



**Part II** Organizational Action *(continued)*

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [IRC Section 368\(a\)](#)

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**18** Can any resulting loss be recognized? ▶ [See Statement 2](#)

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [Not Applicable](#)

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**  
Signature ▶  Date ▶ **Sep 26, 2022**

Print your name ▶ **Teresa L. Dick** Title ▶ **Executive VP, CAO, and Asst Secretary**

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

**ATTACHMENT TO FORM 8937 – REPORT OF ORGANIZATIONAL ACTION**

14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On August 24<sup>th</sup>, 2022, Bacchus Merger Sub Company (“Merger Sub”), which is a wholly owned subsidiary of Diamondback Energy, Inc. (“Diamondback”) merged with and into Rattler Midstream LP, a Delaware limited partnership which previously elected to be classified as an association taxable as a corporation for U.S. federal income tax purposes (“Rattler”), with Rattler as the surviving entity and a wholly owned subsidiary of Diamondback (the “Merger”).

At the effective time of the Merger, each eligible common unit of Rattler (“Rattler Common Unit”), issued and outstanding immediately prior to the effective time of the Merger, was converted into the right to receive 0.113 of a share of common stock, par value \$0.01 per share, of Diamondback (“Diamondback Common Stock”), plus cash in lieu of any fractional shares that otherwise would have been issued.

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

Common unitholders of Rattler received 0.113 shares of Diamondback Common Stock for every Rattler Common Unit converted in the Merger. The Merger is intended to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended (“IRC”). With respect to U.S. taxpayers, for federal income tax purposes, the aggregate tax basis of the Diamondback Common Stock received in the Merger is expected to equal the aggregate adjusted tax basis of Rattler Common Units surrendered by each Rattler unitholder. Rattler unitholders must allocate the adjusted tax basis attributable to their Rattler Common Units across the total number of shares received of Diamondback Common Stock. Thus, each holder’s per-share cost basis of their Diamondback Common Stock is expected to be equal to their per-unit adjusted tax basis of Rattler Common Units prior to the Merger, divided by 0.113. Each shareholder’s holding period of their Diamondback Common Stock should generally include the holding period of their Rattler Common Units surrendered for shares of Diamondback Common Stock.

To the extent that a Rattler unitholder received cash in lieu of a fractional share of Diamondback Common Stock, a portion of their tax basis should generally be allocated to such fractional share of Diamondback Common Stock, and such fractional share of Diamondback Common Stock will be deemed to be received and then sold for cash.

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

As a tax-free reorganization under IRC Section 368(a), calculation of tax basis in shares of Diamondback Common Stock issued in exchange for surrendered Rattler Common Units should generally be based upon the exchange ratio of 1 Rattler Common Unit for 0.113 shares of Diamondback Common Stock and is not dependent on the market value of either Rattler Common Units or Diamondback Common Stock on the date of the Merger.

18. Can any resulting loss be recognized?

For U.S. federal income tax purposes, Rattler unitholders will generally not recognize any gain or loss as a result of the Merger, except that, to the extent cash was received in lieu of fractional shares of Diamondback Common Stock, any such unitholders should generally be treated as having received such fractional share of Diamondback Common Stock and then having sold such fractional share for cash. These holders should generally recognize gain or loss equal to the difference between the amount of cash received and the holder's basis in the fractional share of Diamondback Common Stock. The gain or loss generally should be long-term capital gain or loss if, as of the date of the Merger, the Rattler unitholder's holding period with respect to Rattler Common Units for which a fractional share of Diamondback Common Stock was received exceeded one year.






# Diamondback-Rattler Form 8937\_ for signature

Final Audit Report

2022-09-26

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