Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

The nature ~~Limited partner interests are inherently different from the capital stock~~ of **our** ~~a corporation, although many of the~~ business **activities subjects us to certain hazards and** risks ~~to which we are subject are similar to~~ **. The following is a summary of some of** ~~those~~ -- **the material risks relating to our** ~~that would be faced by a corporation engaged in a similar~~ business **activities** ~~. If any of the following risks were to occur, our business, financial condition, results of operations and cash available for distribution could be materially adversely affected. In that case, we might not be able to make distributions on our common units, the trading price of our common units could decline, and unitholders could lose all or part of their investment~~. Other risks are also described in ~~"~~Items 1 and 2. Business and Properties, ~~" "~~Item 7. Management' s Discussion and Analysis ~~of —~~ Financial Condition and Results of Operations ~~"~~and ~~"~~Item 7A. Quantitative and Qualitative Disclosures About Market Risk **of this report** . ~~"~~**These risks are not the only risks we face. We could also face additional risks and uncertainties not currently known to us or that we currently deem to be immaterial. If any of these risks actually occurs, it could materially harm our business, financial condition or results of operations and the trading price of our shares could decline.** Risks Related to Our Business In prior periods, our business was adversely affected by the COVID- 19 pandemic and volatility in the oil and natural gas markets, compounded by the global effects of the war in Ukraine **and the Israel- Hamas War** . We could continue to experience such adverse effects in future periods. During **2023,** 2022, **and** 2021 ~~, and 2020~~ NYMEX WTI has ranged from $ **47** ~~(37~~ . **62** ~~63)~~ to $ 123. 70 per Bbl, and the NYMEX Henry Hub price of natural gas has ranged from $ 1. ~~48~~ **99** to $ 9. 68 per MMBtu, with seven- year highs reached in 2022 ~~and historic lows for oil reached in 2020~~. The war in Ukraine **, the Israel- Hamas War** , the COVID- 19 pandemic, rising interest rates, global supply chain disruptions, concerns about a potential economic downturn or recession, recent measures to combat persistent inflation, and actions taken by OPEC and its non- OPEC allies, collectively OPEC , continued to contribute to economic and pricing volatility during ~~2022~~ **2023** . ~~Despite the recovery in crude oil prices and strong demand,~~ Diamondback and certain of our other operators ~~kept~~ **increased** production on our acreage ~~relatively flat~~ during ~~2022~~ **2023** , **but continued to exercise capital discipline by** using **the majority of** their excess cash flow for debt repayment and / or return to their stockholders rather than expanding their drilling programs. We cannot reasonably predict whether production levels will remain at current levels or the impact the full extent of the events above may have on our industry and our business. ~~Due to~~ **Based on** the **current** ~~improvement in~~ commodity pricing environment and industry conditions, we did not record any impairments in ~~2022~~ **2023** . However, if commodity prices fall below current levels, we may be required to record impairments in future periods and such impairments could be material. Further, if commodity prices decrease, our production, proved reserves and cash flows will be adversely impacted. Lower oil and natural gas prices may also result in a reduction in the borrowing base under the Operating Company' s revolving credit facility, which may be determined at the discretion of our lenders. Other significant factors that are likely to continue to affect commodity prices in future periods include, but are not limited to, the effect of U. S. energy, monetary and trade policies, U. S. and global economic conditions, U. S. and global political and economic developments, including the Biden Administration' s energy and environmental policies, all of which are beyond our control. Our business may be also adversely impacted by any future government rule, regulation or order that may impose production limits, as well as pipeline capacity and storage constraints, in the Permian Basin where we have mineral and royalty interests. We cannot predict the ultimate impact of these factors on our business, financial condition and cash available for ~~distribution~~ **dividends** to ~~our unitholders. The COVID- 19 pandemic continues to present operational, health, labor, logistics and other challenges, and it is difficult to assess the ultimate impact of the COVID- 19 pandemic on our business, financial condition and cash flows. There continue to be many variables and uncertainties regarding the COVID- 19 pandemic, including the emergence, contagiousness and threat of new strains of the virus and their severity; the effectiveness of current treatments and vaccines against the virus or~~ **our stockholders** ~~its new strains; any travel restrictions, business closures and other measures that are or may be imposed in affected areas or countries by governmental authorities; disruptions in the supply chain; a competitive labor market, logistics costs; remote working arrangements, social distancing guidelines and other COVID- 19- related challenges. Further, there remain increased risks of cyberattacks on information technology systems used in remote working environments; increased privacy- related risks due to processing health- related personal information; absence of workforce due to illness; the impact of the pandemic on any of our contractual counterparties; and other factors that are currently unknown or considered immaterial. It is difficult to assess the ultimate impact of the COVID- 19 pandemic on our business, financial condition and cash flows~~. We cannot predict the impact of the ongoing war in ~~the~~ Ukraine ~~and~~ **or** the ~~related humanitarian crisis~~ **Israel- Hamas War** on the global economy, energy markets, geopolitical stability and our business. Our mineral and royalty acreage is located primarily in the Permian Basin in West Texas. However, the broader consequences of the war in ~~the~~ Ukraine ~~, which may include further sanctions, embargoes, supply chain disruptions, regional instability~~ and ~~geopolitical shifts~~ **the Israel- Hamas War** , may ~~have adverse effects on global macroeconomic conditions,~~ increase volatility in the price of and demand for oil and natural gas, increase exposure to cyberattacks, cause disruptions in global supply chains, increase foreign currency fluctuations, cause constraints or disruption in the capital markets ~~and~~ **,** limit sources of liquidity **and adversely impact global macroeconomic conditions** . We cannot predict the extent of the ~~conflict~~ **conflicts** ' ~~s~~ effect on our business, results of operations, the global economy or energy markets. Our commodity price derivatives could result in financial losses, may fail to protect us from declines in commodity prices, prevent us from fully benefiting from commodity price increases and may expose us to other risks, including counterparty credit risk. We use fixed price swap contracts, fixed price basis swap contracts and costless collar contracts with corresponding put and call options to reduce price volatility associated with certain of our royalty income. Our derivative contracts are based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on NYMEX WTI pricing (Cushing and Midland- Cushing) and with natural gas derivative settlements based on the NYMEX Henry Hub and Waha Hub pricing. By using derivative instruments to economically hedge exposure to changes in commodity prices, we expose ourselves to credit risk and market risk. At settlement, market prices for commodities may exceed the contract prices in our commodity price derivatives agreements, resulting in our need to make significant cash payments to our counterparties. Further, by using commodity derivative instruments, we expose ourselves to credit risk if we are in a positive position at contract settlement and the counterparty fails to perform under the terms of the derivative contract. Our counterparties have been determined to have an acceptable credit risk; therefore, we do not require collateral from our counterparties. By using derivative instruments, we may be prevented from fully realizing the benefits of increases in the prices of oil, natural gas liquids and natural gas above the price levels of the commodity price derivatives used to manage price risk. For additional information regarding our use of commodity price derivatives and our outstanding derivative contracts as of December 31, ~~2022~~ **2023** , see Note 10 — Derivatives **in Item 8.** ~~of the notes to the consolidated financial~~ **Financial** ~~statements~~ **Statements and Supplementary Data** ~~included elsewhere in this Annual report~~ , Item 7. Management' s Discussion and Analysis ~~of~~ **—** Financial Condition and Results of Operations and Item 7A. Quantitative and Qualitative Disclosures About Market Risk — Commodity Price Risk **of this report** . The ~~Inflation Reduction Act of 2022, or the~~ IRA ~~,~~ and other risks relating to climate change could accelerate the transition to a low carbon economy and could impose new costs on our operations that may have a material and adverse effect on us. Governmental and regulatory bodies, investors, consumers, industry and other stakeholders have been increasingly focused on climate change matters in recent years. This focus, together with changes in consumer and industrial / commercial behavior, preferences and attitudes with respect to the generation and consumption of energy, the use of hydrocarbons, and the use of products manufactured with, or powered by, hydrocarbons, may result in ~~: •~~ **; (i)** the enactment of climate change- related regulations, policies and initiatives by governments, investors, and other companies, including alternative energy or " zero carbon " requirements and fuel or energy conservation measures ~~; •~~ **, (ii)** technological advances with respect to the generation, transmission, storage and consumption of energy (including advances in wind, solar and hydrogen power, as well as battery technology) ~~; •~~ **, (iii)** increased availability of, and increased demand from consumers and industry for, energy sources other than oil and natural gas (including wind, solar, nuclear, and geothermal sources as well as electric vehicles) ~~;~~ **,** and ~~•~~ **(iv)** development of, and increased demand from consumers and industry for, lower-emission products and services (including electric vehicles and renewable residential and commercial power supplies) as well as more efficient products and services. Any of these developments may reduce the demand for products manufactured with (or powered by) hydrocarbons and the demand for, and in turn the prices of, the oil and natural gas that we produce and sell, which would likely have a material adverse impact on us. The enactment of climate change- related regulations, policies and initiatives may also result in increases in our compliance costs and other operating costs and have other adverse effects, such as a greater potential for governmental investigations or litigation. ~~On August 16~~ **In recent years** , ~~2022~~ **federal** , ~~President Biden signed into law~~ **state and local governments have taken steps to reduce emissions of greenhouse gases. For example, the Infrastructure Investment and Jobs Act and** the IRA ~~, which includes~~ - **include** billions of dollars in incentives for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles, investments in advanced biofuels and supporting infrastructure and carbon capture and sequestration. **Also, the EPA has proposed ambitious rules to reduce harmful air pollutant emissions, including greenhouse gases, from light-, medium-, and heavy- duty vehicles beginning in model year 2027.** These incentives **and regulations** could accelerate the transition of the economy away from the use of fossil fuels towards lower- or zero- carbon emissions alternatives, which could decrease demand for, and in turn the prices of, the oil and natural gas that we produce and sell and adversely impact our business. Additionally, the IRA imposes the first ever federal fee on greenhouse gas emissions through a methane emissions charge, which could increase our operating costs and thereby adversely impact our business, financial condition and cash flows. In addition to potentially reducing (i) demand for our oil and natural gas and (ii) the availability of oilfield services and midstream and downstream customers, any of these developments may also create reputational risks associated with the exploration for, and production of, hydrocarbons, which may adversely affect the availability and cost to us of capital. For example, a number of prominent investors have publicly announced their intention to no longer invest in the oil and gas sector in response to concerns related to climate change, and other financial institutions and investors may decide to do likewise in the future. If financial institutions and other investors refuse to invest in or provide capital to the oil and gas sector in the future because of these reputational risks, that could result in capital being unavailable to us, or only at **a** significantly increased cost. For further discussion regarding the risks to us of climate change-related regulations, policies and initiatives, ~~please~~ see ~~the section entitled "~~ Item 1 and 2. Business and Properties — Regulation — Climate Change **of this report** . ~~"~~ Continuing political and social concerns relating to climate change **and other environmental, social and governance factors** may result in significant litigation and related expenses. Increasing attention to global climate change has resulted in increased investor attention and an increased risk of public and private litigation, which could increase our costs or otherwise adversely affect us. For example, ~~shareholder~~ **stockholder** activism has recently been increasing in our industry ~~. Because of our structure as a limited partnership~~ , ~~we do not hold annual meetings or file proxy statements~~ and **stockholders** ~~our unitholders have limited voting rights. They~~ may ~~, however,~~ attempt to effect changes to our business or governance to deal with climate change- related issues **, whether** by **stockholder proposals,** public campaigns, **proxy solicitations** ~~investor communications, regulatory lobbying efforts~~ or otherwise, which may result in significant management distraction and potentially significant expense **. Also, investor and regulatory focus on environmental, social and governance (" ESG ") matters continues to increase. For example, in addition to climate change, there is increasing attention on topics such as diversity and inclusion, human rights, and human and natural capital in companies' own operations as well as their supply chains. In addition, perspectives on the efficacy of ESG considerations continue to**

evolve, and we cannot currently predict how regulators', investors' and other stakeholders' views on ESG matters may affect the regulatory and investment landscape and affect our business, financial condition, and results of operations. If we do not, or are perceived to not, adapt or comply with investor or stakeholder expectations and standards on ESG matters, we may suffer from reputational damage and our business, financial condition and results of operations could be materially and adversely affected. In March 2022, the SEC proposed new rules relating to the disclosure of a range of climate- related risks and other information. To the extent this rule is finalized as proposed, we and / or our customers could incur increased costs related to the assessment and disclosure of climate- related information. Enhanced climate disclosure requirements could also accelerate any trend by certain stakeholders and capital providers to restrict or seek more stringent conditions with respect to their financing of certain carbon intensive sectors . Additionally, cities, counties, and other governmental entities in several states in the U. S. have filed lawsuits against energy companies seeking damages allegedly associated with climate change. Similar lawsuits may be filed in other jurisdictions. If any such lawsuits were to be filed against us, we could incur substantial legal defense costs and, if any such litigation were adversely determined, we could incur substantial damages. Any of these climate change- related litigation risks could result in unexpected costs, negative sentiments about our company, disruptions to our business, and increases to our operating expenses, which in turn could have an adverse effect on our business, financial condition and cash flow. Conservation measures and technological advances could reduce demand for oil and natural gas. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. The impact of the changing demand for oil and natural gas services and products may have a material adverse effect on our business, financial condition, results of operations and cash available ~~for distribution~~ **to return to our stockholders** . Increased costs of capital could adversely affect our business Our business could be harmed by factors such as the availability, terms and cost of capital, increases in interest rates or a reduction in our credit rating. Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to pursue acquisition opportunities, reduce our cash flows available and place us at a competitive disadvantage. Continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance our activities. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our business strategy and cash flows. We may not have sufficient available cash to pay any quarterly ~~distribution~~ **dividend** on our common ~~units~~ **stock** , our cash available for ~~distribution~~ **dividends** may vary significantly from quarter to quarter and ~~the~~ **our** board of directors ~~of our General Partner has recently modified, and~~ may in the future ~~further~~ modify or revoke ~~,~~ our cash ~~distribution~~ **dividend** policy at any time at its discretion. Our ~~distribution~~ **dividend** policy could limit our ability to grow and make acquisitions. We may not have sufficient **cash** available ~~cash~~ **to pay base or variable dividends to our common stockholders** each quarter ~~to enable us to pay any distributions to our common unitholders~~ . Furthermore, our ~~partnership agreement~~ **cash dividend policy** does not require us to pay ~~distributions~~ **dividends** on a quarterly basis or otherwise. The amount of cash we have to distribute each quarter principally depends ~~primarily~~ upon the amount of royalty income we generate, which is dependent upon the volumes of production sold and the prices that our operators realize from the sale of such production. In addition, the actual amount of cash we will have to distribute each quarter under our cash ~~distribution~~ **dividend** policy will be reduced by payments in respect of income taxes, debt service and other contractual obligations and fixed charges, increases in reserves for future operating or capital needs that the board of directors may determine is appropriate, lease bonus income, distribution equivalent rights payments and preferred ~~distributions~~ **dividends** , if any, and any common ~~unit~~ **share** repurchases. ~~Our General Partner~~ **The board of directors** may further modify or revoke our ~~distribution~~ **dividend** policy at any time in the future at its discretion. During 2022, the board of directors ~~of the General Partner~~ approved a ~~distribution~~ **dividend** policy, effective beginning with the ~~Partnership~~ **Company** ' s ~~distribution~~ **dividend** payable for the third quarter of 2022, consisting of a base and variable ~~distribution~~ **dividend** , that takes into account capital returned to ~~unitholders~~ **stockholders** via our common ~~unit~~ **stock** repurchase program. For information regarding our ~~distribution~~ **dividend** policy and the recent modifications, see ~~"~~Item 5. Market for Registrant' s Common Equity, Related ~~Unitholder~~ **Stockholder** Matters and Issuer Purchases of Equity Securities — Cash ~~Distribution~~ **Dividend** Policy ~~"~~ and ~~"~~Item 7. Management' s Discussion and Analysis ~~of~~ **—** Financial Condition and Results of Operations **of this report** . ~~"~~As a result, quarterly ~~distributions~~ **dividends** paid to our ~~unitholders~~ **stockholders** may vary significantly from quarter to quarter and may be zero. As a result of our cash ~~distribution~~ **dividend** policy, we will have limited cash available to reinvest in our business or to fund acquisitions, and we will rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund our acquisitions and growth capital expenditures. As such, to the extent we are unable to finance growth externally, our ~~distribution~~ **dividend** policy will significantly impair our ability to grow. To the extent we issue additional ~~units~~ **shares** in connection with any acquisitions or growth capital expenditures or as in- kind ~~distributions~~ **dividends** , the payment of ~~distributions~~ **dividends** on those additional ~~units~~ **shares** may increase the risk that we will be unable to maintain or increase our per ~~unit distribution~~ **share dividend** level ~~. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units~~ . We depend on a small number of operators for a substantial portion of the development and production on the properties underlying our mineral interests. A reduction in the expected number of wells to be drilled on our acreage by these operators or the failure of an operator to adequately and efficiently develop and operate our acreage could have an adverse effect on our expected growth and our results of operations. The failure of our operators to adequately or efficiently perform operations or an operator' s failure to act in ways that are in our best interests could reduce production and revenues. Any development and production activities on our properties are subject to our operators' reasonable discretion. The level, success and timing of drilling and development activities on our properties, and whether the operators elect to drill any additional wells on our acreage, depends on a number of factors that will be largely outside of our control, including: commodity prices; the timing and amount of capital expenditures by our operators, which could be significantly more than anticipated; the ability of our operators to access capital; the availability, high cost or shortages of rigs and other suitable drilling equipment, raw materials, supplies and oilfield services; the availability of production and transportation infrastructure and qualified operating personnel; regulatory restrictions; the operators' expertise, operating efficiency and financial resources; approval of other participants in drilling wells; the operators' expected return on investment in wells drilled on our acreage as compared to opportunities in other areas; the selection of technology; the selection of counterparties for the sale of production; and the rate of production of the reserves. The operators may elect not to undertake development activities, or may undertake such activities in an unanticipated fashion, which may result in significant fluctuations in our royalty income and cash available for ~~distribution~~ **dividends** to our ~~unitholders~~ **stockholders** . If reductions in production by the operators are implemented on our properties and sustained, our revenues may also be substantially affected. Additionally, if an operator were to experience financial difficulty, the operator might not be able to pay its royalty payments or continue its operations, which could have a material adverse impact on us. The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures by operators than we currently anticipate. Approximately ~~28~~ **20** % of our total estimated proved reserves as of December 31, ~~2022~~ **2023** were proved undeveloped reserves and may not be ultimately developed or produced. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations by the operators on our mineral and royalty acreage. The reserve data included in the reserve reports of our independent petroleum engineers assume that substantial capital expenditures are required to develop such reserves. We cannot be certain that the estimated costs of the development of these reserves are accurate, that development will occur as scheduled or that the results of such development will be as estimated. Delays in the development of our reserves, increases in costs to drill, complete and develop such reserves, or further decreases in commodity prices will reduce the future net revenues of our estimated proved undeveloped reserves and may result in some projects becoming uneconomical. In addition, delays in the development of reserves could force us to reclassify certain of our proved reserves as unproved reserves. Our future success depends on finding,...... for additional reserves could also increase. We may not be able to terminate our leases if any of our operators declare bankruptcy, and we may experience delays and be unable to replace operators that do not make royalty payments. A failure on the part of the operators to make royalty payments gives us the right to terminate the lease, repossess the property and enforce payment obligations under the lease. If we repossessed any of our properties, we would seek a replacement operator. However, we might not be able to find a replacement operator and, if we did, we might not be able to enter into a new lease on favorable terms within a reasonable period of time. In addition, the outgoing operator could be subject to bankruptcy proceedings that could prevent the execution of a new lease or the assignment of the existing lease to another operator. In addition, if we enter into a new lease, the replacement operator may not achieve the same levels of production or sell oil or natural gas at the same price as the operator it replaced. The producing properties in which we have mineral and royalty interests are **primarily** concentrated in the Permian Basin of West Texas, making us vulnerable to risks (including weather- related risks) associated with a single geographic area. In addition, a large amount of our proved reserves is attributable to a small number of producing horizons within this area. The producing properties in which we have mineral and royalty interests are currently geographically **primarily** concentrated in the Permian Basin of West Texas. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints faced by our operators or their customers, availability of equipment, facilities, personnel or services market limitations or interruption of the processing or transportation of crude oil, natural gas or natural gas liquids on our mineral and royalty acreage, and extreme weather conditions, such as the severe winter storms in the Permian Basin in February 2021, and their adverse impact on production volumes, availability of electrical power, road accessibility and transportation facilities on our mineral and royalty acreage. Extreme regional weather events may occur that can affect our operators' suppliers or customers, which could adversely affect us. For example, a significant hurricane or similar weather event could damage refining and other oil and natural gas- related facilities on the Gulf Coast of Texas and Louisiana, which (if significant enough) could limit the availability of gathering and transportation facilities across Texas and could then cause production in the Permian Basin (**potentially** including ~~potentially~~ production on our mineral and royalty acreage) to be curtailed or shut in or (in the case of natural gas) flared. **Climate changes may also increase the frequency and severity of significant weather events over time.** Further, any increase in flaring of natural gas production on our mineral and royalty acreage due to weather- related events **,** or otherwise **,** could expose us to reputational risks and adversely impact our or our operators' contractual and other business relationships. Any of the above- referenced events could have a material adverse effect on us. Likewise, a weather event like the severe winter storms in the Permian Basin in February 2021 could reduce the availability of electrical power, road accessibility, and transportation facilities, which could have an adverse impact on production volumes on our mineral and royalty acreage (and therefore on our financial condition and results of operations). In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the Permian Basin, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of our mineral and royalty acreage, we could experience any of these conditions at the same time, resulting in a relatively greater impact on us than they might have on other companies that have a more diversified portfolio of assets. Such delays or interruptions could have a material adverse effect on our business, financial condition and cash flow. In addition to the geographic concentration of our mineral and royalty acreage, as of December 31, ~~2022~~ **2023** , most of our proved reserves are concentrated in the Wolfberry resource play in the Midland Basin. This concentration of assets within a small number of producing horizons exposes us to additional risks, such as changes in field- wide rules and regulations that could cause our operators to permanently or temporarily shut- in all of wells on our mineral and royalty acreage. Our **future success depends on the development or acquisition of additional reserves, and our** failure to successfully identify, complete and integrate acquisitions of properties or businesses could slow our growth and adversely affect our results of operations and cash available for ~~distribution~~ **dividends.Our future** success depends upon **the** ~~our ability to find,develop~~ **development** or ~~acquire~~ **acquisition of** additional oil and natural gas reserves that are economically recoverable,as our proved reserves will generally decline as reserves are depleted.To increase reserves and production,we would need to undertake replacement activities or use third party operators to undertake development,exploration and other replacement activities,requiring substantial capital expenditures.Neither we nor our third party operators may have sufficient resources to acquire additional reserves or to undertake exploration,development,production or other replacement activities.Such activities by our third party operators may not result in significant additional reserves and efforts to drill productive wells at low finding ~~and development~~ costs may be unsuccessful.In addition,we do not expect to retain cash from our operations for replacement capital expenditures.Furthermore,although our revenues and cash available for ~~distribution~~ **dividends** may increase if prevailing oil and natural gas prices increase significantly,finding costs for additional reserves could also **increase** . There is intense competition for acquisition opportunities in our industry. The successful acquisition of producing properties requires an assessment of several factors, including; recoverable reserves, future oil and natural gas prices and their applicable differentials, operating costs and potential environmental and other liabilities. The accuracy of these assessments is inherently uncertain and we may not be able to identify attractive acquisition opportunities. In connection with these assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems including title **defects, which, if material, can render an interest worthless** or environmental issues, nor will it permit us to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken **, which can adversely affect our results of operations, financial condition and cash available for dividends** . Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. Even if we do identify attractive acquisition opportunities, we may not be able to complete the acquisition or do so on commercially acceptable terms. Unless our operators further develop our existing properties, we will depend on acquisitions to grow our reserves, production and cash flow. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Further, these acquisitions may be in geographic regions in which we do not currently hold properties. If we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements and other unforeseen difficulties. Compliance with regulatory requirements may impose substantial additional obligations on us and our management, cause us to expend additional time and resources in compliance activities and increase our exposure to penalties or fines for non-compliance with such additional legal requirements. Further, the success of any completed acquisition will depend on our ability to effectively integrate the acquired business into our existing operations, the process of which may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. Any of the unfavorable circumstances mentioned above could have a material adverse effect on our financial condition, results of operations and cash available for ~~distribution~~ **dividends** . The inability to effectively manage the integration of acquisitions could reduce our focus on subsequent acquisitions and current operations, which, in turn, could negatively impact our growth, results of operations and cash available for **dividends** ~~distribution. We may incur losses as a result of title defects in the properties in which we have an interest. When acquiring oil and natural gas leases, we may not elect to incur the expense of retaining lawyers to examine the title to the mineral interest. Rather, we may rely upon the judgment of oil and gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease in a specific mineral interest. The existence of a material title deficiency can render an interest worthless and can adversely affect our results of operations, financial condition and cash available for distribution~~ . Project areas on our properties, which are in various stages of development, may not yield oil or natural gas in commercially viable quantities. Project areas on our properties are in various stages of development, ranging from project areas with current drilling or production activity to project areas that have limited drilling or production history. If the wells in the process of being completed are on our property and do not produce sufficient revenues or if dry holes are drilled, our financial condition, results of operations and cash available for ~~distribution~~ **dividends** may be materially affected ~~. Our method of accounting for investments in oil and natural gas properties may result in impairments in future periods. We account for our oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs and annual lease rentals are capitalized. The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10 %. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment, exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. We use the unweighted arithmetic average first day of the month price for oil and natural gas for the 12- month period preceding the calculation date in estimating discounted future net revenues. No impairments of proved oil and natural gas properties were recorded for the years ended December 31, 2022 and 2021. We recorded impairment expense of $ 69. 2 million for the year ended December 31, 2020. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates — Method of Accounting for Oil and Natural Gas Properties. " If the prices of oil and natural gas decline, we may be required to further write- down the value of our oil and natural gas properties in the future, which could negatively affect our results of operations~~ . Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. Oil and natural gas reserve engineering is not an exact science and requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, ultimate recoveries and operating and development costs, if any. As a result, estimated quantities of proved reserves, projections of future production rates and the timing of development expenditures may be incorrect. Over time, we may make material changes to reserve estimates taking into account the results of actual drilling, testing and production. Also, certain assumptions regarding future oil and natural gas prices, production levels and operating and development costs, if any, may prove incorrect. Any significant variance from these assumptions to actual figures could greatly affect our estimates of reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of future net cash flows. A substantial portion of our reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil and natural gas that we ultimately recover being different from our reserve estimates. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. We are dependent on electrical power, internet and telecommunication infrastructure and information and computer systems. If any of these systems are compromised or unavailable, our business could be adversely affected. We are dependent on electric power, internet and telecommunication infrastructure and ~~our~~ **Diamondback' s** information systems and computer based programs. If any of such infrastructure, systems or programs were to fail or become unavailable or compromised, or create erroneous information in our hardware or software network infrastructure, our ability to safely and effectively conduct our business will be limited and any such consequence could have a material adverse effect on our business. We are subject to cybersecurity risks. A cyber incident could occur and result in information theft, data corruption, operational disruption and / or financial loss. We rely extensively on **Diamondback' s** information technology systems, including internally developed software, data hosting platforms, real- time data acquisition systems, third- party software, cloud services and other internally or externally hosted hardware and software platforms, to (i) estimate our oil and natural gas reserves, (ii) process and record financial and operating data **,** and (iii) communicate with our ~~employees~~ **management** and **board of directors, as well as, our** vendors, suppliers and other third parties. Further, our reliance on technology has increased due to the increased use of personal devices, remote communications and work- from- home or hybrid work practices ~~that evolved in response to the COVID- 19 pandemic~~ . ~~Our~~ **Risks from cybersecurity threats have not materially affected, and are not currently anticipated to materially affect, our company, including our business strategy, results of operations and financial condition. However, our** systems and networks **(which are provided by Diamondback)** , and those of ~~our~~ **its** vendors, service providers and other third party providers, may become the target of cybersecurity attacks, including, without limitation, denial- of- service attacks; malicious software; data privacy breaches by insiders or others with authorized access; cyber or phishing- attacks; ransomware; attempts to gain unauthorized access to our data and **Diamondback' s** systems; and other electronic security breaches. If any of these security breaches were to occur, we could suffer disruptions to our operations, normal business functions and other aspects of our business. ~~We have~~ **Diamondback provides personnel and general and administrative services to us, including personnel and infrastructure that underlie our cybersecurity risk management program. In connection therewith, Diamondback has** implemented and invested in, and will continue to implement and invest in, controls, procedures and protections (including internal and external personnel) that are designed to protect ~~our~~ **its** systems ~~,~~ **;** identify and remediate **,** on a regular basis **,** vulnerabilities in ~~our~~ **its** systems and related infrastructure and monitor and mitigate the risk of data loss and other cybersecurity ~~threat~~ **threats . Diamondback has also engaged third- party consultants to conduct penetration testing and risk assessments. Diamondback' s cybersecurity governance program is informed by the National Institute of Standards and Technology (" NIST ") Cybersecurity Framework and measured by the Maturity and Risk Assessment Ratings associated with the NIST Cybersecurity Framework and the Capability Maturity Model Integration** . Such measures, however, cannot entirely eliminate cybersecurity threats and ~~the controls, procedures and protections we have implemented and invested in~~ may prove to be ineffective. As cyber incidents continue to evolve, ~~we~~ **Diamondback** may be required to expend additional resources **(for which we may be partially responsible)** to continue to modify or enhance ~~our~~ protective measures or to investigate and remediate any vulnerability to cyber incidents. ~~We~~ **Diamondback** ~~maintain~~ **maintains** specialized insurance for possible liability resulting from a cyberattack on ~~our~~ **its** assets, however, we cannot assure you that the insurance coverage will be adequate to cover claims that may arise, or that ~~we~~ **Diamondback** will be able to maintain adequate insurance at rates we consider reasonable. A loss not fully covered by insurance could have a material adverse effect on our business, financial condition and cash flows. Risks Related to Our Indebtedness Implementing our capital programs may, under certain circumstances, require an increase in our total leverage through additional debt issuances. In addition, a significant reduction in availability under the revolving credit facility and the inability to otherwise obtain financing for our capital programs could require us to curtail our capital expenditures. As a result of our cash ~~distribution~~ **dividend** policy, we have limited cash available to reinvest in our business or to fund acquisitions and have historically relied on availability under the Operating Company' s revolving credit facility to fund a portion of our capital expenditures and for other purposes. We expect that we will continue to fund a portion of our capital expenditures and other needs with borrowings under the revolving credit facility and from the proceeds of debt and equity offerings. In the past, we have created availability under the revolving credit facility by repaying outstanding borrowings with the proceeds from equity and debt offerings. We cannot assure you that we will choose to or be able to access the capital markets to repay any such future borrowings. If the availability under the revolving credit facility were reduced, and we were otherwise unable to secure other sources of financing, we may be required to curtail our capital expenditures, which could result in an inability to complete acquisitions or finance the capital expenditures necessary to replace our reserves. Restrictive covenants in the Operating Company' s revolving credit facility, the ~~indenture~~ **indentures** governing the Notes and future debt instruments may limit our ability to respond to changes in market conditions or pursue business opportunities. The Operating Company' s revolving credit facility and the ~~indenture~~ **indentures** governing the Notes outstanding contain, and the terms of any future indebtedness may contain, restrictive covenants that limit our and the Operating Company' s ability to, among other things: incur or guarantee additional indebtedness; make certain investments; create additional liens; sell or transfer assets; lease property as a lessee; issue redeemable or preferred equity; voluntarily redeem or prepay debt (including the Notes); merge or consolidate with another entity; pay **or declare** dividends ~~or make distributions~~; designate certain of our subsidiaries as unrestricted subsidiaries; create unrestricted subsidiaries; engage in transactions with affiliates; enter into gas ~~imbalance~~ **imbalances**, take- or- pay and similar agreements; and enter into certain swap agreements. We may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us and the Operating Company by the restrictive covenants contained in the revolving credit facility and the ~~indenture~~ **indentures** that ~~governs~~ **govern** the Notes. In addition, the revolving credit facility requires us to maintain certain financial ratios and tests. The requirement that we comply with these provisions may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures or withstand a continuing or future downturn in our business. Our and the Operating Company' s future ability to comply with these restrictions and covenants is uncertain and will be affected by the levels of cash flow from our operations and other events or circumstances beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A breach of any of these restrictive covenants could result in default under the revolving credit facility. If a default occurs, the lenders under the revolving credit facility may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the indenture governing the Notes. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we and the Operating Company are unable to repay outstanding borrowings when due, the lenders under the revolving credit facility will also have the right to proceed against the collateral granted to them to secure the indebtedness. If the indebtedness under the revolving credit facility and the Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness. Any significant reduction in the borrowing base under the Operating Company' s revolving credit facility as a result of the periodic borrowing base redeterminations **,** or otherwise **,** may negatively impact our ability to fund our operations, and we may not have sufficient funds to repay borrowings under the revolving credit facility if required as a result of a borrowing base redetermination. A decline in commodity prices could result in a redetermination that lowers the borrowing base. Any significant reduction in the borrowing base as a result of such borrowing base redeterminations or otherwise may negatively impact our liquidity and our ability to fund our operations and, as a result, may have a material adverse effect on our financial position, results of operation and cash flow. Further, if the outstanding borrowings under the revolving credit facility were to exceed the borrowing base as a result of any such redetermination, we and the Operating Company would be required to repay the excess. We may not have sufficient funds to make such repayments. If we do not have sufficient funds and we are otherwise unable to negotiate renewals of the borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results. Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness. Our ability to make scheduled payments of the principal ~~of~~, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. We are dependent on cash flow generated by the Operating Company to repay the Notes. The Operating Company' s business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If the Operating Company is unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying capital expenditures, selling assets, restructuring debt or obtaining additional capital on terms that may be onerous or highly dilutive. However, we cannot assure you that undertaking alternative financing plans, if necessary, would allow us to meet our debt obligations. In the absence of such cash flows, we could have substantial liquidity problems and might be required to sell material assets to attempt to meet our debt service and other obligations. The Operating Company' s revolving credit facility and the indenture governing the Notes outstanding restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair, and proceeds that we do receive may not be adequate to meet any debt service obligations then due. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at the time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations and have an adverse effect on our financial condition. If we experience liquidity concerns, we could face a downgrade in our debt ratings which could restrict our access to, and negatively impact the terms of, current or future financings or trade credit. Our ability to obtain financings and trade credit and the terms of any financings or trade credit is, in part, dependent on the credit ratings assigned to our debt by independent credit rating agencies. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near- term and long- term production growth opportunities, liquidity, asset quality, cost structure, product mix and commodity pricing levels. A ratings downgrade could adversely impact our ability to access financings or trade credit and increase our or the Operating Company' s borrowing costs. The borrowings under the Operating Company' s revolving credit facility expose us to interest rate risk. Our earnings are exposed to interest rate risk associated with borrowings under the Operating Company' s revolving credit facility. The terms of the Operating Company' s revolving credit facility provide for interest on borrowings at a floating rate equal to an alternative base rate that, since November 2022 has been tied to SOFR. SOFR tends to fluctuate based on multiple ~~facts~~ **factors**, including general short- term interest rates, rates set by the U. S. Federal Reserve ~~, which may increase further in 2023~~, and other central banks and general economic conditions. We have not hedged our interest rate exposure with respect to our floating rate debt. The Operating Company' s weighted average interest rate on borrowings under its revolving credit facility was ~~4~~ **7** . ~~22~~ **41** % during the year ended December 31, ~~2022~~ **2023** . If interest rates increase, so will our interest costs, which may have a material adverse effect on our results of operations and financial condition. Risks Inherent in an Investment in Us Diamondback **controls us and its interests may conflict with ours or yours in the future. Diamondback beneficially** owns **approximately 56 %** ~~and controls our General Partner, which has sole responsibility for conducting our business and managing our operations. Our General Partner and its affiliates, including Diamondback, have conflicts~~ of ~~interest with us and limited duties, and they~~ - **the voting power** ~~may favor their own interests to the detriment~~ of ~~us and our unitholders. Diamondback owns and controls our General Partner and appoints all of the directors of our General Partner. All of the executive officers and certain of the directors of our General Partner are also officers and / or~~ **our capital stock** ~~directors of Diamondback. Although our General Partner has a duty to manage us in a manner that it believes is not adverse to our interest, the executive officers and directors of our General Partner have a fiduciary duty to manage our General Partner in a manner beneficial to Diamondback. Therefore, conflicts of interest may arise between Diamondback or any of its affiliates, including our General Partner, on the one hand, and us or any of our unitholders, on the other hand. In resolving these conflicts of interest, our General Partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders~~ . For **so long** ~~instance, our General Partner is allowed to take into account the interests of parties other than us, such~~ as Diamondback **continues to have voting power over a significant percentage of our capital stock** , ~~in exercising certain rights~~ **even if such amount is less than 50 %, it will still be able to significantly influence the composition of our board of directors and the approval of actions requiring stockholder approval. Although the holders of our common stock are entitled to vote on all matters on which stockholders of a corporation are generally entitled to vote on** under **the Delaware General Corporation Law (the “ DGCL ”), including the election of** our ~~partnership agreement. Neither~~ **board of directors, pursuant to** our ~~partnership agreement nor~~ **certificate of incorporation, for so long as Diamondback and** any **of** ~~other agreement requires Diamondback to pursue a business strategy that favors us. Our partnership agreement replaces the fiduciary duties that would otherwise be owed by our General Partner with contractual standards governing~~ its **subsidiaries collectively beneficially own at least 25 %** ~~duties, limits our General Partner’ s liabilities and restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches~~ of ~~fiduciary duty. Except in limited circumstances,~~ our **outstanding common stock** ~~General Partner has the power and authority to~~ (i) ~~conduct~~ **Diamondback has the right to designate up to three persons to serve as members of** our ~~business without unitholder approval~~ **board of directors and** (ii) ~~determine~~ **our board of directors may not appoint any person** ~~the~~ **other** ~~amount~~ **than a Diamondback seconded employee as** ~~and~~ - **an** ~~timing~~ **executive officer** of ~~asset purchases and sales~~ **our company unless such appointment is approved** , ~~borrowings~~ **in advance** , **by either (x) Diamondback (** ~~issuances of additional partnership securities and the level of cash reserves, each of~~ which **approval may not be unreasonably withheld** ~~can affect the amount of cash that is distributed to our~~ - **or** ~~unitholders,~~ **conditioned) or** (~~iii~~ **y**) **the affirmative vote of the holders of at least** ~~determine which costs incurred by it and its affiliates are reimbursable by us, (iv) exercise its right to call and purchase common units if it and its affiliates own more than~~ 80 % of the **voting power of our capital stock. Currently, there are two Diamondback designees to our board of directors — Travis Stice and Kaes Van’ t Hof. Further, in connection with the Conversion, we entered into a services and secondment agreement with Diamondback E & P LLC and OpCo, pursuant to which Diamondback continues to provide personnel and general and administrative services to us and OpCo, including the services of the executive officers and other employees, in substantially the same manner as Diamondback provided to us before the Conversion. Accordingly, Diamondback will have significant influence with respect to our board of directors, management, business plans and policies, including the appointment and removal of our officers. In particular, for so long as Diamondback continues to beneficially own a significant percentage of our capital stock, it will be able to cause or prevent a change of control of our company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of our company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of** common **stock as part** ~~units, (v) control the enforcement~~ of **a sale of** ~~obligations that it and its affiliates owe to us, and (vi) decide whether to retain separate counsel, accountants or~~ **our** ~~others to perform services for us~~ **company and ultimately might affect the market price of our common stock** . **We do** ~~Our partnership agreement does~~ not ~~restrict our General Partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with its affiliates on our behalf. Our General Partner intends to limit its liability regarding our contractual and other obligations. Neither we nor our General Partner~~ have any employees, and we rely solely on the employees of Diamondback to manage our business. The management team of Diamondback, which includes the individuals who manage us, also perform similar services for Diamondback and certain of its affiliates, and thus are not solely focused on our business. **We do not** ~~Neither we nor our General Partner~~ have any employees and we rely solely on Diamondback to operate our assets and perform other management, administrative and operating services for us **under** ~~and our General Partner. Diamondback provides similar activities with respect to its own assets and operations and those~~ -- **the terms and conditions** of ~~certain of its affiliates~~ **the services and secondment agreement discussed above** . Because Diamondback provides services to us that are similar to those **it** ~~performed~~ **performs** for itself and its affiliates, it may not have sufficient human, technical and other resources to provide those services at a level that it would be able to provide to us if it were solely focused on our business and operations. Diamondback may make internal decisions on how to allocate its available resources and expertise that may not always be in our best interest compared to Diamondback’ s interests. There is no requirement that Diamondback favor us over itself or others in providing its services. If ~~the employees of~~ Diamondback **does** ~~and their affiliates do~~ not devote sufficient attention to the management and operation of our business **or otherwise breaches the provisions of the services and secondment agreement** , our financial results may suffer and our ability to ~~make distributions~~ **pay dividends** to our ~~unitholders~~ **stockholders** may be reduced. Many key responsibilities within our business have been assigned to a small number of individuals. The loss of their services could adversely affect our business. In particular, the loss of the services of one or more members of the executive team

~~of our General Partner, including the Chief Executive Officer, President and Chief Financial Officer of our General Partner, Travis D. Stice, Kaes Van’ t Hof and Teresa L. Dick, respectively,~~ could disrupt our business. Further, we do not maintain “ key person ” life insurance policies on any of our executive team or other key personnel. As a result, we are not insured against any losses resulting from the death of these key individuals. **State** ~~Our partnership agreement replaces our General Partner’ s fiduciary duties to our unitholders. Our partnership agreement contains provisions that eliminate~~ and ~~replace~~ **local income and** ~~the~~ **other** ~~fiduciary standards~~ **tax reimbursements due** to ~~which~~ **Diamondback for** our **share of** ~~General Partner would otherwise be held by~~ state ~~fiduciary duty law, such as permitting it to make a number of decisions in its individual capacity, as opposed to in its capacity as our General Partner, which are otherwise free of fiduciary duties to us~~ and **local** ~~our unitholders. This entitles our General Partner to consider only the interests~~ and ~~factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our General Partner may make in its individual capacity include; how to allocate business opportunities among us and its affiliates, whether to exercise its call right, how to exercise its voting rights with respect to the units it owns, whether to exercise its registration rights and whether or not to consent to any merger or consolidation of the partnership or any amendment to the partnership agreement. By purchasing a common unit, a unitholder is treated as having consented to the provisions in the partnership agreement, including the provisions discussed above. Our partnership agreement restricts the remedies available to holders of our units for actions taken by our General Partner that might otherwise constitute breaches of fiduciary duty. Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our General Partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement provides that (i) whenever our General Partner makes a determination or takes, or declines to take, any~~ other **taxes borne** ~~action in its capacity as our General Partner, it is generally required to make such determination, or take or decline to take such other action, in good faith, and will not be subject to any higher standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity, (ii) our General Partner and its executive officers and directors will not be liable for monetary damages or otherwise to us or our limited partners resulting from any act or omission unless there has been a final and non- appealable judgment entered by a court of competent jurisdiction determining that such losses or liabilities were the result of conduct in which our General Partner, its executive officers or directors engaged in bad faith, willful misconduct or fraud or, with respect to any criminal conduct, with knowledge that such conduct was unlawful; and (iii) our General Partner will not be in breach of its obligations under the partnership agreement or its duties to us or our limited partners if a transaction, even with an affiliate or the resolution of a conflict of interest, is (a) approved by the conflicts committee of the board of directors of our General Partner, although our General Partner is not obligated to seek such approval or (b) approved by the vote of a majority of the outstanding common units, excluding any common units owned by our General Partner and its affiliates. If an affiliate transaction or the resolution of a conflict of interest is approved by our unitholders or the conflicts committee then it will be presumed that, in making its decision, taking any action or failing to act, the board of directors of our General Partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or the partnership, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption. Diamondback and other affiliates of our General Partner may compete with us. Our partnership agreement provides that our General Partner is restricted from engaging in any business activities other than acting as our General Partner, engaging in activities incidental to its ownership interest in us and providing management, advisory and administrative services to its affiliates or to other persons. However, affiliates of our General Partner, including Diamondback, are not prohibited from the following; engaging in other businesses or activities, including those that might be in direct competition with us; competing with us for investment opportunities; owning an interest in entities that compete with us, and; acquiring, developing or disposing of additional oil and natural gas properties or other assets in the future, without any obligation to offer us the opportunity to purchase or develop any of those assets. Diamondback is an established participant in the oil and natural gas industry and has resources greater than ours, which may make it more difficult for us to compete with Diamondback with respect to commercial activities as well as for potential acquisitions. As a result, competition from Diamondback and its affiliates could adversely impact our results of operations and cash available for distribution to our common unitholders. Pursuant to the terms of our partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to our General Partner or any of its affiliates, including its executive officers and directors, and Diamondback. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for us will not have any duty to communicate or offer such opportunity to us. Any such person or entity will not be liable to us or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to us. This may create actual and potential conflicts of interest between us and affiliates of our General Partner and result in less than favorable treatment of us and our unitholders. Holders of our units have limited voting rights and are not entitled to elect our General Partner or its directors, which could reduce the price at which our common units will trade. Unlike the holders of common stock in a corporation, unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management’ s decisions regarding our business. Unitholders have no right on an annual or ongoing basis to elect our General Partner or its board of directors. The board of directors of our General Partner, including the independent directors, is chosen entirely~~ by Diamondback ~~, as a result of it owning our General Partner, and not by our unitholders. Unlike publicly traded corporations, we do not conduct annual meetings of our unitholders to elect directors or conduct other matters routinely conducted at annual meetings of stockholders of corporations. As a result of these limitations, the price at which the common units will trade could be diminished because of the absence or reduction of a takeover premium in the trading price. Even if holders of our units are dissatisfied, they cannot remove our General Partner without its consent. If our unitholders are dissatisfied with the performance of our General Partner, they have limited ability to remove our General Partner. Unitholders will be unable to remove our~~

~~General Partner without its consent because affiliates of our General Partner own sufficient units to be able to prevent its removal. The vote of the holders of at least 66 2 / 3 % of all outstanding units, voting as a single class, is required to remove our General Partner, and as of December 31, 2022, Diamondback owned approximately 56 % of all outstanding units. Our partnership agreement restricts the voting rights of unitholders owning 20 % or more of our units (other than our General Partner and its affiliates and permitted transferees). Our partnership agreement restricts unitholders' voting rights by providing that any units held by a person or group that owns 20 % or more of any class of units then outstanding, other than our General Partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of our General Partner, may not vote on any matter. Our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our unitholders to influence the manner or direction of management. Cost reimbursements due to our General Partner and its affiliates for services provided to us or on our behalf~~ will reduce cash available for ~~distribution~~ **dividends** to our common ~~unitholders~~ **stockholders** . **We** ~~There is no limit on the amount of expenses for which our General Partner and its affiliates may be reimbursed, and it determines the amount and timing of such reimbursements. Prior to making any distribution to its unitholders, including us, the Operating Company will reimburse our General Partner and its affiliates for all expenses they incur and payments they make on our behalf. There is no limit on the amount of expenses for which our General Partner and its affiliates may be reimbursed, and the amounts may be substantial. These expenses include salary, bonus, incentive compensation and other amounts paid to persons who perform services for us or on our behalf and expenses allocated to our General Partner by its affiliates. Our General Partner will determine the expenses that are allocable to us. The reimbursement of expenses and payment of fees, if any, to our General Partner and its affiliates will reduce the amount of cash available for distribution from the Operating Company to us and from us to our common unitholders. In addition, we~~ have entered into a tax sharing agreement with Diamondback pursuant to which we are required to reimburse Diamondback for our share of state and local income and other taxes borne by Diamondback as a result of our results being included in a combined or consolidated tax return filed by Diamondback. **The reimbursement of** ~~Our General Partner interest or~~ **our share of state and local income and** ~~the~~ **other taxes borne** ~~control of our General Partner may be transferred to a third party without unitholder consent. Our General Partner may transfer its General Partner interest to a third party without the consent of our unitholders. Furthermore, our partnership agreement does not restrict the ability of the owner of our General Partner to transfer its membership interests in our General Partner to a third party. After any such transfer, the new member or members of our General Partner would then be in a position to replace the board of directors and executive officers of our General Partner with its own designees and thereby exert significant control over the decisions taken~~ by **Diamondback** ~~the board of directors and executive officers of our General Partner. This effectively permits a " change of control " without the vote or consent of the unitholders. Common unitholders may have liability to repay distributions and in certain circumstances may be personally liable for the obligations of the partnership. Under certain circumstances, common unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Revised Uniform Limited Partnership Act, or the Delaware Act, we may not make a distribution to our unitholders if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of the impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law~~ will ~~be liable to the limited partnership for the distribution amount. Liabilities to partners on account of their partnership interests and liabilities that are non- recourse to the partnership are not counted for purposes of determining whether a distribution is permitted. A limited partner that participates in the control of our business within the meaning of the Delaware Act may be held personally liable for our obligations under the laws of Delaware, to the same extent as our General Partner. This liability would extend to persons who transact business with us under the reasonable belief that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Act specifically provides for legal recourse against our General Partner if a limited partner were to lose limited liability through any fault of our General Partner. Our General Partner has a call right that may require unitholders to sell their common units at an undesirable time or price. If at any time our General Partner and its affiliates (including Diamondback) own more than 80 % of the units, our General Partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price equal to the greater of (i) the average of the daily closing price of the common units over the 20 trading days preceding the date three days before notice of exercise of the call right is first mailed and (ii) the highest per- unit price paid by our General Partner or any of its affiliates for common units during the 90- day period preceding the date such notice is first mailed. As a result, unitholders may be required to sell their common units at an undesirable time or price and may not receive any return or a negative return on their investment. Unitholders may also incur a tax liability upon a sale of their units. Our General Partner is not obligated to obtain a fairness opinion regarding the value of the common units to be repurchased by it upon exercise of the limited call right. There is no restriction in our partnership agreement that prevents our General Partner from causing us to issue additional common units and then exercising its call right. If our General Partner exercised its limited call right, the effect would be to take us private and, if the units were subsequently deregistered, we would no longer be subject to the reporting requirements of the Exchange Act. The common units and Class B units are considered limited partner interests of a single class for these provisions. As of December 31, 2022, Diamondback owned approximately 56 % of our total units outstanding. We may issue additional common units and other equity interests without unitholder approval, which would dilute existing unitholder ownership interests. Under our partnership agreement, we are authorized to issue an unlimited number of additional interests, including common units, without a vote of the unitholders. The issuance by us of additional common units or other equity interests of equal or senior rank will have the following effects; the proportionate ownership interest of unitholders in us immediately prior to the issuance will decrease, the amount of cash distributions on each common unit may decrease, the ratio of our taxable income to distributions may increase, the relative voting strength of each previously outstanding common unit may be diminished, and the market price~~

~~of the common units may decline. There are no limitations in our partnership agreement on our ability to issue units ranking senior to the common units. In accordance with Delaware law and the provisions of our partnership agreement, we may issue additional partnership interests that are senior to the common units in right of distribution, liquidation and voting. The issuance by us of units of senior rank may (i)~~ reduce ~~or eliminate~~ the amount of cash available for ~~distribution~~ **dividends from us** to our common **stockholders** ~~unitholders; (ii) diminish the relative voting strength of the total common units outstanding as a class; or (iii) subordinate the claims of the common unitholders to our assets in the event of our liquidation~~. The market price of our **shares of Class A** ~~common~~ **Common** ~~units~~ **Shares** could be adversely affected by sales of substantial amounts of our **Class A** common ~~units~~ **stock** in the public or private markets. Sales by holders of a substantial number of our **Class A** ~~common~~ **Common** ~~units~~ **Stock** in the public markets, or the perception that such sales might occur, could have a material adverse effect on the price of our **Class A** ~~common~~ **Common** ~~units~~ **Stock** or could impair our ability to obtain capital through an offering of equity securities. In addition, we have provided registration rights to Diamondback. Pursuant to these registration rights, we have registered, under the Securities Act, all of the **Class A** ~~common~~ **Common** ~~units~~ **Stock** owned by Diamondback for resale (including **Class A** common ~~units~~ **stock** issuable in respect of the Class B ~~units and~~ **Common Stock under** the ~~OpCo units~~ **related exchange agreement**). ~~Under our partnership agreement, our General Partner and its affiliates have registration rights relating to the offer and sale of any common units that they hold. Nasdaq does not require a publicly traded limited partnership like us to comply with certain of its corporate governance requirements. Our common units are listed on the Nasdaq Global Select Market. Because we are a publicly traded partnership, Nasdaq does not require us to have a majority of independent directors on our General Partner' s board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders do not have the same protections afforded to stockholders of certain corporations that are subject to all of Nasdaq' s corporate governance requirements. Our partnership agreement includes exclusive forum, venue and jurisdiction provisions. By purchasing a common unit, a limited partner is irrevocably consenting to these provisions regarding claims, suits, actions or proceedings and submitting to the exclusive jurisdiction of Delaware courts. Our partnership agreement also provides that any unitholder bringing an unsuccessful action will be obligated to reimburse any costs we have incurred in connection with such unsuccessful action. Our partnership agreement is governed by Delaware law. Our partnership agreement includes exclusive forum, venue and jurisdiction provisions designating Delaware courts as the exclusive venue for most claims, suits, actions and proceedings involving us or our officers, directors and employees. In addition, if any person brings any of the aforementioned claims, suits, actions or proceedings and such person does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought, then such person shall be obligated to reimburse us and our affiliates for all fees, costs and expenses of every kind and description, including but not limited to all reasonable attorneys' fees and other litigation expenses, that the parties may incur in connection with such claim, suit, action or proceeding. By purchasing a common unit, a limited partner is irrevocably consenting to these limitations and provisions regarding claims, suits, actions or proceedings and submitting to the exclusive jurisdiction of Delaware courts. Our General Partner may amend our partnership agreement, as it determines necessary or advisable, to permit the General Partner to redeem the units of certain unitholders. Our General Partner may amend our partnership agreement, as it determines necessary or advisable, to obtain proof of the~~ U. S. ~~federal income~~ tax ~~status and / or the nationality, citizenship or other related status of our limited partners (and their owners, to the extent relevant) and to permit our General Partner to redeem the units held by any person (i) whose tax status has or is reasonably likely to have a material adverse effect on the maximum applicable rates chargeable to our customers, (ii) whose nationality, citizenship or related status creates substantial risk of cancellation or forfeiture of any of our property and / or (iii) who fails to comply with the procedures established to obtain such proof. The redemption price in the case of such a redemption will be the average of the daily closing prices per unit for the 20 consecutive trading days immediately prior to the date set for redemption. We are treated as a corporation for U. S. federal income tax purposes and our cash available for distribution to our common unitholders may be substantially reduced. We are a Delaware limited partnership that since May 10, 2018, has elected to be treated as a corporation for U. S. federal income tax purposes. As a result, we are subject to tax at the corporate tax rate of 21 %. As of December 31, 2022, the Operating Company' s special allocation to Diamondback of priority allocations of the Operating Company' s income and gains over losses and deductions (but before depletion) expired. As such, our taxable income for subsequent years is expected to include our share of allocations of the Operating Company' s income, gains, losses and deductions, as a result of our equity interests in the Operating Company. Because an entity- level tax is imposed on us due to our status as a corporation for U. S. federal income tax purposes, our distributable cash flow may be substantially reduced by our tax liabilities. Distributions to common unitholders may be taxable as dividends. Because we are treated as a corporation for U. S. federal income tax purposes, if we make distributions to our common unitholders from current or accumulated earnings and profits as computed for U. S. federal income tax purposes, such distributions will be treated as distributions on corporate stock for U. S. federal income tax purposes, and generally be taxable to our common unitholders as ordinary dividend income for U. S. federal income tax purposes (to the extent of our current and accumulated earnings and profits). Such dividend distributions paid to non- corporate U. S. unitholders will be subject to U. S. federal income tax at preferential rates, provided that certain holding period and other requirements are satisfied. Any portion of our distributions to common unitholders that exceeds our current and accumulated earnings and profits as computed for U. S. federal income tax purposes will constitute a non- taxable return of capital distribution to the extent of a unitholder' s basis in its common units, and thereafter as gain on the sale or exchange of such common units. Subsequent to the expiration of the Operating Company' s special allocation to Diamondback of priority allocations of the Operating Company' s income and gains over losses and deductions (but before depletion) as of December 31, 2022, a greater proportion of our distributions may be made from current or accumulated earnings and profits and thus generally would be taxable to our common unitholders as dividends. U. S. tax legislations -~~ **legislation** may adversely affect our business, results of operations, financial condition and cash flow. From time to time, legislation has been proposed that, if enacted into law, would make significant changes to U. S.

federal and state income tax laws affecting the oil and natural gas industry, including (i) eliminating the immediate deduction for intangible drilling and development costs, (ii) the repeal of the percentage depletion allowance for oil and natural gas properties; and (iii) an extension of the amortization period for certain geological and geophysical expenditures. No accurate prediction can be made as to whether any such legislative changes will be proposed or enacted in the future or, if enacted, what the specific provisions or the effective date of any such legislation would be. These proposed changes in the U. S. tax law, if adopted, or other similar changes that would impose additional tax on our activities or reduce or eliminate deductions currently available with respect to natural gas and oil exploration, development or similar activities, could adversely affect our business, results of operations, financial condition and cash flow. On August 16, 2022, President Biden signed into law the IRA, which, among other changes, imposes a 15 % corporate alternative minimum tax (" CAMT ") on the " adjusted financial statement income " of certain large corporations (generally, corporations reporting at least $ 1 billion average adjusted pre- tax net income on their consolidated financial statements) as well as an excise tax of 1 % on the fair market value of certain public company stock ~~/ unit~~ repurchases for tax years beginning after December 31, 2022. If we are or become subject to the CAMT **including as a result of our affiliation with Diamondback**, our cash tax obligations for U. S. federal income taxes could be significantly accelerated. To the extent the 1 % excise tax applies to our repurchases of ~~units~~ **shares** under our common ~~unit~~ **stock** repurchase program, the number of ~~units~~ **shares** we repurchase and our cash flow may be affected. The U. S. Treasury Department, the Internal Revenue Service and other standard- setting bodies are expected to issue guidance on how the CAMT, stock ~~/ unit~~ buyback excise tax and other provisions of the IRA will be applied or otherwise administered that may differ from our interpretations. We continue to evaluate the IRA and its effect on our financial results and operating cash flow. **Because we are a " controlled company " as defined in the Nasdaq listing standards, you may not have protection of certain corporate governance requirements which otherwise are required by Nasdaq' s rules. Under Nasdaq' s rules, a controlled company is a company of which more than 50 % of the voting power for the election of directors is held by an individual, group or another company. We are a controlled company because Diamondback and its wholly owned subsidiary Diamondback E & P LLC together hold more than 50 % of our voting power. For so long as we remain a controlled company, we are not required to comply with certain corporate governance requirements, and are permitted to elect to rely, and may rely, on certain exemptions from certain corporate governance requirements, including our board of directors is not required to be comprised of a majority of independent directors; our board of directors is not subject to the compensation committee requirement, and we are not subject to the requirements that director nominees be selected either by the independent directors or a nomination committee comprised solely of independent directors. We have not taken advantage of the exemption to have a majority of independent directors. However, we initially intend to rely upon the exemption to having a compensation committee and the exemption to director nominees being selected by independent directors. As a result, to the extent that we take advantage of these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance requirements. Although we do not currently intend to take advantage of the controlled company exemptions, except as set forth above, we cannot assure you that, in the future, we will not seek to take advantage of these exemptions. If we cease to be a " controlled company " in the future, we will be required to comply with the Nasdaq listing standards, which may require development of certain other governance- related policies and practices. These and any other actions necessary to achieve compliance with such rules may increase our legal and administrative costs, will make some activities more difficult, time- consuming and costly and may also place additional strain on our resources. The provision of our certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against us and our directors, officers and stockholders. Our certificate of incorporation requires, to the fullest extent permitted by law, that any claim, demand, action, suit or proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal, and including appeals, arising out of or relating in any way to our certificate of incorporation or any of our stock may only be brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction. This provision may have the effect of discouraging lawsuits against us and our directors, officers and stockholders. Our certificate of incorporation does not limit the ability of Diamondback and certain of its directors, principals, officers, employees and their respective affiliates to compete with us. Our certificate of incorporation provides that none of Diamondback, any of its directors, principals, officers, employees or respective affiliates will have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. In the ordinary course of their business activities, these persons may engage in activities where their interests conflict with our interests or those of our other stockholders. These persons also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to the Company. In addition, these persons may have an interest in our pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their investment, even though such transactions might involve risks to our common stockholders. Anti- takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable. Our certificate of incorporation and bylaws contain provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things, these provisions would allow us to authorize the issuance of shares of one or more series of preferred stock, including in connection with a stockholder rights plan, financing transactions or otherwise, the terms of which series may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock; prohibit stockholder action by written consent unless such action is consented to by the board of directors; provide for certain limitations on convening special**

stockholder meetings; provide (i) that the board of directors is expressly authorized to make, alter, or repeal our bylaws and (ii) that our stockholders may only amend our bylaws with the approval of at least a majority of all of the outstanding shares of our capital stock entitled to vote; and establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings. Further, as a Delaware corporation, we are also subject to provisions of Delaware law which may impede or discourage a takeover attempt that our stockholders may find beneficial. These anti- takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or could negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. We may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than expected or not offset the costs of the Conversion, which could have a material and adverse impact on the trading price of our securities. We believe that the Conversion will, among other things, improve our trading liquidity, provide our stockholders with enhanced corporate governance rights, expand our investor base and drive greater value for our stockholders over time. However, the level of investor interest in our Class A Common Stock may not meet our expectations. For example, benchmark stock indices may change their eligibility requirements in a manner that is adverse to us or otherwise determine not to include our Class A Common Stock. Moreover, even if we succeed in having our shares of Class A Common Stock included in key stock indices, this may not result in the increased demand for our stock that we anticipate. Consequently, we may fail to realize the anticipated benefits of the Conversion or those benefits may take longer to realize than we expect. Moreover, there can be no assurance that the anticipated benefits of the Conversion will offset its costs. Our failure to achieve the anticipated benefits of the Conversion at all or in a timely manner, or a failure of any benefits realized to offset its costs, could have a material and adverse impact on the trading price of our securities. Our ability to pay base and variable dividends to the holders of our Class A Common Stock or make share repurchases under our repurchase program may be limited by requirements under our certificate of incorporation, our holding company structure, applicable provisions of Delaware law and contractual restrictions or obligations. Our current dividend policy is consistent with our pre- Conversion distribution policy. That is, we intend to pay a base dividend, as well as a variable dividend that takes into account capital returned to stockholders via our stock repurchase program. Under our certificate of incorporation, we are required to pay a quarterly preferred dividend in respect of our Class B Common Stock in the aggregate amount of $ 20, 000 per quarter, which is consistent with the pre- Conversion preferred distribution requirement by the Partnership. Other than the preferred dividend requirement, we are not required to pay dividends to our stockholders on a quarterly or other basis, and declaration of any other dividends in the future will be solely in the discretion of our board of directors, which may change our dividend policy at any time. Our ability to pay cash dividends to holders of our Class A Common Stock depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, capital requirements and other anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions and other factors. Additionally, as a holding company, our ability to pay dividends or repurchase shares of our Class A common stock is subject to the ability of our operating subsidiary OpCo and any future subsidiaries to provide cash to us. Viper Energy, Inc. has no material assets other than its membership interest in OpCo, which holds all of the mineral and royalty interests and other assets consolidated on our balance sheet. Under the DGCL we may only pay dividends to our stockholders out of (i) our surplus, as defined and computed under the provisions of the DGCL or (ii) our net profits for the fiscal year in which the dividend is declared and / or the preceding fiscal year. If we do not have sufficient surplus or net profits, we will be prohibited by law from paying any such dividend. In addition, the terms of the OpCo' s revolving credit facility include, and any other debt instruments or financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to pay dividends, make other distributions or repurchase shares of our Class A Common Stock. Our certificate of incorporation contains provisions authorizing us to issue series of preferred stock that may have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our Class A Common Stock. For additional information regarding stockholders' equity and our repurchase program, see Note 7 — Stockholders' Equity in Item 8. Financial Statements and Supplementary Data of this report. 26