

W0. Introduction

W0.1

(W0.1) Give a general description of and introduction to your organization.

Diamondback Energy, Inc. is an independent oil and natural gas company headquartered in Midland, Texas focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. We refer to Diamondback, together with its consolidated subsidiaries, as "we," "us," "our," or "the Company".

This questionnaire contains forward-looking statements as defined by the Securities and Exchange Commission (SEC). All statements, other than historical facts, that address activities that Diamondback assumes, plans, expects, believes, intends or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements are based on management’s current beliefs, based on currently available information, as to the outcome and timing of future events, including the current industry and macroeconomic conditions, commodity pricing environment, production levels, any future regulatory actions affecting Diamondback, the impact and duration of the ongoing COVID-19 pandemic, acquisitions and sales of assets and drilling and capital expenditure plans. These forward-looking statements involve certain risks and uncertainties, many of which are beyond Diamondback’s control and could cause the actual results or developments to differ materially from those currently anticipated by the management of Diamondback. Information concerning these risks and other factors can be found in Diamondback’s filings with the SEC, including its reports on Forms 10-K, 10-Q and 8-K. Diamondback undertakes no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise.

W-OG0.1a

(W-OG0.1a) Which business divisions in the oil & gas sector apply to your organization?

Upstream

W0.2

(W0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date
Reporting year	January 1 2020	December 31 2020

W0.3

(W0.3) Select the countries/areas for which you will be supplying data.

United States of America

W0.4

(W0.4) Select the currency used for all financial information disclosed throughout your response.

USD

W0.5

(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.

Companies, entities or groups over which operational control is exercised

W0.6

(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?

Yes

W0.6a

(W0.6a) Please report the exclusions.

Exclusion	Please explain
Non-operated oil and gas wells	Diamondback excludes its interest in non-operated oil and gas wells because the water use data is collected by the operator and not readily available or accessible to Diamondback.

W1. Current state

W1.1

(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Not very important	Not very important	Water use is important for all of our operations but we rely on brackish and/or produced water where available in lieu of freshwater.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Neutral	Diamondback utilizes brackish and/or recycled water in areas where it is available and economical.

W1.2

(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	Diamondback regularly measures and monitors all water withdrawals to meet regulatory requirements and obligations to water rights holders.
Water withdrawals – volumes by source	100%	Diamondback monitors total volumes of water across all of our operations.
Entrained water associated with your metals & mining sector activities - total volumes [only metals and mining sector]	<Not Applicable>	<Not Applicable>
Produced water associated with your oil & gas sector activities - total volumes [only oil and gas sector]	100%	Diamondback monitors and measures all produced water to meet regulatory requirements.
Water withdrawals quality	76-99	Diamondback tests water withdrawals and extrapolates the data in areas of similar aquifer characteristics.
Water discharges – total volumes	100%	Diamondback monitors and measures all water discharges to meet regulatory requirements.
Water discharges – volumes by destination	100%	Diamondback monitors and measures all water discharges to meet regulatory requirements.
Water discharges – volumes by treatment method	100%	Diamondback monitors and measures all water discharges to meet regulatory requirements.
Water discharge quality – by standard effluent parameters	100%	Diamondback monitors and measures all water discharge quality to meet regulatory requirements.
Water discharge quality – temperature	100%	Diamondback monitors and measures all water discharge quality to meet regulatory requirements.
Water consumption – total volume	100%	Diamondback monitors total volumes of water across all of our operations.
Water recycled/reused	100%	Diamondback monitors and measures produced water across all of our operations. Recycled water volumes are measured daily and used for internal reporting purposes.
The provision of fully-functioning, safely managed WASH services to all workers	100%	All Diamondback field and corporate office locations have access to fresh water supply, sanitation and hygiene facilities. Water volumes are measured by public water systems' billings.

W1.2b

(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	17832	Much lower	Total water withdrawals were down 11,737 ML from 2019, or ~40%. Diamondback's total water withdrawals correlates with completion activity. In 2020 we completed ~46% less wells than in 2019.
Total discharges	47101	Lower	Total discharges were down ~1,000 ML from 2019, or about 2%.
Total consumption	16443	Much lower	Total water consumption was down 12,037 ML from 2019, or ~42%. Diamondback's total water consumption correlates with completion activity. In 2020 we completed ~46% less wells than in 2019.

W-OG1.2c

(W-OG1.2c) In your oil & gas sector operations, what are the total volumes of water withdrawn, discharged, and consumed – by business division – and what are the trends compared to the previous reporting year?

	Volume (megaliters/year)	Comparison with previous reporting year %	Please explain
Total withdrawals - upstream	17832	Much Lower	Total water withdrawals were down 11,737 ML from 2019, or ~40%. Diamondback's total water withdrawals correlates with completion activity. In 2020 we completed ~46% less wells than in 2019.
Total discharges – upstream	47101	Lower	Total discharges were down ~1,000 ML from 2019, or about 2%.
Total consumption – upstream	16443	Much Lower	Total water consumption was down 12,037 ML from 2019, or ~42%. Diamondback's total water consumption correlates with completion activity. In 2020 we completed ~46% less wells than in 2019.
Total withdrawals - midstream/downstream	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total discharges – midstream/downstream	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total consumption – midstream/downstream	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total withdrawals – chemicals	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total discharges – chemicals	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total consumption – chemicals	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total withdrawals – other business division	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total discharges – other business division	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total consumption – other business division	<Not Applicable>	<Not Applicable>	<Not Applicable>

W1.2d

(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	76-99	About the same	WRI Aqueduct	We utilize the World Resources Institute's Aqueduct Water Risk Atlas to categorize scarce water zones in our operating areas and assist us in our goal of making environmentally responsible decisions for future water needs. Diamondback's operations are located entirely within the Permian Basin, much of which is considered water stressed by the World Resources Institute. Our water management practices are designed to conserve and protect water resources in the areas where we operate by prioritizing the use of low-quality produced water and brackish water in our operations and attempting to minimize the use of freshwater.

W1.2h

(W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Not relevant	<Not Applicable>	<Not Applicable>	
Brackish surface water/Seawater	Not relevant	<Not Applicable>	<Not Applicable>	
Groundwater – renewable	Relevant	17832	Much lower	All of our water withdrawals used in operations are from renewable groundwater. Total water withdrawals were down 11,737 ML from 2019, or ~40%. Diamondback's total water withdrawals correlates with completion activity. In 2020 we completed ~46% less wells than in 2019.
Groundwater – non-renewable	Not relevant	<Not Applicable>	<Not Applicable>	
Produced/Entrained water	Relevant	2812	Much lower	A portion of our produced water was collected and recycled in the completion operations of subsequent wells. Produced water used in operations was down 1,629 ML, or 37%, partially due to lower activity levels.
Third party sources	Not relevant	<Not Applicable>	<Not Applicable>	Third party sources are included in the categories above.

W1.2i

(W1.2i) Provide total water discharge data by destination.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Not relevant	<Not Applicable>	<Not Applicable>	
Brackish surface water/seawater	Not relevant	<Not Applicable>	<Not Applicable>	
Groundwater	Relevant	47101	Lower	Total discharges were down ~1,000 ML from 2019, or about 2%.
Third-party destinations	Not relevant	<Not Applicable>	<Not Applicable>	Third party sources are included in the categories above.

W1.2j

(W1.2j) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

	Relevance of treatment level to discharge	Volume (megaliters/year)	Comparison of treated volume with previous reporting year	% of your sites/facilities/operations this volume applies to	Please explain
Tertiary treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	
Secondary treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	
Primary treatment only	Relevant	47101	Lower	100%	Diamondback removes solids from produced water before it is either recycled or discharged of.
Discharge to the natural environment without treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	
Discharge to a third party without treatment	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	Third party sources are included in the categories above.
Other	Not relevant	<Not Applicable>	<Not Applicable>	<Not Applicable>	

W-OG1.3

(W-OG1.3) Do you calculate water intensity for your activities associated with the oil & gas sector?

Yes

W-OG1.3a

(W-OG1.3a) Provide water intensity information associated with your activities in the oil & gas sector.

Business division

Upstream

Water intensity value (m3)

0.15

Numerator: water aspect

Total water consumption

Denominator

Other, please specify (Thousand barrel of oil equivalent)

Comparison with previous reporting year

Much lower

Please explain

Total water intensity (ML) decreased 45% from 2019.

W1.4

(W1.4) Do you engage with your value chain on water-related issues?

No, not currently but we intend to within two years

W1.4d

(W1.4d) Why do you not engage with any stages of your value chain on water-related issues and what are your plans?

	Primary reason	Please explain
Row 1	We are planning to do so within the next two years	

W2. Business impacts

W2.1

(W2.1) Has your organization experienced any detrimental water-related impacts?

No

W2.2

(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

No

W3. Procedures

W-OG3.1

(W-OG3.1) How does your organization identify and classify potential water pollutants associated with its activities in the oil & gas sector that may have a detrimental impact on water ecosystems or human health?

Diamondback routinely samples water purchases and water used in all operating areas to identify and classify potential water pollutants. This testing established total dissolved solids (TDS) as the key determining factor between fresh and brackish water, wherein freshwater contained less than 1,000 parts per million of TDS. This level is commonly referred to as the level of TDS where water is no longer "fresh" and has limited potential use by humans, livestock, or agriculture. Diamondback's overall goal is to minimize freshwater use and maximize recycled produced water and brackish water for our operations in all areas.

W-OG3.1a

(W-OG3.1a) For each business division of your organization, describe how your organization minimizes the adverse impacts on water ecosystems or human health of potential water pollutants associated with your oil & gas sector activities.

Potential water pollutant	Business division	Description of water pollutant and potential impacts	Management procedures	Please explain
Chemicals	Upstream	General Pollution	Measures to prevent spillage, leaching and leakages Emergency preparedness	While chemical additives used in hydraulic fracturing fluid are typically less than one percent of the fluids used, one of Diamondback's ongoing goals is to further minimize the amount of chemicals used to complete our wells. Diamondback does not discharge chemicals that would impact water ecosystems or human health.
Drilling fluids	Upstream	General Pollution	Measures to prevent spillage, leaching and leakages Emergency preparedness	Diamondback has policies in place to safely dispose of all drilling fluids, including oil-based mud and cuttings. This disposal does not impact water ecosystems.
Other, please specify (Produced Water)	Upstream	General Pollution	Measures to prevent spillage, leaching and leakages Community/stakeholder engagement Emergency preparedness	Diamondback seeks to recycle as much produced water as possible in completion operations. When that option is not available, Diamondback safely disposes produced water into deep geologic formations so as to not impact local water ecosystems. These zones are between 5,000 and 13,000 feet below the surface and everything above the disposal zones is protected through metal casing and cement.
Hydrocarbons	Upstream	General Pollution	Measures to prevent spillage, leaching and leakages Emergency preparedness	Diamondback has state of the art facilities with multiple layers of impermeable containment to protect against oil spilling on to the environment surrounding our facilities.
Other, please specify (Treated Recycled Water)	Upstream	General Pollution	Measures to prevent spillage, leaching and leakages Emergency preparedness	Diamondback has state of the art facilities with multiple layers of impermeable containment to protect against treated recycled water spilling on to the environment surrounding our facilities.

W3.3

(W3.3) Does your organization undertake a water-related risk assessment?

Yes, water-related risks are assessed

W3.3a

(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.

Direct operations

Coverage

Full

Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

Frequency of assessment

More than once a year

How far into the future are risks considered?

3 to 6 years

Type of tools and methods used

Tools on the market

Other

Tools and methods used

WRI Aqueduct

Internal company methods

Comment

Diamondback uses the World Resources Institute's Aqueduct Water Risk Atlas to categorize scarce water zones in our operating area. This tool helps guide us to make environmentally responsible decisions for future water needs. We recognize that our operations are primarily located in a water scarce region. As such, Diamondback undertook a study to classify fresh and brackish water use throughout our operating areas. This testing established TDS as the key determining factor between fresh and brackish water, wherein freshwater contained less than 1,000 parts per million of TDS. Diamondback's overall goal is to minimize freshwater use and maximize recycled produced water and brackish water for our operations in all areas.

Supply chain

Coverage

None

Risk assessment procedure

<Not Applicable>

Frequency of assessment

<Not Applicable>

How far into the future are risks considered?

<Not Applicable>

Type of tools and methods used

<Not Applicable>

Tools and methods used

<Not Applicable>

Comment

Other stages of the value chain

Coverage

None

Risk assessment procedure

<Not Applicable>

Frequency of assessment

<Not Applicable>

How far into the future are risks considered?

<Not Applicable>

Type of tools and methods used

<Not Applicable>

Tools and methods used

<Not Applicable>

Comment

W3.3b

(W3.3b) Which of the following contextual issues are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	Water availability is always considered when sourcing water, and produced water is always substituted for freshwater whenever possible.
Water quality at a basin/catchment level	Relevant, always included	Water quality is always considered when sourcing water, and we prioritize the use of brackish and / or produced water instead of freshwater whenever possible.
Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	Diamondback strives to use recycled produced water whenever possible. When recycled produced water is not available, we seek to use brackish water sources, using the lowest quality water acceptable for operations. We are mindful of all stakeholders in the areas in which we live and operate.
Implications of water on your key commodities/raw materials	Relevant, always included	Sourced water for drilling and completion operations is an integral raw material for Diamondback's development plan. Diamondback strives to use recycled produced water whenever possible. When recycled produced water is not available, we seek to use brackish water sources.
Water-related regulatory frameworks	Relevant, always included	Diamondback is a member of the American Exploration & Production Council Water subcommittee and the Permian Basin Water Management Council. Through these trade associates, we are able to stay abreast of current and evolving regulatory frameworks.
Status of ecosystems and habitats	Relevant, always included	Diamondback considers the status of ecosystems and habitats when assessing our operating plan and maximizes use of brackish or recycled water for drilling and completion operations.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	All Diamondback field and corporate office locations have access to fresh water supply, sanitation and hygiene facilities.
Other contextual issues, please specify	Not considered	

W3.3c

(W3.3c) Which of the following stakeholders are considered in your organization's water-related risk assessments?

	Relevance & inclusion	Please explain
Customers	Relevant, always included	We take into consideration the concerns of our customers in water-related risks assessments.
Employees	Relevant, always included	Employees are always included in water-related risks assessments as most of our employees live in the areas in which we operate.
Investors	Relevant, always included	We actively engage with investors and field any questions or concerns they may have about our operations, including water-related risks.
Local communities	Relevant, always included	Diamondback is headquartered in the Permian Basin, where we live and operate. Local communities are always considered in water-related risk assessments.
NGOs	Relevant, always included	We engage with NGOs as requested, typically on broader environmental topics.
Other water users at a basin/catchment level	Relevant, always included	We consider the concerns and feedback from all communities in which we operate and maximize the use of brackish or recycled water for operations to minimize local impact.
Regulators	Relevant, always included	Diamondback meets or exceeds all regulatory water-related guidelines, as well as other environmental guidelines.
River basin management authorities	Relevant, always included	Diamondback does not withdraw from rivers or surface waters.
Statutory special interest groups at a local level	Relevant, always included	We consider the concerns and feedback from all communities in which we operate.
Suppliers	Relevant, always included	Sourced water for drilling and completion operations is an integral raw material for Diamondback's development plan. Diamondback strives to use recycled produced water whenever possible. When recycled produced water is not available, we seek to use brackish water sources.
Water utilities at a local level	Relevant, always included	We consider the concerns and feedback from all communities in which we operate.
Other stakeholder, please specify	Please select	

W3.3d

(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.

As an exploration and production company, we face a number of risks, including water-related risks. Management is responsible for the day-to-day management of risks we face as a company, while our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Water is an essential component of deep shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from local land owners for use in our operations. See Diamondback's 10-K for additional discussion of potential and current regulatory risks.

W4. Risks and opportunities

W4.1

(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes, only within our direct operations

W4.1a

(W4.1a) How does your organization define substantive financial or strategic impact on your business?

As a public company, Diamondback adheres to the SEC's rules, regulations and guidance regarding the disclosure of material information. The SEC defines material information as information to which there is a substantial likelihood that a reasonable investor would attach importance in determining whether to buy or sell the securities registered.

W4.1b

(W4.1b) What is the total number of facilities exposed to water risks with the potential to have a substantive financial or strategic impact on your business, and what proportion of your company-wide facilities does this represent?

	Total number of facilities exposed to water risk	% company-wide facilities this represents	Comment
Row 1	0	Less than 1%	Diamondback does not have existing facilities that are substantively exposed to water supply risks.

W4.1c

(W4.1c) By river basin, what is the number and proportion of facilities exposed to water risks that could have a substantive financial or strategic impact on your business, and what is the potential business impact associated with those facilities?

Country/Area & River basin

United States of America	Other, please specify (None)
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Number of facilities exposed to water risk

0

% company-wide facilities this represents

Less than 1%

Production value for the metals & mining activities associated with these facilities

<Not Applicable>

% company's annual electricity generation that could be affected by these facilities

<Not Applicable>

% company's global oil & gas production volume that could be affected by these facilities

Less than 1%

% company's total global revenue that could be affected

Less than 1%

Comment

Diamondback does not withdraw from river basins or surface waters.

W4.2

(W4.2) Provide details of identified risks in your direct operations with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Country/Area & River basin

United States of America	Not known
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Type of risk & Primary risk driver

Regulatory	Regulatory uncertainty
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Primary potential impact

Increased operating costs

Company-specific description

Diamondback's oil and natural gas exploration, development and production operations are subject to stringent laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous federal, state and local governmental agencies, such as the Environmental Protection Agency, issue regulations that often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties and may result in injunctive obligations for noncompliance. Hydraulic fracturing is an important common practice that is used to stimulate production of hydrocarbons from tight formations, including shales. The process, which involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production, is typically regulated by state oil and natural gas commissions. Increased regulation around sourcing water for hydraulic fracturing and disposing produced water would directly increase both our capital and operating costs. Diamondback is working to mitigate this exposure by recycling as much produced water as possible and using that produced water for hydraulic fracturing operations.

Timeframe

Unknown

Magnitude of potential impact

Medium

Likelihood

Unlikely

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

<Not Applicable>

Potential financial impact figure - maximum (currency)

<Not Applicable>

Explanation of financial impact

The financial impact could vary significantly depending on regulatory requirements and type of regulation implemented.

Primary response to risk

Adopt water efficiency, water reuse, recycling and conservation practices

Description of response

Diamondback has long been committed to recycling water from our production operations. We primarily re-use produced water for our completion operations, limiting the amount of fresh water sourced for our development plan. Our first recycling activity took place in 2017, and our commitment to recycling has grown over the last four years. Water recycling percentage is one of our five environmental and safety metrics included in our short term incentive (STI) compensation scorecard, therefore tying this activity to the compensation of every employee in the Company. Currently, 20-30% of the water used in completion operations is sourced from recycled water, with a company-wide 2021 goal of greater than 15% of water used in drilling and completion operations sourced from recycled water. We have used up to 100% recycled water for completion operations in the Delaware Basin where we have more water production than the Midland Basin. In all of our core operating areas across both the Midland and Delaware Basins, we have spent capital to create and maintain high capacity recycling systems. We expect to increase our recycling percentages as we develop the ability to store produced water in above-ground pits, particularly in the Midland Basin. We expect to spend \$60 - \$80 million over the next 18 months to develop this infrastructure and move to a high percentage of overall water use sourced from recycling. In addition to recycling efforts, we have also placed a premium on sourcing brackish water that is not compatible for human consumption, farming or ranching activities. By doing so, we continue to lower our impact on local citizens and lessen our impact on fresh water reservoirs. The combination of either brackish water or recycled water accounts for approximately 75% of all water usage by the Company, and we expect this number to continue to increase over time.

Cost of response

75000000

Explanation of cost of response

Diamondback is planning to construct centralized produced water recycling facilities in the Midland Basin where we do not have existing infrastructure. The water used to complete a typical two-mile horizontal well typically costs \$150,000-\$400,000, with similar costs to gather and dispose a comparable amount of produced water.

Diamondback estimates that at least half of the combined sourcing and disposal costs could be eliminated by recycling produced water for completions instead of utilizing saltwater injection wells. This is the primary capital spend anticipated for 2021 and is expected to lower our operating costs in the future.

W4.2c

(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	We have identified minimal water-related risks from our value chain in our water-related risk assessments.

W4.3

(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes, we have identified opportunities, and some/all are being realized

W4.3a

(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.

Type of opportunity

Efficiency

Primary water-related opportunity

Improved water efficiency in operations

Company-specific description & strategy to realize opportunity

Diamondback has long been committed to recycling water from our production operations. We primarily re-use produced water for our completion operations, limiting the amount of fresh water sourced for our development plan. Our first recycling activity took place in 2017, and our commitment to recycling has grown over the last four years. Water recycling percentage is one of our five environmental and safety metrics included in our STI compensation scorecard, therefore tying this activity to the compensation of every employee in the Company. Currently, 20-30% of the water used in completion operations is sourced from recycled water, with a company-wide 2021 goal of greater than 15% of water used in drilling and completion operations sourced from recycled water. We have used up to 100% recycled water for completion operations in the Delaware Basin where we have more water production than the Midland Basin. In all of our core operating areas across both the Midland and Delaware Basins, we have spent capital to create and maintain high capacity recycling systems. We expect to increase our recycling percentages as we develop the ability to store produced water in above-ground pits, particularly in the Midland Basin. We expect to spend \$60 - \$80 million over the next 18 months to develop this infrastructure and move to a high percentage of overall water use sourced from recycling. In addition to recycling efforts, we have also placed a premium on sourcing brackish water that is not compatible for human consumption, farming or ranching activities. By doing so, we continue to lower our impact on local citizens and lessen our impact on fresh water reservoirs. The combination of either brackish water or recycled water accounts for approximately 75% of all water usage by the Company, and we expect this number to continue to increase over time.

Estimated timeframe for realization

Current - up to 1 year

Magnitude of potential financial impact

Medium-high

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

60000000

Explanation of financial impact

Recycling water reduces the need to purchase fresh or brackish water from surface landowners, which can range from \$0.20 - \$1.00 per barrel depending on the operating field. Diamondback estimates the process of recycling water for completion operations saves \$100,000 - \$300,000 per well, depending on how much water is recycled each well, and we are currently completing ~275 wells per year.

W6. Governance

W6.1

(W6.1) Does your organization have a water policy?

Yes, we have a documented water policy that is publicly available

W6.1a

(W6.1a) Select the options that best describe the scope and content of your water policy.

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations Company water targets and goals	Please see Diamondback's Corporate Responsibility Report for an overview of the Company's water management practices.

W6.2

(W6.2) Is there board level oversight of water-related issues within your organization?

Yes

W6.2a

(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.

Position of individual	Please explain
Board-level committee	Members of our Safety, Sustainability & Corporate Responsibility Committee

W6.2b

(W6.2b) Provide further details on the board's oversight of water-related issues.

	Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain
Row 1	Scheduled - all meetings	Monitoring implementation and performance Reviewing and guiding business plans Reviewing and guiding risk management policies Reviewing and guiding strategy Reviewing and guiding corporate responsibility strategy Setting performance objectives	As an oil and gas company, we understand that we have the potential to make a uniquely positive impact in the world. We provide affordable, domestically produced energy that helps run our homes, businesses, transportation networks and other key components of our economy. As we continue to provide a critical product that contributes to economic growth and society, we view the connection between responsible operations and business success a fundamental necessity. We are committed to the safe and responsible development of our resources in the Permian Basin. We operate in the same areas in which a majority of our employees and their families live, and are dedicated to preserving and protecting the environment for the benefit of our stockholders, employees and our community. We have identified key areas of focus, including water use, energy, emissions, waste and spills, compliance, health and safety, training and education, and community, and have described below certain of our efforts relating to these areas. We have also established the Safety, Sustainability and Corporate Responsibility Committee of our Board of Directors that oversees, among other things, our management's monitoring and adherence to our policies on ESG matters and the quality of our procedures for identifying, assessing, monitoring and managing the principal environmental, health, safety and social risks in our business and provides leadership with respect to best practices in the areas environmental, sustainability and corporate and social responsibility.

W6.3

(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)

Chief Executive Officer (CEO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

Name of the position(s) and/or committee(s)

Chief Financial Officer (CFO)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

Name of the position(s) and/or committee(s)

Other C-Suite Officer, please specify (EVP of Operations)

Responsibility

Both assessing and managing water-related risks and opportunities

Frequency of reporting to the board on water-related issues

Quarterly

Please explain

W6.4

(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	Diamondback has incorporated water related targets into the STI compensation scorecard at a 20% weighting.

W6.4a

(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Corporate executive team Chief Executive Officer (CEO) Chief Financial Officer (CFO)	Improvements in efficiency - product-use	Diamondback has incorporated environmental-related targets (including water recycling) into the STI compensation scorecard at a 20% weighting.
Non-monetary reward	Please select	Please select	

W6.5

(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?

Yes, trade associations

W6.5a

(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?

Diamondback's Safety, Sustainability and Corporate Responsibility Committee engages with our management and Board of Directors on our water policy / water commitment strategy. Diamondback's Vice President of Government Affairs is kept abreast of relevant communications so that there is alignment both internally and externally with our trade associations and other stakeholders.

W6.6

(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?

Yes (you may attach the report - this is optional)

W7. Business strategy

W7.1

(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	5-10	Within our longer term planning of our corporate strategy, we consider many scenarios and risks associated with those scenarios. Regulatory and environmental criteria are a key part of that decision matrix among other things such as technical challenges, technology developments, and commodity outlook.
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	5-10	As we deliberate over the key components which impact our long term corporate plan, we strategize on appropriate methods to mitigate risk to achieving that plan. Water-related matters including alternatives to the present state of our operations are thought through as a key function of our longer term planning.
Financial planning	Yes, water-related issues are integrated	5-10	We consider many financial risks and objectives related to water as a part of our long-term planning. As an example, we plan for long-term infrastructure spending to reduce our dependence on fresh water and increase our utilization of recycled water in conjunction with our long-term asset development

W7.2

(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

Row 1

Water-related CAPEX (+/- % change)

-50

Anticipated forward trend for CAPEX (+/- % change)

-50

Water-related OPEX (+/- % change)

0

Anticipated forward trend for OPEX (+/- % change)

0

Please explain

Diamondback is planning to construct centralized produced water recycling facilities in the Midland Basin where we do not have existing infrastructure. The water used to complete a typical two-mile horizontal well typically costs \$150,000-\$400,000, with similar costs to gather and dispose a comparable amount of produced water.

Diamondback estimates that at least half of the combined sourcing and disposal costs could be eliminated by recycling produced water for completions instead of utilizing saltwater injection wells. This is the primary capital spend anticipated for 2021 and is expected to lower our operating costs in the future.

W7.3

(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?

	Use of climate-related scenario analysis	Comment
Row 1	Yes	Our scenario analysis is publicly available in our latest Corporate Responsibility Report on our website.

W7.3a

(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?

No

W7.4

(W7.4) Does your company use an internal price on water?

Row 1

Does your company use an internal price on water?

Yes

Please explain

Diamondback uses the actual price paid to landowners to source freshwater when we are not able to use recycled water.

W8. Targets

W8.1

(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Activity level specific targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Targets for recycling are set annually based on continuous improvement of past behavior. Reasonable stretch targets beyond what was achieved in the past are set with input from the technical and operational teams. The results and key performance indicators vs. these targets are reported to the management team quarterly by the functional groups.

W8.1a

(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.

Target reference number

Target 1

Category of target

Water recycling/reuse

Level

Company-wide

Primary motivation

Reduced environmental impact

Description of target

Greater than 10% of water used for completion operations sourced from recycled water.

Quantitative metric

Other, please specify (% of recycled water used in completion operations)

Baseline year

2020

Start year

2020

Target year

2020

% of target achieved

100

Please explain

Over 17% of the water used in completion operations was sourced from recycled water.

Target reference number

Target 2

Category of target

Water recycling/reuse

Level

Company-wide

Primary motivation

Reduced environmental impact

Description of target

Greater than 15% of water used for drilling and completion operations sourced from recycled water.

Quantitative metric

Other, please specify (% of recycled water used in drilling and completion operations)

Baseline year

2021

Start year

2021

Target year

2021

% of target achieved

Please explain

Target in process.

W8.1b

W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.

Goal

Reduce environmental impact of product in use phase

Level

Company-wide

Motivation

Reduced environmental impact

Description of goal

Our goal is to reduce our freshwater intensity (Bbls of freshwater/BOE production) and track that performance over time to ensure we're using less freshwater per BOE year over year assuming consistent activity and production levels.

Baseline year

2019

Start year

2019

End year

2020

Progress

Diamondback reduced its freshwater intensity (Bbls of freshwater/BOE production) from 0.61 in 2019 to 0.22 in 2020, a reduction of 63%. We will continue to reduce our freshwater intensity over time as we strive to use more recycled produced water or brackish water for our operations.

W9. Verification

W9.1

(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?

In progress

W10. Sign off

W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Financial Officer	Chief Financial Officer (CFO)

W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

Yes

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms