b) the net income (but not loss) during such period of any Consolidated Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Restricted Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Consolidated Restricted Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with GAAP; (c) the net income (or loss) of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such transaction; (d) any extraordinary gains or losses during such period and (e) any gains or losses attributable to writeups or writedowns of assets, including ceiling test writedowns; and provided further that if the Parent Guarantor or any Consolidated Restricted Subsidiary shall acquire or dispose of any Property during such period or a Subsidiary shall be redesignated as either an Unrestricted Subsidiary or a Restricted Subsidiary, then Consolidated Net Income shall be calculated after giving pro forma effect to such acquisition, disposition or redesignation, as if such acquisition, disposition or redesignation had occurred on the first day of such period.

‘Consolidated Restricted Subsidiary’ means each Consolidated Subsidiary that is a Restricted Subsidiary.

‘Consolidated Unrestricted Subsidiary’ means each Consolidated Subsidiary that is an Unrestricted Subsidiary.

'Environmental Laws' means any and all Governmental Requirements pertaining in any way to health, safety, the environment, the preservation or reclamation of natural resources, or the management, Release or threatened Release of any Hazardous Materials, in effect in any and all jurisdictions in which the Parent Guarantor, the Borrower or any Restricted Subsidiaries are conducting, or at any time have conducted business, or where any Property of the Parent Guarantor, the Borrower or any Restricted Subsidiaries is located, including the Oil Pollution Act of 1990 ("OPA"), as amended, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection Governmental Requirements.

'Excepted Liens' means: (a) Liens for Taxes, assessments or other governmental charges or levies which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (b) Liens in connection with workers' compensation, unemployment insurance or other social security, old age pension or public liability obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (c) statutory landlord's liens, operators', vendors', carriers', warehousemen's, repairmen's, mechanics', suppliers', workers', materialmen's, construction or other like Liens arising by operation of law in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Properties each of which is in respect of obligations that are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (d) contractual Liens which arise in the ordinary course of business under operating agreements, joint venture agreements, oil and gas partnership agreements, oil and gas leases, farm-in and farm-out agreements, division orders, contracts for the sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements, overriding royalty agreements, marketing agreements, processing agreements, net profits agreements, development agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or other geophysical permits or agreements, and other agreements which are usual and customary in the oil and gas business and are for claims which are not delinquent or which

are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP, provided that any such Lien referred to in this clause does not materially impair the use of the Property covered by such Lien for the purposes for which such Property is held by the Parent Guarantor, the Borrower or their Restricted Subsidiaries or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, provided that no such deposit account is a dedicated cash collateral account or is subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board and no such deposit account is intended by the Parent Guarantor, the Borrower or their Restricted Subsidiaries to provide collateral to the depository institution; (f) easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any Property of the Parent Guarantor, the Borrower or their Restricted Subsidiaries for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such Property for the purposes of which such Property is held by the Parent Guarantor, the Borrower or their Restricted Subsidiaries or materially impair the value of such Property subject thereto; (g) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business and (h) judgment and attachment Liens not giving rise to an Event of Default, provided that any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced; provided, further that Liens described in clauses (a) through (e) shall remain "Excepted Liens" only for so long as no action to enforce such Lien has been commenced and no intention to subordinate the first priority Lien granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Excepted Liens.

'Guarantor' means the Parent Guarantor and each Restricted Subsidiary that guarantees the Indebtedness pursuant to Section 8.14(b).

'Indebtedness' means any and all amounts owing or to be owing by the Parent Guarantor, the Borrower or any other Guarantor (whether direct or indirect

(including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising): (a) to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document; (b) to any Secured Swap Party under any Secured Swap Obligations (provided that notwithstanding anything to the contrary herein or in any other Loan Document, "Indebtedness" shall not include with respect to any Person any Excluded Swap Obligations of such Person); (c) to any Cash Management Provider in respect of any Cash Management Agreement and (d) all renewals, extensions and/or rearrangements of any of the above.

'Lien' means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties. The term "Lien" shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations. For the purposes of this Agreement, the Parent Guarantor, the Borrower or any Restricted Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

'Material Adverse Effect' means a material adverse change in, or material adverse effect on (a) the business, operations, Property or condition (financial or otherwise) of the Parent Guarantor, the Borrower and their Restricted Subsidiaries taken as a whole, (b) the ability of the Parent Guarantor, the Borrower, any Restricted Subsidiaries or any other Guarantor to perform any of its obligations under any Loan Document, (c) the validity or enforceability of any Loan Document or (d) the rights and remedies of or benefits available to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document.

'Material Indebtedness' means Debt (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of the Parent Guarantor, the Borrower or their Restricted Subsidiaries in an aggregate principal amount exceeding $10,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Parent Guarantor, the Borrower or their Restricted Subsidiaries in respect of any Swap Agreement at any time shall be the Swap Termination Value.

'Non-Recourse Debt' means any Debt of any Unrestricted Subsidiary, in each case in respect of which: the holder or holders thereof (a) shall have recourse only to, and shall have the right to require the obligations of such Unrestricted Subsidiary to be performed, satisfied, and paid only out of, (i) the Property of such Unrestricted Subsidiary and/or one or more other Unrestricted Subsidiaries and/or any other Person (other than the Parent Guarantor, the Borrower and/or any Restricted Subsidiary) and (ii) the Equity Interests of an Unrestricted Subsidiary and (b) shall have no direct or indirect recourse (including by way of guaranty, support or indemnity) to the Parent Guarantor, the Borrower or any Restricted Subsidiary or to any of the Property of the Parent Guarantor, the Borrower or any Restricted Subsidiary, in each case other than Equity Interests held by them in Unrestricted Subsidiaries, whether for principal, interest, fees, expenses or otherwise.

'Permitted Refinancing Debt' means Debt (for purposes of this definition, "new Debt") incurred in exchange for, or proceeds of which are used to repay, repurchase, redeem, defease, refund, replace, acquire or otherwise retire or refinance, all or part of any other Debt (the "Refinanced Debt"); provided that (a) such new Debt is in an aggregate principal amount not in excess of the sum of (i) the aggregate principal amount then outstanding of the Refinanced Debt (or, if the Refinanced Debt is exchanged or acquired for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, such lesser amount) and (ii) an amount necessary to pay any accrued and unpaid interest on such Refinanced Debt and any fees and expenses, including premiums, related to such exchange or refinancing; (b) such new Debt has a stated maturity no earlier than the stated maturity of the Refinanced Debt and an average life no shorter than the average life of the Refinanced Debt; (c) such new Debt's stated interest rate, fees, and premiums are on "market" terms; (d) such new Debt does not contain covenants that, taken as a whole, are materially more onerous to the Parent Guarantor, the Borrower and the Restricted Subsidiaries than those imposed by the Refinanced Debt and (e) if the Refinanced Debt (or any guarantee thereof) is subordinated in right of payment to the Indebtedness (or, if applicable, the Guaranty Agreement), then such new Debt (and any guarantees thereof) is subordinated in right of payment to the Indebtedness (or, if applicable, the Guaranty Agreement) to at least the same extent as the Refinanced Debt or is otherwise subordinated on terms substantially reasonably satisfactory to the Administrative Agent.

'Reserve Report' means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of each January 1st or July 1st (or such other date in the event of an Interim Redetermination) the oil and gas reserves attributable to the Oil and Gas Properties of the Parent Guarantor the Borrower and the Restricted Subsidiaries, together with a projection of the rate of production and future net income, taxes, operating

expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions consistent with the Administrative Agent's lending requirements at the time.

'Restricted Payment' means any dividend or other distribution (whether in cash, securities or other Property) with respect to any Equity Interests in the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Parent Guarantor, the Borrower or any Restricted Subsidiary or any option, warrant or other right to acquire any such Equity Interests in the Parent Guarantor, the Borrower or any Restricted Subsidiary.

'Restricted Subsidiary' means any Subsidiary of the Parent Guarantor or the Borrower that is not an Unrestricted Subsidiary.

'Secured Swap Agreement' means any Swap Agreement between the Parent Guarantor, the Borrower or any Restricted Subsidiary and any Person that is entered into prior to the time, or during the time, that such Person was a Lender or an Affiliate of a Lender (including any such Swap Agreement in existence prior to the date hereof), even if such Person ceases to be a Lender or an Affiliate of a Lender for any reason (any such Person, a "Secured Swap Party"). For the avoidance of doubt, for purposes of this definition and the definitions of "Secured Swap Party" and "Secured Swap Obligations," the term "Lender" includes each Person that was a "Lender" under the Existing Credit Agreement at the relevant time.

'Total Debt' means, at any date, all Debt of the Parent Guarantor and the Consolidated Restricted Subsidiaries, excluding non-cash obligations under ASC 815.

'Unrestricted Subsidiary' means any Subsidiary of the Parent Guarantor or the Borrower designated as such on Schedule 7.14 from time to time or which the Parent Guarantor or the Borrower has designated in writing to the Administrative Agent to be an Unrestricted Subsidiary pursuant to Section 9.19, until such time as the Parent Guarantor or the Borrower redesignates such Unrestricted Subsidiary as a Restricted Subsidiary in accordance with this Agreement.
'Viper MLP' has the meaning assigned to such term in Section 9.05(n)."

2.2 Amendment to Section 2.07(a). Section 2.07(a) is hereby amended by deleting the last sentence of such Section in its entirety and replacing it with the following:

"Notwithstanding the foregoing, the Borrowing Base may be subject to further adjustments from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c), Section 9.05(n)(iii), or Section 9.12(d)."

2.3 Amendment to Section 2.07(d). Section 2.07(d) is hereby amended by deleting the paragraph at the end of such Section and replacing it with the following:

"Such amount shall then become the Borrowing Base until the next Scheduled Redetermination Date, the next Interim Redetermination Date or the next adjustment to the Borrowing Base under Section 2.07(e), Section 2.07(f), Section 8.13(c), Section 9.05(n)(iii), or Section 9.12, whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination or Interim Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower."

2.4 Amendment to Section 2.07(e). Section 2.07(e) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(e) Potential Adjustment of Borrowing Base Upon Termination of Swap Agreements. If the Borrower or any Restricted Subsidiary shall terminate or create any off-setting positions which have the economic effect of terminating any Swap Agreements (regardless of how evidenced) upon which the Lenders relied in determining the Borrowing Base, and which would affect the Borrowing Base (after giving effect to any replacement Swap Agreements), then, to the extent required by the Majority Lenders within 10 Business Days of such termination, the Borrowing Base shall be adjusted in an amount determined by the Majority Lenders equal to the economic value of such Swap Agreements."

2.5 Amendment to Section 2.08(a). Section 2.08(a) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of dollar denominated Letters of Credit for its own account or for the account of any of its, or the Parent Guarantor's, Restricted Subsidiaries, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period; provided that the Borrower may not request the issuance, amendment, renewal or extension of Letters of Credit hereunder if a Borrowing Base Deficiency exists at such time or would exist as a result thereof. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding anything to the contrary contained in this Agreement, Section 2.08 shall be subject to the terms and conditions of Section 2.09 and Section 2.10."

2.6 Amendment to Section 2.08(j). Section 2.08(j) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Majority Lenders demanding the deposit of cash collateral pursuant to this Section 2.08(j), or (ii) the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c), then the Borrower shall deposit, in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to, in the case of an Event of Default, the LC Exposure, and in the case of a payment required by Section 3.04(c), the amount of such excess as provided in Section 3.04(c), as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Parent Guarantor, the Borrower or any Restricted Subsidiary described in Section 10.01(h) or Section 10.01(i). The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, an exclusive first priority and continuing perfected security interest in and Lien on such account and all cash, checks, drafts, certificates and instruments, if any, from time to time deposited or held in such account, all deposits or wire transfers made thereto, any and all investments purchased with funds deposited in such account, all interest, dividends, cash, instruments, financial assets and other Property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing, and all proceeds, products, accessions, rents, profits, income and benefits therefrom, and any substitutions and replacements therefor. The Borrower's obligation to deposit amounts pursuant to this Section 2.08(j) shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Parent Guarantor, the Borrower or any Restricted Subsidiaries may now or hereafter have against any such beneficiary, the Issuing Bank, the Administrative Agent, the Lenders or any other Person for any reason whatsoever. Such deposit shall be held as collateral securing the payment and performance of the obligations of the Parent Guarantor, the Borrower and the other Guarantors under this Agreement and the other Loan Documents. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments, if any, shall be made at the option and sole discretion of the Administrative Agent, but subject to the consent (not to be unreasonably withheld) of the Borrower and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits,

if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Parent Guarantor, the Borrower and any Restricted Subsidiary under this Agreement or the other Loan Documents. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, and the Borrower is not otherwise required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c), then such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived."

2.7 Amendment to Sections 3.04(c)(iii) and (iv). Sections 3.04(c)(iii) and (iv) are hereby amended by deleting such Sections in theri entirety and replacing them with the following:

"(iii) Upon any adjustments to the Borrowing Base pursuant to Section 2.07(e), Section 2.07(f), Section 9.05(n)(iii), or Section 9.12(d), if the total Revolving Credit Exposures exceeds the Borrowing Base as adjusted, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such excess, and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral on the date of such termination, creation of offsetting positions or designation or on the date on which it receives cash proceeds as a result of such issuance or disposition; provided that all payments required to be made pursuant to this Section 3.04(c)(iii) must be made on or prior to the Termination Date.

(iv) Notwithstanding anything to the contrary herein, if the Borrower or any of its Restricted Subsidiaries sells any Property when a Borrowing Base Deficiency or Event of Default exists, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to the net cash proceeds received from such sale, and (B) if any excess remains after prepaying all of the Borrowings and there exists any LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to the lesser of such excess and the amount of such LC Exposure to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral on the date it or any Restricted Subsidiary receives cash proceeds as a result of such sale; provided that all payments required to be made pursuant to this Section 3.04(c)(iv) must be made on or prior to the Termination Date."

2.8 Amendment to Section 4.01(c). Section 4.01(c) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(c) Sharing of Payments by Lenders. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 4.01(c) shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Parent Guarantor, the Borrower or any Restricted Subsidiary or Affiliate thereof (as to which the provisions of this Section 4.01(c) shall apply). The Parent Guarantor and the Borrower consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Parent Guarantor or the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Parent Guarantor or the Borrower in the amount of such participation."

2.9 Amendment to Section 4.03. Section 4.03 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 4.03 Disposition of Proceeds. The Security Instruments contain an assignment by the Parent Guarantor, the Borrower and/or the other Guarantors unto and in favor of the Administrative Agent for the benefit of the Lenders of all of the Borrower's and/or each Guarantor's interest in and to production and all proceeds attributable thereto which may be produced from or allocated to the Mortgaged Property. The Security Instruments further provide in general for the application of such proceeds to the satisfaction of the Indebtedness and other obligations described therein and secured thereby. Notwithstanding the assignment contained in such Security Instruments, until the occurrence of an Event of Default, (a) the Administrative Agent and the Lenders agree that they will neither notify the purchaser or purchasers of such production nor take any other action to cause such proceeds to be remitted to the Administrative Agent or the Lenders, but the Lenders will instead permit such proceeds to be paid to the Parent Guarantor, the Borrower and the Restricted Subsidiaries and (b) the Lenders hereby authorize the Administrative Agent to take such actions as may be necessary to cause such proceeds to be paid to the Parent Guarantor, the Borrower and such Restricted Subsidiaries."

2.10 Amendment to Section 7.01. Section 7.01 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.01 Organization; Powers. Each of the Parent Guarantor, the Borrower and the Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority, and has all material governmental licenses, authorizations, consents and approvals necessary, to own its assets and to carry on its business as now conducted, and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where failure to have such power, authority, licenses, authorizations, consents, approvals and qualifications could not reasonably be expected to have a Material Adverse Effect."

2.11 Amendment to Section 7.03. Section 7.03 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.03 Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other third Person (including holders of its Equity Interests or any class of directors, managers or supervisors, as applicable, whether interested or disinterested, of the Parent Guarantor, the Borrower or any other Person), nor is any such consent, approval, registration, filing or other action necessary for the validity or enforceability of any Loan Document or the consummation of the transactions contemplated thereby, except such as have been obtained or made and are in full force and effect other than the recording and filing of the Security Instruments and financing statements as required by this Agreement, (b) will not violate any applicable law or regulation or charter, bylaws, limited liability company agreements or other organizational documents of the Parent Guarantor, the Borrower or any Restricted Subsidiary or any order of any Governmental Authority, and (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Parent Guarantor, the Borrower or any Restricted Subsidiaries or their Properties, or give rise to a right thereunder to require any payment to be made by the Parent Guarantor, the Borrower or any Restricted Subsidiaries and will not result in the creation or imposition of any Lien on any Property of the Parent Guarantor, the Borrower or any Restricted Subsidiaries (other than the Liens created by the Loan Documents)."

2.12 Amendment to Section 7.05. Section 7.05 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.05 Litigation. There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Parent Guarantor, the Borrower or any Restricted Subsidiary (i) not fully covered by insurance (except for normal deductibles) as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve any Loan Document or the Transactions."

2.13 Amendment to Section 7.06. Section 7.06 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.06 Environmental Matters. Except for such matters that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Parent Guarantor or the Borrower:

(a) The Parent Guarantor, the Borrower and the Restricted Subsidiaries and each of their respective Properties and operations thereon are, and within all applicable statute of limitation periods have been, in compliance with all applicable Environmental Laws;

(b) The Parent Guarantor, the Borrower and the Restricted Subsidiaries have obtained all Environmental Permits required for their respective operations and each of their Properties, with all such Environmental Permits being currently in full force and effect, and neither the Parent Guarantor, the Borrower nor any Restricted Subsidiary has received any written notice or otherwise has knowledge that any such existing Environmental Permit will be revoked or that any application for any new Environmental Permit or renewal of any existing Environmental Permit will be protested or denied;

(c) There are no claims, demands, suits, orders, inquiries, or proceedings concerning any violation of, or any liability (including as a potentially responsible party) under, any applicable Environmental Laws that is pending or, to either the Parent Guarantor's or the Borrower's knowledge, threatened against the Parent Guarantor, the Borrower or any Restricted Subsidiary or any of their respective Properties or as a result of any operations at the Properties;

(d) None of the Properties of the Parent Guarantor, the Borrower or any Restricted Subsidiary contain or have contained any: (i) underground storage tanks; (ii) asbestos-containing materials; (iii) landfills or dumps; (iv) hazardous waste management units as defined pursuant to RCRA or any comparable state law; or (v) sites on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law;

(e) There has been no Release or, to the Parent Guarantor's or the Borrower's knowledge, threatened Release, of Hazardous Materials at, on, under or from any of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties, there are no investigations, remediations, abatements, removals, or monitorings of Hazardous Materials required under applicable Environmental Laws at such Properties and, to the knowledge of the Borrower, none of such Properties are adversely affected by any Release or threatened Release of a Hazardous Material originating or emanating from any other real property;

(f) Neither the Parent Guarantor, the Borrower nor any of the Restricted Subsidiaries have received any written notice asserting an alleged liability or obligation under any applicable Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials at, under, or Released or threatened to be Released from any real properties offsite the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties and, to the Parent Guarantor's and the Borrower's knowledge, there are no conditions or circumstances that could reasonably be expected to result in the receipt of such written notice;

(g) There has been no exposure of any Person or property to any Hazardous Materials as a result of or in connection with the operations and businesses of any of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties that could reasonably be expected to form the basis for a claim for damages or compensation; and

(h) The Parent Guarantor and the Borrower has made available to Lenders complete and correct copies of all environmental site assessment reports, investigations, studies, analyses, and correspondence on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in any of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' possession or control and relating to their respective Properties or operations thereon."

2.14 Amendment to Section 7.07. Section 7.07 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.07 Compliance With Laws and Agreements; No Defaults.

(a) The Parent Guarantor, the Borrower and each of the Restricted Subsidiaries are in compliance with all Governmental Requirements applicable to it or its Property and all agreements and other instruments binding upon it or its Property, and possesses all licenses, permits, franchises, exemptions, approvals and other governmental authorizations necessary for the ownership of its Property and the conduct of its business, in each case except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Parent Guarantor, the Borrower nor any Restricted Subsidiaries are in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default or would require the Parent Guarantor, the Borrower or any Restricted Subsidiaries to Redeem or make any offer to Redeem under any indenture, note, credit agreement or instrument pursuant

to which any Material Indebtedness is outstanding or by which the Parent Guarantor, the Borrower or any Restricted Subsidiaries or any of their Properties are bound.

(c) No Default has occurred and is continuing."

2.15 Amendment to Section 7.08. Section 7.08 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.08 Investment Company. Neither the Parent Guarantor, the Borrower nor any Restricted Subsidiary is an "investment company" or a company "controlled" by an "investment company," within the meaning of, or subject to regulation under, the Investment Company Act of 1940, as amended."

2.16 Amendment to Section 7.09. Section 7.09 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.09 Taxes. The Parent Guarantor, the Borrower and the Restricted Subsidiaries have timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Parent Guarantor, the Borrower or Restricted Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Parent Guarantor, the Borrower and the Restricted Subsidiaries in respect of Taxes and other governmental charges are, in the reasonable opinion of the Parent Guarantor and the Borrower, adequate. No Tax Lien has been filed and, to the knowledge of the Parent Guarantor and the Borrower, no claim is being asserted with respect to any such Tax or other such governmental charge."

2.17 Amendment to Section 7.10. Section 7.10 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.10 ERISA.

(a) The Parent Guarantor, the Borrower, the Restricted Subsidiaries and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.

(b) Each Plan is, and has been, established and maintained in substantial compliance with its terms, ERISA and, where applicable, the Code.

(c) No act, omission or transaction has occurred which could result in imposition on the Parent Guarantor, the Borrower, any Restricted Subsidiary or any

ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(d) Full payment when due has been made of all amounts which the Parent Guarantor, the Borrower, any Restricted Subsidiary or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof.

(e) Neither the Parent Guarantor, the Borrower, any Restricted Subsidiary nor any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by the Parent Guarantor, the Borrower, any Restricted Subsidiary or any ERISA Affiliate in its sole discretion at any time without any material liability.

(f) Neither the Parent Guarantor, the Borrower, any Restricted Subsidiary nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, any employee pension benefit plan, as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code."

2.18 Amendment to Section 7.11. Section 7.11 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.11 Disclosure; No Material Misstatement. The Parent Guarantor and the Borrower have disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it, or any of its Restricted Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the other reports, financial statements, certificates or other information furnished by or on behalf of the Parent Guarantor, the Borrower or any Restricted Subsidiary to the Administrative Agent or any Lender or any of their Affiliates in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Parent Guarantor, and the Borrower represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to the Parent Guarantor, the Borrower or any Restricted

Subsidiary which could reasonably be expected to have a Material Adverse Effect or in the future is reasonably likely to have a Material Adverse Effect and which has not been set forth in this Agreement or the Loan Documents or the other documents, certificates and statements furnished to the Administrative Agent or the Lenders by or on behalf of the Borrower or any Restricted Subsidiary prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no statements or conclusions in any Reserve Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that projections concerning volumes attributable to the Oil and Gas Properties of the Parent Guarantor, the Borrower and the Restricted Subsidiaries and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and that the Parent Guarantor, the Borrower and the Restricted Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate."

2.19 Amendment to Section 7.12. Section 7.12 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.12 Insurance. The Parent Guarantor and the Borrower have, and have caused all of the Restricted Subsidiaries to have, (a) all insurance policies sufficient for the compliance by each of them with all material Governmental Requirements and all material agreements and (b) insurance coverage in at least amounts and against such risk (including, without limitation, public liability) that are usually insured against by companies similarly situated and engaged in the same or a similar business for the assets and operations of the Borrower and its Restricted Subsidiaries. The Administrative Agent and the Lenders have been named as additional insureds in respect of such liability insurance policies and the Administrative Agent has been named as loss payee with respect to Property loss insurance."

2.20 Amendment to Section 7.13. Section 7.13 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.13 Restriction on Liens. Neither the Parent Guarantor, the Borrower nor any Restricted Subsidiary is a party to any material agreement or arrangement (other than as permitted by Section 9.16), or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant Liens to the Administrative Agent and the Lenders on or in respect of their Properties to secure the Indebtedness and the Loan Documents."

2.21 Amendment to Section 7.14. Section 7.14 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.14 Subsidiaries. Except as set forth on Schedule 7.14 or as disclosed in writing to the Administrative Agent (which shall promptly furnish a copy to the Lenders), which shall be a supplement to Schedule 7.14, the Parent Guarantor and the Borrower have no Subsidiaries. Schedule 7.14 (as updated with any written disclosures provided in writing to the Administrative Agent) identifies each Subsidiary as either Restricted or Unrestricted, and each Restricted Subsidiary on such schedule is a Wholly-Owned Subsidiary."

2.22 Amendment to Section 7.16. Section 7.16 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.16 Properties, Titles, Etc.

(a) The Parent Guarantor, the Borrower and the Restricted Subsidiaries have good and defensible title to the Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to all its personal Properties, in each case, free and clear of all Liens except Liens permitted by Section 9.03. After giving full effect to the Excepted Liens, the Parent Guarantor, the Borrower or the Restricted Subsidiary specified as the owner owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and the ownership of such Properties shall not in any material respect obligate the Parent Guarantor, the Borrower or such Restricted Subsidiary to bear the costs and expenses relating to the maintenance, development and operations of each such Property in an amount in excess of the working interest of each Property set forth in the most recently delivered Reserve Report that is not offset by a corresponding proportionate increase in the Parent Guarantor's, the Borrower's or such Restricted Subsidiary's net revenue interest in such Property.

(b) All material leases and agreements necessary for the conduct of the business of the Parent Guarantor, the Borrower and the Restricted Subsidiaries are valid and subsisting, in full force and effect, and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which could reasonably be expected to have a Material Adverse Effect.

(c) The rights and Properties presently owned, leased or licensed by the Parent Guarantor, the Borrower and the Restricted Subsidiaries including, without limitation, all easements and rights of way, include all rights and Properties necessary to permit the Parent Guarantor, the Borrower and the Restricted Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the date hereof.

(d) All of the Properties of the Parent Guarantor, the Borrower and the Restricted Subsidiaries which are reasonably necessary for the operation of

their businesses are in good working condition and are maintained in accordance with prudent business standards.

(e) The Parent Guarantor, the Borrower and the Restricted Subsidiaries own, or are licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property material to its business, and the use thereof by the Parent Guarantor, the Borrower and the Restricted Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Parent Guarantor, the Borrower and the Restricted Subsidiaries either own or have valid licenses or other rights to use all databases, geological data, geophysical data, engineering data, seismic data, maps, interpretations and other technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use of the same, which limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

2.23 Amendment to Section 7.17. Section 7.17 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.17 Maintenance of Property. Except for such acts or failures to act as could not be reasonably expected to have a Material Adverse Effect, the Oil and Gas Properties (and Properties unitized therewith) of the Parent Guarantor, the Borrower and the Restricted Subsidiaries have been maintained, operated and developed in a good and workmanlike manner and in conformity with all Governmental Requirements and in conformity with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Parent Guarantor, the Borrower and the Restricted Subsidiaries. Specifically in connection with the foregoing, except for those as could not be reasonably expected to have a Material Adverse Effect, (a) no Oil and Gas Property of the Parent Guarantor, the Borrower or the Restricted Subsidiaries is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (b) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Parent Guarantor, the Borrower or the Restricted Subsidiaries are deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Parent Guarantor, the Borrower or such Restricted Subsidiary. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned in whole or in part by the Parent Guarantor, the Borrower or any Restricted Subsidiary that are necessary to conduct

normal operations are being maintained in a state adequate to conduct normal operations, and with respect to such of the foregoing which are operated by the Parent Guarantor, the Borrower or any Restricted Subsidiary, in a manner consistent with the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' past practices (other than those the failure of which to maintain in accordance with this Section 7.17 could not reasonably be expected to have a Material Adverse Effect).

2.24 Amendment to Section 7.18. Section 7.18 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.18 Gas Imbalances, Prepayments. Except as set forth on the most recent certificate delivered pursuant to Section 8.12(c), on a net basis there are no gas imbalances, take or pay or other prepayments which would require the Parent Guarantor, the Borrower or any Restricted Subsidiary to deliver Hydrocarbons produced from the Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding 500,000 Mcf of gas (on an mcf equivalent basis) in the aggregate."

2.25 Amendment to Section 7.19. Section 7.19 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.19 Marketing of Production. Except for contracts either listed on Schedule 7.19, disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report (with respect to all of which contracts the Parent Guarantor and the Borrower represent that they or the Restricted Subsidiaries are receiving a price for all production sold thereunder which is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Property's delivery capacity), no material agreements exist which are not cancelable on 60 days notice or less without penalty or detriment for the sale of production from the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Hydrocarbons (including, without limitation, calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six (6) months from the date hereof."

2.26 Amendment to Section 7.20. Section 7.20 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.20 Swap Agreements. After the date hereof, each report required to be delivered by the Parent Guarantor and the Borrower pursuant to Section 8.01(d) sets forth a true and complete list of all Swap Agreements of the Parent Guarantor, the Borrower and each Restricted Subsidiary not listed on Schedule 7.20, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support

agreements relating thereto (including any margin required or supplied) and the counterparty to each such agreement."

2.27 Amendment to Section 7.21. Section 7.21 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.21 Use of Loans and Letters of Credit. The proceeds of the Loans and the Letters of Credit shall be used (a) to provide working capital for lease acquisitions, exploration, production operations and development (including the drilling and completion of producing wells) and (b) for general corporate purposes of the Borrower and the Guarantors. The Borrower and the Restricted Subsidiaries are not engaged principally, or as one of its or their important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board). No part of the proceeds of any Loan or Letter of Credit will be used for any purpose which violates the provisions of Regulations T, U or X of the Board."

2.28 Amendment to Section 7.22. Section 7.22 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.22 Solvency. After giving effect to the transactions contemplated hereby, (a) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Parent Guarantor, the Borrower and the Restricted Subsidiaries, taken as a whole, will exceed the aggregate Debt of the Parent Guarantor, the Borrower and the Restricted Subsidiaries, taken as a whole, as the Debt becomes absolute and matures, (b) the Parent Guarantor and the Borrower will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures and (c) the Parent Guarantor and the Borrower will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business."

2.29 Amendment to Section 7.23. Section 7.23 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.23 Foreign Corrupt Practices Act. Neither the Borrower nor any of the Restricted Subsidiaries, nor any director, officer, agent, employee or Affiliate of the Borrower or any of the Restricted Subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a material violation by such Persons of the FCPA, including without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment,

promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA; and, the Borrower, its Subsidiaries and its and their Affiliates have conducted their business in material compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith."

2.30 Amendment to Section 7.24. Section 7.24 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 7.24 OFAC. Neither the Borrower nor any of the Restricted Subsidiaries, nor any director, officer, agent, employee or Affiliate of the Borrower or any of the Restricted Subsidiaries is currently subject to any material U.S. sanctions administered by OFAC, and the Borrower will not directly or indirectly use the proceeds from the Loans or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC."

2.31 Amendment to Section 8.01(d). Section 8.01(d) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(d) Certificate of Financial Officer – Swap Agreements. Concurrently with the delivery of each Reserve Report hereunder, a certificate of a Financial Officer, in form and substance satisfactory to the Administrative Agent, setting forth as of a recent date, a true and complete list of all Swap Agreements of the Parent Guarantor, the Borrower and each Restricted Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark-to-market value therefor, any new credit support agreements relating thereto not listed on Schedule 7.20, any margin required or supplied under any credit support document, and the counterparty to each such agreement."

2.32 Amendment to Section 8.01(f). Section 8.01(f) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(f) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to the Parent Guarantor, the Borrower or any Restricted Subsidiaries by independent accountants in connection with any annual, interim or special audit made by them of the books of the Parent Guarantor, the Borrower or any such Restricted Subsidiary, and a copy of any response by the Parent Guarantor, the Borrower or any such Restricted Subsidiary to such letter or report."

2.33 Amendment to Section 8.01(g). Section 8.01(g) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(g) SEC and Other Filings; Reports to Shareholders. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Parent Guarantor with the SEC, or with any national securities exchange, or distributed by the Parent Guarantor to its shareholders generally, as the case may be (it being understood that the delivery by the Parent Guarantor of such reports, proxy statements and other materials filed by the Parent Guarantor, the Borrower or a Restricted Subsidiary, and notice to the Administrative Agent of such delivery, shall satisfy the requirements of this Section 8.01(g) to the extent such reports, proxy statements and other materials include the information specified herein)."

2.34 Amendment to Section 8.01(i). Section 8.01(i) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(i) List of Purchasers. Concurrently with the delivery of any Reserve Report to the Administrative Agent pursuant to Section 8.12, a list of all Persons purchasing Hydrocarbons from the Parent Guarantor, the Borrower and the Restricted Subsidiaries."

2.35 Amendment to Section 8.01(j). Section 8.01(j) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(j) Notice of Sales of Oil and Gas Properties. In the event the Parent Guarantor, the Borrower or any Restricted Subsidiary intends to sell, transfer, assign or otherwise dispose of any Oil and Gas Properties or any Equity Interests in any Restricted Subsidiary in accordance with Section 9.12(d), prior written notice of such disposition, the price thereof and the anticipated date of closing and any other details thereof reasonably requested by the Administrative Agent or any Lender."

2.36 Amendment to Section 8.01(n). Section 8.01(n) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(n) Notice of Certain Changes. Promptly, but in any event within five (5) Business Days after the execution thereof, copies of any amendment, modification or supplement to the certificate of formation, limited liability company agreement or any other organic document of the Parent Guarantor, the Borrower or any Restricted Subsidiary."

2.37 Amendment to Section 8.01(o). Section 8.01(o) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(o) Certificate of Financial Officer – Consolidating Information. If, at any time, all of the Consolidated Subsidiaries of the Borrower are not Consolidated Restricted Subsidiaries, then concurrently with any delivery of financial statements under Section 8.01(a) or Section 8.01(b), a certificate of a Financial Officer setting forth consolidating spreadsheets that show all Consolidated Unrestricted Subsidiaries and the eliminating entries, in such form as would be presentable to the auditors of the Borrower."

2.38 Amendment to Section 8.01. Section 8.01 is hereby amended by adding the following Section 8.01(p):

"(p) Other Requested Information. Promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Parent Guarantor, the Borrower or any Restricted Subsidiary (including any Plan and any reports or other information required to be filed with respect thereto under the Code or under ERISA), or compliance with the terms of this Agreement or any other Loan Document, as the Administrative Agent or any Lender may reasonably request."

2.39 Amendment to Section 8.03. Section 8.03 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.03 Existence; Conduct of Business. The Parent Guarantor and the Borrower will, and will cause each Restricted Subsidiary to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business and maintain, if necessary, its qualification to do business in each other jurisdiction in which its Oil and Gas Properties is located or the ownership of its Properties requires such qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 9.11."

2.40 Amendment to Section 8.04. Section 8.04 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.04 Payment of Obligations. The Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, pay its obligations, including Tax liabilities of the Parent Guarantor, the Borrower and all of the Restricted Subsidiaries before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Parent Guarantor, the Borrower or such Restricted Subsidiaries has set aside on their books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in

the seizure or levy of any Property of the Parent Guarantor, the Borrower or any Restricted Subsidiary."

2.41 Amendment to Section 8.05. Section 8.05 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.05 Performance of Obligations Under Loan Documents. The Borrower will pay the Notes according to the reading, tenor and effect thereof, and the Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, do and perform every act and discharge all of the obligations to be performed and discharged by them under the Loan Documents, including, without limitation, this Agreement, at the time or times and in the manner specified."

2.42 Amendment to Section 8.06. Section 8.06 is hereby amended by deleting the initial sentence thereof and replacing it with the following:

"The Parent Guarantor and the Borrower, at their own expense, will, and will cause each of the Restricted Subsidiaries to:"

2.43 Amendment to Section 8.07. Section 8.07 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.07 Insurance. The Parent Guarantors and the Borrower will, and will cause each of the Restricted Subsidiaries to, maintain with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. The loss payable clauses or provisions in said insurance policy or policies insuring any of the collateral for the Loans shall be endorsed in favor of and made payable to the Administrative Agent as its interests may appear and such policies shall name the Administrative Agent and the Lenders as "additional insureds" and provide that the insurer will endeavor to give at least 30 days prior notice of any cancellation to the Administrative Agent."

2.44 Amendment to Section 8.08. Section 8.08 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.08 Books and Records. The Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition

with its officers and independent accountants, all at such reasonable times and as often as reasonably requested."

2.45 Amendment to Section 8.09. Section 8.09 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.09 Compliance With Laws. The Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to them or their Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect."

2.46 Amendment to Section 8.10. Section 8.10 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.10 Environmental Matters.

(a) The Parent Guarantor and the Borrower shall each, at its sole expense: (i) comply, and shall cause its Properties and operations and each Restricted Subsidiary and each Restricted Subsidiary's Properties and operations to comply, with all applicable Environmental Laws, the breach of which could be reasonably expected to have a Material Adverse Effect; (ii) not Release or threaten to Release, and shall cause each Restricted Subsidiary not to Release or threaten to Release, any Hazardous Material on, under, about or from any of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties or any other property offsite the Property to the extent caused by the Parent Guarantor's, the Borrower's or any of the Restricted Subsidiaries' operations except in compliance with applicable Environmental Laws, the Release or threatened Release of which could reasonably be expected to have a Material Adverse Effect; (iii) timely obtain or file, and shall cause each Restricted Subsidiary to timely obtain or file, all Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; (iv) promptly commence and diligently prosecute to completion, and shall cause each Subsidiary to promptly commence and diligently prosecute to completion, any assessment, evaluation, investigation, monitoring, containment, cleanup, removal, repair, restoration, remediation or other remedial obligations (collectively, the "Remedial Work") in the event any Remedial Work is required or reasonably necessary under applicable Environmental Laws because of or in connection with the actual or suspected past, present or future Release or threatened Release of any Hazardous Material on, under, about or from any of the Parent Guarantor's, the Borrower's or the Restricted Subsidiaries' Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; (v) conduct, and cause the Restricted Subsidiaries to conduct, their respective operations

and businesses in a manner that will not expose any Property or Person to Hazardous Materials that could reasonably be expected to form the basis for a claim for damages or compensation; and (vi) establish and implement, and shall cause each Restricted Subsidiary to establish and implement, such procedures as may be necessary to continuously determine and assure that the Parent Guarantor's, the Borrower's and the Restricted Subsidiaries' obligations under this Section 8.10(a) are timely and fully satisfied, which failure to establish and implement could reasonably be expected to have a Material Adverse Effect.

(b) The Parent Guarantor or the Borrower will promptly, but in no event later than five days of the occurrence of a triggering event, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any threatened demand or lawsuit by any Person against the Parent Guarantor, the Borrower or the Restricted Subsidiaries or their Properties of which the Parent Guarantor or the Borrower has knowledge in connection with any Environmental Laws if the Parent Guarantor or the Borrower reasonably anticipate that such action will result in liability (whether individually or in the aggregate) in excess of $500,000 not fully covered by insurance, subject to normal deductibles.

(c) The Parent Guarantor and the Borrower will, and will cause each of the Restricted Subsidiaries to, provide environmental assessments, audits and tests in accordance with the most current version of the American Society of Testing Materials standards (i) upon request by the Administrative Agent and the Lenders no more than once per year (or as otherwise required to be obtained by the Administrative Agent or the Lenders by any Governmental Authority), (ii) at any time during an Event of Default and (iii) in connection with any future acquisitions of Oil and Gas Properties or other Properties."

2.47 Amendment to Section 8.11(a). Section 8.11(a) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(a) The Parent Guarantor or the Borrower at its sole expense will, and will cause the Restricted Subsidiaries to promptly execute and deliver to the Administrative Agent all such other documents, agreements and instruments reasonably requested by the Administrative Agent to comply with, cure any defects or accomplish the conditions precedent, covenants and agreements of the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries, as the case may be, in the Loan Documents, including the Notes, or to further evidence and more fully describe the collateral intended as security for the Indebtedness, or to correct any omissions in this Agreement or the Security Instruments, or to state more fully the obligations secured therein, or to perfect, protect or preserve any Liens created pursuant to this Agreement or any of the Security Instruments or the priority thereof, or to make any recordings, file any notices or obtain any consents, all as may be

reasonably necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith."

2.48 Amendment to Section 8.12(a). Section 8.12(a) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(a) On or before March 1st and September 1st of each year, commencing September 1, 2014, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report evaluating the Oil and Gas Properties of the Borrower and the Restricted Subsidiaries as of the immediately preceding January 1st and July 1st. The Reserve Report as of January 1 of each year shall be prepared by one or more Approved Petroleum Engineers, and the July 1 Reserve Report of each year shall be prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding January 1 Reserve Report."

2.49 Amendment to Section 8.12(c). Section 8.12(c) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(c) With the delivery of each Reserve Report, the Borrower shall provide to the Administrative Agent and the Lenders a certificate from a Responsible Officer certifying that in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (ii) the Borrower or the Restricted Subsidiaries own good and defensible title to the Oil and Gas Properties evaluated in such Reserve Report and such Properties are free of all Liens except for Liens permitted by Section 9.03, (iii) except as set forth on an exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments in excess of the volume specified in Section 7.18 with respect to its Oil and Gas Properties evaluated in such Reserve Report which would require the Borrower or any Restricted Subsidiary to deliver Hydrocarbons either generally or produced from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor, (iv) none of their Oil and Gas Properties have been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all of its Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent, (v) attached to the certificate is a list of all marketing agreements entered into subsequent to the later of the date hereof or the most recently delivered Reserve Report which the Borrower could reasonably be expected to have been obligated to list on Schedule 7.19 had such agreement been in effect on the date hereof and (vi) attached thereto is a schedule of the Oil and Gas Properties evaluated by such Reserve Report that are Mortgaged Properties and demonstrating the percentage of the total value of the Oil and Gas Properties that the value of such Mortgaged Properties represent in compliance with Section 8.14(a)."

2.50 Amendment to Section 8.14. Section 8.14 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.14 Additional Collateral; Additional Guarantors.

(a) In connection with each redetermination of the Borrowing Base, the Borrower shall review the Reserve Report and the list of current Mortgaged Properties (as described in Section 8.12(c)(vi)) to ascertain whether the Mortgaged Properties represent at least 80% of the total value of the Oil and Gas Properties evaluated in the most recently completed Reserve Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least 80% of such total value, then the Parent Guarantor and the Borrower shall, and shall cause the Restricted Subsidiaries to, grant, within thirty (30) days of delivery of the certificate required under Section 8.12(c), to the Administrative Agent as security for the Indebtedness a first-priority Lien interest (provided that Excepted Liens of the type described in clauses (a) to (d) and (f) of the definition thereof may exist, but subject to the provisos at the end of such definition) on additional Oil and Gas Properties not already subject to a Lien of the Security Instruments such that after giving effect thereto, the Mortgaged Properties will represent at least 80% of such total value. All such Liens will be created and perfected by and in accordance with the provisions of deeds of trust, security agreements and financing statements or other Security Instruments, all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes. In order to comply with the foregoing, if any Restricted Subsidiary places a Lien on its Oil and Gas Properties and such Restricted Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) The Parent Guarantor and the Borrower shall (i) cause each Restricted Subsidiary that is not a party to the Guaranty Agreement to, promptly, but in any event no later than 15 days after the formation or acquisition (or other similar event) of such Restricted Subsidiary, execute and deliver a supplement to the Guaranty Agreement whereby such Restricted Subsidiary will guarantee the Indebtedness, (ii) pledge, or cause the applicable Restricted Subsidiary or Restricted Subsidiaries to pledge, all of the Equity Interests of such new Restricted Subsidiary (including, without limitation, delivery of any stock certificates evidencing the Equity Interests of such Restricted Subsidiary, together with an appropriate undated stock power for each certificate duly executed in blank by the registered owner thereof, if applicable) and (iii) execute and deliver, and cause each Restricted Subsidiary to execute and deliver, such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent."

2.51 Amendment to Section 8.15. Section 8.15 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.15 ERISA Compliance. The Parent Guarantor and the Borrower will promptly furnish and will cause the Restricted Subsidiaries and any ERISA Affiliate to promptly furnish to the Administrative Agent (i) promptly after the filing thereof with the United States Secretary of Labor or the Internal Revenue Service, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal Financial Officer, the Restricted Subsidiary or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action the Parent Guarantor, the Borrower, the Restricted Subsidiary or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service or the Department of Labor with respect thereto."

2.52 Amendment to Section 8.16. Section 8.16 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.16 Marketing Activities. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than (i) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from their proved Oil and Gas Properties during the period of such contract, (ii) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from proved Oil and Gas Properties of third parties during the period of such contract associated with the Oil and Gas Properties of the Parent Guarantor, the Borrower or the Restricted Subsidiaries that the Parent Guarantor, the Borrower or the Restricted Subsidiaries have the right to market pursuant to joint operating agreements, unitization agreements or other similar contracts that are usual and customary in the oil and gas business and (iii) other contracts for the purchase and/or sale of Hydrocarbons of third parties (A) which have generally offsetting provisions (i.e. corresponding pricing mechanics, delivery dates and points and volumes) such that no "position" is taken and (B) for which appropriate credit support has been taken to alleviate the material credit risks of the counterparty thereto."

2.53 Amendment to Section 8.17. Section 8.17 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 8.17 Swap Agreements. To the extent the Borrower or a Restricted Subsidiary changes the material terms of any Swap Agreement, terminates any such Swap Agreement or enters into a new Swap Agreement which has the effect of creating an off-setting position, the Borrower will give the Lenders prompt written

notice of such event and concurrently with such notice the Majority Lenders shall have the right to adjust the Borrowing Base in accordance with Section 2.07(e)."

2.54 Amendment to Article VIII. Article VIII is hereby amended by adding the following Section 8.18:

"Section 8.18 Unrestricted Subsidiaries. The Borrower and the Parent Guarantor will:

(a) cause the management, business and affairs of its Subsidiaries to be conducted in such a manner (including, without limitation, by keeping separate books of account, furnishing separate financial statements of Unrestricted Subsidiaries to creditors and potential creditors thereof and by not permitting Properties of the Parent Guarantor, the Borrower and the Restricted Subsidiaries to be commingled) so that each Unrestricted Subsidiary that is a corporation or limited liability company will be treated as an entity separate and distinct from the Parent Guarantor, the Borrower and the Restricted Subsidiaries.

(b) not, and will not permit any of the Restricted Subsidiaries to, incur, assume, guarantee or be or become liable for any Debt of any of the Unrestricted Subsidiaries, other than non-recourse pledges of Equity Interests in Unrestricted Subsidiaries granted to secure Debt of Unrestricted Subsidiaries.

(c) not permit any Unrestricted Subsidiary to hold any Equity Interest in, or any Debt of, the Parent Guarantor, the Borrower or any Restricted Subsidiary."

2.55 Amendment to Section 9.01(b). Section 9.01(b) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(b) Current Ratio. The Parent Guarantor will not permit, as of the last day of any fiscal quarter beginning on the fiscal quarter ending September 30, 2013, the ratio for the Parent Guarantor and the Consolidated Restricted Subsidiaries of (i) consolidated current assets (including the unused amount of the total Commitments, but excluding non-cash assets under the equivalent of ASC 815 under GAAP) to (ii) consolidated current liabilities (excluding non-cash obligations under the equivalent of ASC 815 under GAAP and current maturities under this Agreement) to be less than 1.0 to 1.0."

2.56 Amendment to Section 9.02. Section 9.02 is hereby amended by deleting the initial sentence thereof and replacing it with the following:

"The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, incur, create, assume or suffer to exist any Debt, except:"

2.57 Amendment to Section 9.02(b). Section 9.02(b) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(b) Debt of the Borrower and its Restricted Subsidiaries existing on June 9, 2014 that is reflected in the Financial Statements, and any Permitted Refinancing Debt in respect thereof."

2.58 Amendment to Section 9.02(f). Section 9.02(f) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(f) intercompany Debt between the Borrower and a Guarantor or between Guarantors or between the Borrower or a Restricted Subsidiary and the Unrestricted Subsidiaries to the extent permitted by Section 9.05(n); provided that such Debt is not held, assigned, transferred, negotiated or pledged to any Person other than the Borrower or a Guarantor, and, provided further, that any such Debt owed by the Borrower or a Guarantor shall be subordinated to the Indebtedness on terms set forth in the Guaranty Agreement."

2.59 Amendment to Section 9.03. Section 9.03 is hereby amended by deleting the initial sentence thereof and replacing it with the following:

"The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, create, incur, assume or permit to exist any Lien on any of their Properties (now owned or hereafter acquired), except:"

2.60 Amendment to Section 9.03. Section 9.03 is hereby amended by adding the following Section 9.03(h):

"(h) Liens on Equity Interests in Unrestricted Subsidiaries."

2.61 Amendment to Section 9.04. Section 9.04 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.04 Dividends, Distributions and Restricted Payments.

(a) Restricted Payments. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, return any capital to its holders of Equity Interests or make any distribution of its Property to its Equity Interest holders without the prior approval of the Majority Lenders, except that (i) each of the Parent Guarantor, the Borrower and the Restricted Subsidiaries may declare and pay dividends or distributions with respect to its Equity Interests payable solely in additional Equity Interests (other than Disqualified Capital Stock), (ii) any Restricted Subsidiary of the Parent Guarantor may declare and pay dividends

ratably with respect to its Equity Interests, (iii) the Parent Guarantor, the Borrower and the Restricted Subsidiaries may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management, employees, directors and consultants of the Parent Guarantor, the Borrower and their Subsidiaries, and (iv) the Parent Guarantor may declare and pay dividends consisting of Equity Interests in Unrestricted Subsidiaries."

(b) Redemption of Senior Unsecured Notes; Amendment of Indenture. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, prior to the date that is 91 days after the Maturity Date: (i) make any optional or voluntary Redemption of or otherwise optionally or voluntarily Redeem whether in whole or in part the Senior Unsecured Notes in cash, in each case other than (A) Redemptions made from the proceeds of Permitted Refinancing Debt, (B) Redemptions made from the proceeds of the sale or issuance of Equity Interests by the Parent Guarantor if (i) no Default or Event of Default has occurred and is continuing or would exist after giving effect to such Redemption, and (ii) after giving effect to such Redemption, the Borrower would have liquidity (which for the purpose of this Section 9.04(b) shall be defined as undrawn availability under the then existing Borrowing Base, unrestricted cash and cash equivalents) equal to or greater than the greater of (x) 50% of availability under the then existing Borrowing Base and (y) $50,000,000 and (C) Redemptions made in respect of a mandatory offer to Redeem Senior Unsecured Notes arising out of a sale of Property of the Parent Guarantor, the Borrower or any Restricted Subsidiary if such sale of Property is made in compliance with Section 9.12(d), or (ii) amend, modify, waive or otherwise change any of the terms of the Senior Unsecured Notes or any indenture, agreement, instrument, certificate or other document relating to the Senior Unsecured Notes incurred under Section 9.02(g) if (A) the effect thereof would be to shorten its maturity or average life or increase the amount of any payment of principal thereof or increase the rate or shorten any period for payment of interest thereon, (B) such action requires the payment of a consent fee (howsoever described, but excluding consent fees paid for an amendment in connection with a tender offer or exchange offer with exit consent), provided that the foregoing shall not prohibit the execution of supplemental indentures associated with the incurrence of additional Senior Unsecured Notes to the extent permitted by Section 9.02(g), (C) such action adds covenants, events of default or other agreements to the extent more restrictive, taken as a whole, than those contained in this Agreement, as determined by the board of directors of the Parent Guarantor in its reasonable and good faith judgment, or (D) such action adds collateral to secure the Senior Unsecured Notes."

2.62 Amendment to Section 9.05. Section 9.05 is hereby amended by deleting the initial sentence thereof and replacing it with the following:

"The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, make or permit to remain outstanding any

Investments in or to any Person, except that the foregoing restriction shall not apply to:"

2.63 Amendment to Section 9.05(g). Section 9.05(g) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(g) Subject to the limits in Section 9.06, Investments (including, without limitation, capital contributions) in general or limited partnerships or other types of entities (each a "venture") entered into by the Parent Guarantor, the Borrower or one of the Restricted Subsidiaries with others in the ordinary course of business; provided that (i) no Default or Event of Default exists at the time of, or would exist after making any such Investment, (ii) any such venture is engaged exclusively in oil and gas exploration, development, production, processing and related activities, including transportation, (iii) the interest in such venture is acquired in the ordinary course of business and on fair and reasonable terms and (iv) such venture interests acquired and capital contributions made (valued as of the date such interest was acquired or the contribution made) do not exceed, in the aggregate at any time outstanding an amount equal to $10,000,000."

2.64 Amendment to Section 9.05(i). Section 9.05(i) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(i) Investments in stock, obligations or securities received in settlement of debts arising from Investments permitted under this Section 9.05 owing to the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries as a result of a bankruptcy or other insolvency proceeding of the obligor in respect of such debts or upon the enforcement of any Lien in favor of the Parent Guarantor, the Borrower or any Restricted Subsidiary; provided that the Parent Guarantor or the Borrower shall give the Administrative Agent prompt written notice in the event that the aggregate amount of all Investments held at any one time under this Section 9.05(i) exceeds $1,000,000 (measured by consideration paid at the time such Investment is received)."

2.65 Amendment to Section 9.05. Section 9.05 is hereby amended by adding the following Section 9.05(n):

"(n) Investments made by the Borrower or any Restricted Subsidiary (i) consisting of the designation as Unrestricted Subsidiaries of Viper Energy Partners LLC, Viper Energy Partners GP LLC, and Viper Energy Partners LP (such Unrestricted Subsidiaries, the "Viper MLP"), provided that at the time of designation thereof, such entities shall not own any material assets other than (A) those certain royalty interests and other rights and property acquired pursuant to that certain Purchase and Sale Agreement, dated as of August 28, 2013, by and between Ibex Mineral Resources, LLC and Beehive Partners, LLC, as sellers, and Diamondback E&P LLC, as buyer, (B) certain mineral interests in Midland County, Texas and

related rights and property acquired prior to June 1, 2014 and having an aggregate purchase price not in excess of $4,000,000, and (C) cash, accounts receivable and other assets having an aggregate value not in excess of $10,500,000, (ii) consisting of dispositions of Equity Interests in Unrestricted Subsidiaries that are contributed to the capital of, or that are exchanged for or used to purchase Equity Interests in, other Unrestricted Subsidiaries (and any Equity Interests received upon such contribution, exchange or purchase), and (iii) in any Unrestricted Subsidiary (including the designation of a Subsidiary as an Unrestricted Subsidiary), provided that, in the case of this clause (iii), (A) if such Investment consists of Oil and Gas Property or a Subsidiary owning Oil and Gas Properties included in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates and such Oil and Gas Properties have a fair market value in excess of five percent (5%) of the Borrowing Base as then in effect (as determined by the Administrative Agent), individually or in the aggregate, then the Borrowing Base shall be reduced, effective immediately upon such Investment, by an amount equal to the value, if any, assigned such Oil and Gas Properties in the most recently delivered Reserve Report, (B) such Investment may consist of or include surface acreage related to Oil and Gas Properties owned or to be owned by the Viper MLP in an aggregate value under this clause (n)(iii)(B) not to exceed $45,000,000, (C) if such Investment consists of or includes Properties not described in clauses (n)(iii)(A) and (n)(iii)(B), the aggregate fair market value of all such Investments not described in clauses (n)(iii)(A) and (n)(iii)(B) shall be limited to the sum of (I) $10,000,000 plus (II) the aggregate amount of cash and the fair market value of Properties received by the Borrower and the Restricted Subsidiaries as dividends or distributions from Unrestricted Subsidiaries (including amounts treated as cash dividends under Section 9.19(c) upon designation of an Unrestricted Subsidiary as a Restricted Subsidiary); provided that amounts received by the Borrower and the Restricted Subsidiaries pursuant to this clause (II) may only be counted in determining the amount of Investments that may be made in the Unrestricted Subsidiary (and its successors, if applicable) that originally made such dividend or distribution to the Borrower and the Restricted Subsidiaries, and (D) the Borrowing Base Utilization Percentage is less than 80% immediately after giving effect to such Investment and all related contemporaneous transactions. Investments under this Section 9.05(n) shall be valued at the time made and without taking into account subsequent changes in the value thereof."

2.66 Amendment to Section 9.06. Section 9.06 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.06 Nature of Business; No International Operations. The Parent Guarantor and Borrower will not, and will not permit any of the Restricted Subsidiaries to, allow any material change to be made in the character of their business as an independent oil and gas exploration and production company. Except for expenses in the ordinary course of business as to the properties described on Schedule 9.06, from and after the date hereof, the Parent Guarantor, the Borrower

and the Restricted Subsidiaries will not acquire or make any other expenditure (whether such expenditure is capital, operating or otherwise) in or related to, any Oil and Gas Properties not located within the geographical boundaries of the United States of America or in the offshore federal waters of the United States of America and they will not form or acquire any Restricted Subsidiaries that are Foreign Subsidiaries."

2.67 Amendment to Section 9.07. Section 9.07 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.07 Limitation on Leases. The Parent Guarantor and the Borrower will not, and will not permit the Restricted Subsidiaries to, create, incur, assume or suffer to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal but excluding Capital Leases and leases of Hydrocarbon Interests), under leases or lease agreements which would cause the aggregate amount of all payments made by the Parent Guarantor, the Borrower and the Restricted Subsidiaries pursuant to all such leases or lease agreements, including, without limitation, any residual payments at the end of any lease, to exceed $5,000,000 (net of any sub-leases) in any period of twelve consecutive calendar months during the life of such leases."

2.68 Amendment to Section 9.09. Section 9.09 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.09 ERISA Compliance. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, at any time:

(a) Engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which the Parent Guarantor, the Borrower, a Restricted Subsidiary or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code.

(b) Fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Parent Guarantor, the Borrower, a Restricted Subsidiary or any ERISA Affiliate is required to pay as contributions thereto.

(c) Contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to (i) any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability or (ii) any employee pension benefit plan,

as defined in Section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code."

2.69 Amendment to Section 9.10. Section 9.10 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.10 Sale or Discount of Receivables. Except for receivables obtained by the Parent Guarantor, the Borrower or any Restricted Subsidiary out of the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection thereof and not in connection with any financing transaction, the Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable."

2.70 Amendment to Section 9.11. Section 9.11 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.11 Mergers, Etc. Neither the Parent Guarantor, the Borrower, nor any Restricted Subsidiary will merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property to any other Person, except that the Parent Guarantor, the Borrower or any Restricted Subsidiary may merge or consolidate with, or sell, lease or otherwise dispose of all or substantially all of its Property to, the Parent Guarantor, the Borrower or any Restricted Subsidiary, but (a) in the case of a merger involving a Guarantor, a Guarantor must be the surviving entity, and (b) notwithstanding clause (a), in the case of a merger involving the Borrower, the Borrower must be the surviving entity."

2.71 Amendment to Section 9.12. Section 9.12 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.12 Sale of Properties. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, sell, assign, farm-out, convey or otherwise transfer or dispose of any Property except for (a) the sale or other disposition of Hydrocarbons in the ordinary course of business; (b) as long as no Default exists, farmouts of undeveloped acreage and assignments in connection with such farmouts (provided that if such farmout is of Oil and Gas Property included in the most recent Borrowing Base, such disposition is included in the 5% basket below); (c) the sale or other disposition of equipment that is no longer necessary for the business of the Parent Guarantor, the Borrower or such Restricted Subsidiary or is replaced by equipment of at least comparable value and use; (d) the sale or other disposition (including Casualty Events) of any Oil and Gas Property or any interest therein or any Restricted Subsidiary owning Oil and Gas Properties; provided that

(i) 100% of the consideration received in respect of such sale or other disposition shall be cash, (ii) the consideration received in respect of such sale or other disposition shall be equal to or greater than the fair market value of the Oil and Gas Property, interest therein or Restricted Subsidiary subject of such sale or other disposition (as reasonably determined by the Parent Guarantor or the Borrower and, if requested by the Administrative Agent, the Parent Guarantor or the Borrower shall deliver a certificate of a Responsible Officer of the Parent Guarantor or the Borrower certifying to that effect), (iii) if such sale or other disposition of Oil and Gas Property or a Restricted Subsidiary owning Oil and Gas Properties (including farmouts of proved reserves under (b)) included in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates has a fair market value in excess of five percent (5%) of the Borrowing Base as then in effect (as determined by the Administrative Agent), individually or in the aggregate, the Borrowing Base shall be reduced, effective immediately upon such sale or other disposition, by an amount equal to the value, if any, assigned such Property in the most recently delivered Reserve Report and (iv) if any such sale or other disposition is of a Restricted Subsidiary owning Oil and Gas Properties, such sale or other disposition shall include all the Equity Interests of such Restricted Subsidiary; (e) sales or other dispositions to the Borrower or a Guarantor; (f) sales or other dispositions permitted by Section 9.04(a), Section 9.05(n) or Section 9.14(b); (g) sales or other dispositions of Equity Interests in Unrestricted Subsidiaries; and (h) sales and other dispositions of Properties not regulated by Section 9.12(a) to (g) having a fair market value not to exceed $2,500,000 during any six-month period."

2.72 Amendment to Section 9.13. Section 9.13 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.13 Environmental Matters. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to a Release or threatened Release of Hazardous Materials, exposure to any Hazardous Materials, or to any Remedial Work under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property where such violations or remedial obligations could reasonably be expected to have a Material Adverse Effect."

2.73 Amendment to Section 9.14. Section 9.14 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.14 Transactions With Affiliates.

(a) The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any

service, with any Affiliate (other than the Restricted Subsidiaries of the Parent Guarantor) unless such transactions are otherwise permitted under this Agreement and are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

(b) Notwithstanding subsection (a), the Parent Guarantor, the Borrower and the Restricted Subsidiaries may enter into any transaction contemplated by: (i) Section 9.03(h), Section 9.04(a), Section 9.05(n), Section 9.12(g) or Section 9.19; or (ii) (A) any agreement entered into in connection with the formation, capitalization or operation of the master limited partnership permitted by Section 9.05(n)(i) with respect to formation and governance of such Unrestricted Subsidiaries, contributions of assets to such Unrestricted Subsidiaries, the assumption of liabilities by such Unrestricted Subsidiaries, state and local tax sharing or the management, administration, and operation of such Unrestricted Subsidiaries or the underwriting, offer and sale of securities, in each case that, in the good faith judgment of the Parent Guarantor's board of directors, are on terms and conditions reasonably comparable to those in effect with other similarly situated MLPs or otherwise fair to the Parent Guarantor, the Borrower and the Restricted Subsidiaries, from a financial point of view; and (B) any amendment, restatement, replacement or other modification of any of such agreements."

2.74 Amendment to Section 9.15. Section 9.15 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.15 Subsidiaries. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, create or acquire any additional Subsidiaries, unless the Parent Guarantor or the Borrower gives written notice to the Administrative Agent of such creation or acquisition and complies with Section 8.14(b), to the extent required thereby. The Parent Guarantor and the Borrower shall not, and shall not permit any of the Restricted Subsidiaries to, sell, assign or otherwise dispose of any Equity Interests in any Restricted Subsidiary except in compliance with Section 9.12(d), (e), (f), (g) or (h). The Parent Guarantor, the Borrower and the Restricted Subsidiaries shall have no Restricted Subsidiaries that are Foreign Subsidiaries."

2.75 Amendment to Section 9.16. Section 9.16 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.16 Negative Pledge Agreements; Dividend Restrictions. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, create, incur, assume or suffer to exist any contract, agreement or understanding (other than this Agreement, the Security Instruments, the agreements creating Liens permitted by Section 9.03(c), the instruments or agreements evidencing the Senior Unsecured Notes or any Permitted Refinancing Debt in respect thereof, usual and customary restrictions on the pledge or transfer of equity interests

in certain joint ventures, usual and customary restrictions in purchase and sale agreements relating to the Property subject thereof, restrictions on the granting of Liens contained in agreements subject to Excepted Liens, restrictions on the granting of Liens on the Equity Interests in Unrestricted Subsidiaries, restrictions in agreements of the types contemplated by Section 9.14(b), and restrictions on the granting of Liens in licenses, easements and leases entered into in the ordinary course of business) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property in favor of the Administrative Agent and the Lenders or restricts any Restricted Subsidiary from paying dividends or making distributions to the Borrower or any Guarantor, or which requires the consent of or notice to other Persons in connection therewith."

2.76 Amendment to Section 9.17. Section 9.17 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.17 Gas Imbalances, Take-or-Pay or Other Prepayments. The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, allow gas imbalances, take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any of the Restricted Subsidiaries that would require the Borrower or any of Restricted Subsidiaries to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor to exceed 500,000 Mcf of gas (on an mcf equivalent basis) in the aggregate."

2.77 Amendment to Section 9.18. Section 9.18 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 9.18 Swap Agreements.

(a) The Parent Guarantor and the Borrower will not, and will not permit any of the Restricted Subsidiaries to, enter into any Swap Agreements with any Person other than (i) Swap Agreements in respect of commodities (A) with an Approved Counterparty, (B) the notional volumes for which (when aggregated with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, as of the date such Swap Agreement is executed, (I) for the period of 24 months after such Swap Agreement is executed, 85% of the reasonably anticipated projected production from their Oil and Gas Properties which are classified as proved as of the date such Swap Agreement is entered into for each month during such 24 month period for each of crude oil and natural gas, calculated separately and determined by reference to the most recently delivered Reserve Report and (II) for the period of 25 to 60 months after such Swap Agreement is executed, 75% of the reasonably anticipated projected production from their Oil and Gas Properties which are classified as proved as of the date such Swap Agreement is entered into for each month during such 25 to 60 month period for each of crude oil and natural gas, calculated separately and determined by reference to the most recently delivered

Reserve Report, and provided that in each instance, no such Swap Agreement shall have a tenor of more than 60 months after such Swap Agreement is entered into, and (ii) Swap Agreements in respect of interest rates with an Approved Counterparty effectively converting interest rates from floating to fixed, the notional amounts of which (when aggregated with all other Swap Agreements of the Borrower and the Restricted Subsidiaries then in effect effectively converting interest rates from floating to fixed) do not exceed 75% of the then outstanding principal amount of the Borrower's Debt for borrowed money which bears interest at a floating rate. In no event shall any Swap Agreement (other than Secured Swap Agreements) contain any requirement, agreement or covenant for the Borrower or any Restricted Subsidiary to post collateral or margin to secure their obligations under such Swap Agreement or to cover market exposures.

(b) No Swap Agreements shall be entered into for speculative purposes."

2.78 Amendment to Article IX. Article IX is hereby amended by adding the following Section 9.19:

"Section 9.19 Designation of Restricted and Unrestricted Subsidiaries.

(a) Unless designated as an Unrestricted Subsidiary on Schedule 7.14 as of June 9, 2014 or thereafter, in compliance with Section 9.19(b) or (d), any Person that becomes a Subsidiary of the Borrower or any of its Restricted Subsidiaries shall be classified as a Restricted Subsidiary.

(b) The Borrower may designate by written notification thereof to the Administrative Agent, any Restricted Subsidiary, including a newly or to be formed or newly or to be acquired Subsidiary, as an Unrestricted Subsidiary if (i) prior, and immediately after giving effect, to such designation, neither a Default nor a Borrowing Base deficiency would exist and (ii) such designation is deemed to be an Investment in an Unrestricted Subsidiary in an amount equal to the fair market value as of the date of such designation of the Borrower's and its Restricted Subsidiaries' direct ownership interests in such Subsidiary and such Investment would be permitted to be made at the time of such designation under Section 9.05(n). Except as provided in this Section 9.19(b), no Restricted Subsidiary may be designated as an Unrestricted Subsidiary.

(c) The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if immediately after giving effect to such designation, (i) the representations and warranties of the Borrower and its Restricted Subsidiaries contained in each of the Loan Documents are true and correct in all material respects on and as of such date as if made on and as of the date of such redesignation (or, if stated to have been made expressly as of an earlier date, were true and correct in all material respects as of such date), (ii) no Default exists, (iii) the Borrower complies

with the requirements of Section 8.14(b) and Section 8.18 and (iv) the Borrower and/or one or more Restricted Subsidiaries owns all of the Equity Interests in such Subsidiary. Any such designation shall be treated as a cash dividend to the Borrower in an amount equal to the lesser of the fair market value of the Borrower's and its Restricted Subsidiaries' direct ownership interests in such Subsidiary or the amount of the Borrower's and its Restricted Subsidiaries' aggregate investment previously made for purposes of the limitation on Investments under Section 9.05(n). Upon the designation of an Unrestricted Subsidiary as a Restricted Subsidiary, all Investments previously made in such Unrestricted Subsidiary shall no longer be counted in determining the limitation on Investments under Section 9.05(n).

(d) Each Subsidiary of an Unrestricted Subsidiary shall automatically be designated as an Unrestricted Subsidiary.

(e) Upon designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with Section 9.19(b), (i) such Subsidiary shall be automatically released from all obligations, if any, under the Loan Documents, including the Guaranty Agreement and all other applicable Security Instruments and (ii) all Liens granted pursuant to the Guaranty Agreement and all other applicable Security Instruments on the Property of, and the Equity Interests in, such Unrestricted Subsidiary shall be automatically released."

2.79 Amendment to Sections 10.01(c) through (g). Sections 10.01(c) through (g) are hereby amended by deleting such Sections in their entirety and replacing it with the following:

"(c) any representation or warranty made or deemed made by or on behalf of the Parent Guarantor, the Borrower or any Restricted Subsidiary in or in connection with any Loan Document or any amendment or modification of any Loan Document or waiver under such Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been materially incorrect when made or deemed made.

(d) the Parent Guarantor, the Borrower or any Restricted Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in Section 8.01(h), Section 8.01(l), Section 8.02, Section 8.03, Section 8.14, Section 8.15 or in ARTICLE IX.

(e) the Parent Guarantor, the Borrower or any Restricted Subsidiary shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 10.01(a), Section 10.01(b) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the earlier to occur of (A) notice thereof from the Administrative Agent to the Borrower (which notice will be given at the

request of any Lender) or (B) a Responsible Officer of the Borrower otherwise becoming aware of such default.

(f) the Parent Guarantor, the Borrower or any Restricted Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable.

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the Redemption thereof or any offer to Redeem to be made in respect thereof, prior to its scheduled maturity or require the Parent Guarantor, the Borrower or any Restricted Subsidiary to make an offer in respect thereof, other than with respect to Senior Unsecured Notes or Permitted Refinancing Debt in respect thereof, if, at the time of the payment or Redemption thereof, a Redemption thereof could have been made pursuant to Section 9.04(b)."

2.80 Amendment to Sections 10.01(k) and (l). Sections 10.01(k) and (l) are hereby amended by deleting such Sections in their entirety and replacing it with the following:

"(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of $5,000,000 (to the extent not covered by independent third party insurance provided by insurers of the highest claims paying rating or financial strength as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) or (ii) any one or more non-monetary judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, shall be rendered against the Parent Guarantor, the Borrower, any Restricted Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Parent Guarantor, the Borrower or any Restricted Subsidiary to enforce any such judgment.

(l) the Loan Documents after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Parent Guarantor, the Borrower or any other Guarantor party thereto or shall be repudiated by any of them, or cease to create a valid and perfected Lien of the priority required thereby on any of the collateral purported to be covered thereby, except to the extent permitted by the terms of this Agreement, or the Parent Guarantor, the Borrower, any Restricted Subsidiary or any Affiliate shall so state in writing."

2.81 Amendment to Section 11.10. Section 11.10 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 11.10 Authority of Administrative Agent to Release Collateral and Guarantors. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to (i) release any collateral that is permitted to be sold or released pursuant to the terms of the Loan Documents, (ii) release any Guarantor from the Guaranty Agreement pursuant to the terms hereof or thereof and (iii) subordinate any Lien on any collateral granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien permitted pursuant to Section 9.03. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to execute and deliver to the Borrower, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments, releases of guarantees or other documents reasonably requested by the Borrower in connection with (A) any sale or other disposition of Property to the extent such sale or other disposition is permitted by the terms of Section 9.12 or is otherwise authorized by the terms of the Loan Documents or (B) any designation of a Restricted Subsidiary as an Unrestricted Subsidiary in compliance with Section 9.19(b)."

2.82 Amendment to Section 12.02(a). Section 12.02(a) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(a) No failure on the part of the Administrative Agent, any other Agent, the Issuing Bank or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege, or any abandonment or discontinuance of steps to enforce such right, power or privilege, under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Administrative Agent, each other Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries therefrom shall in any event be effective unless the same shall be permitted by Section 12.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any other Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time."

2.83 Amendment to Section 12.03(b). Section 12.03(b) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(b) THE BORROWER SHALL INDEMNIFY EACH AGENT, THE ARRANGER, THE ISSUING BANK AND EACH LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND DEFEND AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (i) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OR THE PARTIES TO ANY OTHER LOAN DOCUMENT OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR BY ANY OTHER LOAN DOCUMENT, (ii) THE FAILURE OF THE PARENT GUARANTOR, THE BORROWER OR ANY OF THE RESTRICTED SUBSIDIARIES TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (iii) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE PARENT GUARANTOR, THE BORROWER OR ANY OTHER GUARANTOR SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (iv) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM, INCLUDING, WITHOUT LIMITATION, (A) ANY REFUSAL BY THE ISSUING BANK TO HONOR A DEMAND FOR PAYMENT UNDER A LETTER OF CREDIT IF THE DOCUMENTS PRESENTED IN CONNECTION WITH SUCH DEMAND DO NOT STRICTLY COMPLY WITH THE TERMS OF SUCH LETTER OF CREDIT, OR (B) THE PAYMENT OF A DRAWING UNDER ANY LETTER OF CREDIT NOTWITHSTANDING THE NON-COMPLIANCE, NON-DELIVERY OR OTHER IMPROPER PRESENTATION OF THE DOCUMENTS PRESENTED IN CONNECTION THEREWITH, (v) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vi) THE OPERATIONS OF THE BUSINESS OF THE PARENT GUARANTOR, THE BORROWER AND THE RESTRICTED SUBSIDIARIES BY THE PARENT GUARANTOR, THE BORROWER AND THE RESTRICTED SUBSIDIARIES, (vii) ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (viii) ANY ENVIRONMENTAL LAW APPLICABLE TO THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT

OF HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, (ix) THE BREACH OR NON-COMPLIANCE BY THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY, (x) THE PAST OWNERSHIP BY THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY OF THEIR PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (xi) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT, DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY, (xii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE PARENT GUARANTOR, THE BORROWER OR ANY RESTRICTED SUBSIDIARY, OR (xiii) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xiv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, AND SUCH INDEMNITY SHALL EXTEND TO EACH INDEMNITEE NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNITEES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNITEES; PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.

2.84 Amendment to Section 12.04(e). Section 12.04(e) is hereby amended by deleting such Section in its entirety and replacing it with the following:

"(e) Notwithstanding any other provisions of this Section 12.04, no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state."

2.85 Amendment to Section 12.08. Section 12.08 is hereby amended by deleting such Section in its entirety and replacing it with the following:

"Section 12.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations (of whatsoever kind, including, without limitations obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries against any of and all the obligations of the Parent Guarantor, the Borrower or any of the Restricted Subsidiaries owed to such Lender now or hereafter existing under this Agreement or any other Loan Document, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 12.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender or its Affiliates may have; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 10.02(c) and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Bank and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Indebtedness owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, the Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Bank or their respective Affiliates may have. Each Lender and the Issuing Bank agrees to notify the Parent Guarantor, the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application."

2.86 Amendment to Exhibit D. Item (c) of Exhibit D is hereby amended by deleting the term "Subsidiary" and replacing it with the term "Restricted Subsidiary".

2.87 Amendment to Schedule 7.14. Schedule 7.14 is hereby amended by deleting such Schedule in its entirety and replacing it with Schedule 7.14 attached hereto.

Section 3. Conditions Precedent. This First Amendment shall become effective on the date (such date, the "First Amendment Effective Date"), when each of the following conditions is satisfied (or waived in accordance with Section 12.02):

3.1 The Administrative Agent shall have received (a) from all of the Lenders, the Guarantors and the Borrower, counterparts (in such number as may be requested by the Administrative Agent) of this First Amendment signed on behalf of such Person and (b) the Borrower and Guarantors, as applicable, counterparts (in such number as may be requested by the Administrative Agent) of the amendment to the Guaranty Agreement incorporating Restricted Subsidiary concepts.

3.2 The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all documented out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

3.3 No Default shall have occurred and be continuing as of the date hereof, after giving effect to the terms of this First Amendment.

The Administrative Agent is hereby authorized and directed to declare this First Amendment to be effective when it has received documents confirming or certifying, to the satisfaction of the Administrative Agent, compliance with the conditions set forth in this Section 3 or the waiver of such conditions as permitted in Section 12.02. Such declaration shall be final, conclusive and binding upon all parties to the Credit Agreement for all purposes.

Section 4. Miscellaneous.

4.1 Confirmation. The provisions of the Credit Agreement, as amended by this First Amendment, shall remain in full force and effect following the effectiveness of this First Amendment.

4.2 Ratification and Affirmation; Representations and Warranties. Each of the Guarantors and the Borrower hereby (a) ratifies and affirms its obligations under, and acknowledges its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect as expressly amended hereby and (b) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this First Amendment:

(i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct as of such specified earlier date,

(ii) no Default or Event of Default has occurred and is continuing, and

(iii) no event or events have occurred which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

4.3 Counterparts. This First Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this First Amendment by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

4.4 **NO ORAL AGREEMENT. THIS FIRST AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT UNWRITTEN ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

4.5 GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

4.6 Payment of Expenses. In accordance with Section 12.03, the Borrower agrees to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket expenses incurred in connection with this First Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees, charges and disbursements of counsel to the Administrative Agent.

4.7 Severability. Any provision of this First Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.8 Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4.9 Loan Document. This First Amendment is a Loan Document.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first written above.

DIAMONDBACK O&G LLC, as Borrower

By: Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

DIAMONDBACK ENERGY, INC.,
as the Parent Guarantor

By: Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

DIAMONDBACK E&P LLC,
as a Guarantor

By: Teresa L. Dick
Name: Teresa L. Dick

VIPER ENERGY PARTNERS LLC,
as a Guarantor

By: Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Patrick J. Fults
Name: Patrick J. Fults
Title: Vice President

AMEGY BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ JB Askew
Name: JB Askew
Title: Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Tara McLean
Name: Tara McLean
Title: Vice President

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ David Morris
Name: David Morris
Title: Authorized Officer

CAPITAL ONE, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Michael Higgins
Name: Michael Higgins
Title: Director

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as a Lender

By: /s/ Nupur Kumar
Name: Nupur Kumar
Title: Authorized Signatory

By: /s/ Samuel Miller
Name: Samuel Miller
Title: Authorized Signatory

IBERIABANK,
as a Lender

By: /s/ W. Bryan Chapman
Name: W. Bryan Chapman
Title: Executive Vice President

SUNTRUST BANK,
as a Lender

By: /s/ Chulley Bogle
Name: Chulley Bogle
Title: Vice President

THE BANK OF NOVA SCOTIA,
as a Lender

By: /s/ Alan Dawson
Name: Alan Dawson
Title: Director

WEST TEXAS NATIONAL BANK,
as a Lender

By: /s/ Chris Whigham
Name: Chris Whigham
Title: Senior Vice President

SCHEDULE 7.14
SUBSIDIARIES AND PARTNERSHIPS

Restricted Subsidiaries	Jurisdiction of Organization	Organizational Identification Number	Principal Place of Business and Chief Executive Office
Diamondback O&G LLC	Delaware	4459932	500 West Texas Suite 1225 Midland, Texas 79701
Diamondback E&P LLC	Delaware	5111299	500 West Texas Suite 1225 Midland, Texas 79701
Viper Energy Partners LLC	Delaware	5401217	500 West Texas Suite 1225 Midland, Texas 79701
Unrestricted Subsidiaries	Jurisdiction of Organization	Organizational Identification Number	Principal Place of Business and Chief Executive Office

EXHIBIT 31.1

CERTIFICATION

I, Travis D. Stice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diamondback Energy, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ Travis D. Stice

Travis D. Stice

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Teresa L. Dick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Diamondback Energy, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ Teresa L. Dick

Teresa L. Dick

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF PERIOD REPORT

I, Travis D. Stice, Chief Executive Officer of Diamondback Energy, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2014

/s/ Travis D. Stice

Travis D. Stice

Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PERIOD REPORT

I, Teresa L. Dick, Chief Financial Officer of Diamondback Energy, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2014

/s/ Teresa L. Dick

Teresa L. Dick

Chief Financial Officer