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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-38919

Rattler Midstream LP
(Exact Name of Registrant As Specified in Its Charter)

DE	**83-1404608**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
500 West Texas Ave **Suite 100** **Midland, TX**	**79701**
(Address of principal executive offices)	**(Zip code)**

(432) 221-7400
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Units	RTLR	The Nasdaq Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer	☐	Accelerated Filer	☒
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of July 29, 2022, the registrant had outstanding 38,445,342 common units representing limited partner interests and 107,815,152 Class B units representing limited partner interests.

RATTLER MIDSTREAM LP

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2022

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GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a glossary of certain oil and natural gas industry terms used in this Quarterly Report on Form 10-Q (this "report"):

Basin	A large depression on the earth's surface in which sediments accumulate.
Bbl or barrel	One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to crude oil, natural gas liquids or other liquid hydrocarbons.
Bbl/d	Bbl per day.
British Thermal Unit or Btu	The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.
Crude oil	Liquid hydrocarbons found in the earth, which may be refined into fuel sources.
Hydrocarbon	An organic compound containing only carbon and hydrogen.
MMcf	One million cubic feet of natural gas.
MMcf/d	One million cubic feet of natural gas per day.
MMBtu	One million British Thermal Units.
MMBtu/d	One million British Thermal Units per day.
Natural gas	Hydrocarbon gas found in the earth, composed of methane, ethane, butane, propane and other gases.
NGL	Natural gas liquids; the combination of ethane, propane, butane and natural gasolines that, when removed from natural gas, becomes liquid under various levels of higher pressure and lower temperature.
Plugging and abandonment	Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.
Reserves	Estimated remaining quantities of crude oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering crude oil and natural gas or related substances to the market and all permits and financing required to implement the project. Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., potentially recoverable resources from undiscovered accumulations).
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or crude oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.
Throughput	The volume of product transported or passing through a pipeline, plant, terminal or other facility.

GLOSSARY OF CERTAIN OTHER TERMS

The following is a glossary of certain other terms used in this report:

ASU	Accounting Standards Update.
ASC	Accounting Standards Codification.
Diamondback	Diamondback Energy, Inc., a Delaware corporation, and its subsidiaries other than the Partnership and its subsidiaries (including the Operating Company).
Exchange Act	The Securities Exchange Act of 1934, as amended.
GAAP	Accounting principles generally accepted in the United States.
General Partner	Rattler Midstream GP LLC, a Delaware limited liability company; the General Partner of the Partnership and a wholly owned subsidiary of Diamondback.
Holding Company	Rattler Holdings LLC, a Delaware limited liability company and wholly owned subsidiary of Rattler.
LIBOR	The London interbank offered rate.
LTIP	Rattler Midstream LP Long Term Incentive Plan.
Nasdaq	The Nasdaq Global Select Market.
Notes	The 5.625% Senior Notes due 2025 issued on July 14, 2020.
OPEC	Organization of the Petroleum Exporting Countries.
Operating Company	Rattler Midstream Operating LLC, a Delaware limited liability company and a consolidated subsidiary of the Partnership.
Partnership	Rattler Midstream LP, a Delaware limited partnership.
Partnership agreement	The first amended and restated agreement of limited partnership, dated May 28, 2019.
RRC	The Railroad Commission of Texas.
SEC	Securities and Exchange Commission.
Securities Act	The Securities Act of 1933, as amended.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, which involve risks, uncertainties, and assumptions. All statements, other than statements of historical fact, including statements regarding our: future performance; business strategy; future operations; estimates and projections of revenues, losses, costs, expenses, returns, cash flow, and financial position; anticipated benefits of strategic transactions (including acquisitions and divestitures); and plans and objectives of management (including plans for future cash flow from operations) are forward-looking statements. When used in this document, the words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "guidance," "intend," "may," "model," "outlook," "plan," "positioned," "potential," "predict," "project," "seek," "should," "target," "will," "would," and similar expressions (including the negative of such terms) as they relate to the Partnership are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. Although we believe that the expectations and assumptions reflected in our forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond our control. Accordingly, forward-looking statements are not guarantees of future performance and our actual outcomes could differ materially from what we have expressed in our forward-looking statements. Unless the context requires otherwise, references to "we," "us," "our" or the "Partnership" are intended to mean the business and operations of the Partnership and its consolidated subsidiaries.

Factors that could cause our outcomes to differ materially include (but are not limited to) the following:

- the timing and completion of the Merger (as defined in Note 1—Organization and Basis of Presentation of the condensed notes to the consolidated financial statements included elsewhere in this report);
- Diamondback's ability to meet its drilling and development plans on a timely basis or at all;
- changes in supply and demand levels for oil, natural gas, and natural gas liquids, and the resulting impact on the price for those commodities;
- the impact of public health crises, including epidemic or pandemic diseases such as the COVID-19 pandemic, and any related company or government policies or actions;
- actions taken by the members of OPEC and Russia affecting the production and pricing of oil, as well as other domestic and global political, economic, or diplomatic developments;
- changes in general economic, business or industry conditions, including changes in foreign currency exchange rates, interest rates, inflation rates and concerns over a potential recession;
- regional supply and demand factors, including delays, curtailment delays or interruptions of production, or governmental orders, rules or regulations that impose production limits;
- federal and state legislative and regulatory initiatives relating to hydraulic fracturing, including the effect of existing and future laws and governmental regulations;
- transition risks relating to climate change;
- restrictions on the use of water, including limits on the use of produced water and a moratorium on new produced water well permits recently imposed by the RRC in an effort to control induced seismicity in the Permian Basin;
- significant declines in prices for oil, natural gas, or natural gas liquids, which could require recognition of significant impairment charges;
- changes in U.S. energy, environmental, monetary and trade policies;
- conditions in the capital, financial and credit markets, including the availability and pricing of capital for drilling and development operations and our environmental and social responsibility projects;
- challenges with employee retention and an increasingly competitive labor market due to a sustained labor shortage or increased turnover caused by the COVID-19 pandemic;
- changes in the demand for and costs of conducting midstream infrastructure services;
- changes in safety, health, environmental, tax, and other regulations or requirements (including those addressing air emissions, water management, or the impact of global climate change);
- security threats, including cybersecurity threats and disruptions to our business and operations from breaches of our information technology systems, or from breaches of information technology systems of third parties with whom we transact business;
- our ability to identify, complete and effectively integrate acquisitions into our operations;
- our ability to achieve anticipated synergies, system optionality and accretion associated with acquisitions;
- the results of our investments in joint ventures;

- the conditions impacting the timing and amount of common units repurchased under our common unit repurchase program;
- severe weather conditions;
- acts of war or terrorist acts and the governmental or military response thereto;
- defaults by Diamondback under our commercial agreements;
- changes in the financial strength of counterparties to our credit agreement;
- changes in our credit rating; and
- the risk factors discussed in *Part II, Item 1A Risk Factors* in this report, *Part II, Item 1A Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022* and *Part I, Item 1A Risk Factors of our Annual Report on Form 10-K* for the year ended December 31, 2021.

In light of these factors, the events anticipated by our forward-looking statements may not occur at the time anticipated or at all. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. We cannot predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those anticipated by any forward-looking statements we may make. Accordingly, you should not place undue reliance on any forward-looking statements made in this document. All forward-looking statements speak only as of the date of this document or, if earlier, as of the date they were made. We do not intend to, and disclaim any obligation to, update or revise any forward-looking statements unless required by applicable law.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Rattler Midstream LP
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2022	December 31, 2021
	(In thousands)	
Assets		
Current assets:		
Cash	$ 17,784	$ 19,897
Accounts receivable—related-party	54,620	58,154
Accounts receivable—third-party, net	7,971	9,415
Sourced water inventory	15,858	13,081
Other current assets	778	1,181
Total current assets	97,011	101,728
Property, plant and equipment:		
Land	98,646	98,645
Property, plant and equipment	1,140,914	1,075,405
Accumulated depreciation, amortization and accretion	(144,332)	(121,507)
Property, plant and equipment, net	1,095,228	1,052,543
Equity method investments	659,749	612,541
Real estate assets, net	84,042	84,609
Intangible lease assets, net	3,425	3,650
Deferred tax asset	56,218	62,356
Other assets	5,943	3,708
Total assets	$ 2,001,616	$ 1,921,135
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 67,501	$ 48,267
Taxes payable	187	603
Asset retirement obligations	—	79
Total current liabilities	67,688	48,949
Long-term debt	725,963	687,956
Asset retirement obligations	37,904	16,911
Total liabilities	831,555	753,816
Commitments and contingencies (Note 16)		
Unitholders' equity:		
General Partner—Diamondback	779	819
Common units—public (38,417,574 units issued and outstanding as of June 30, 2022 and 38,356,771 units issued and outstanding as of December 31, 2021)	347,745	350,230
Class B units—Diamondback (107,815,152 units issued and outstanding as of June 30, 2022 and as of December 31, 2021)	779	819
Accumulated other comprehensive income (loss)	11	10
Total Rattler Midstream LP unitholders' equity	349,314	351,878
Non-controlling interest	820,747	815,441
Total equity	1,170,061	1,167,319
Total liabilities and unitholders' equity	$ 2,001,616	$ 1,921,135

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(In thousands, expect per unit amounts)			
Revenues:				
Midstream revenues—related-party	$ 91,130	$ 91,579	$ 181,432	$ 178,657
Midstream revenues—third-party	10,524	5,967	20,970	14,088
Other revenues—related-party	1,748	2,542	3,499	5,082
Other revenues—third-party	960	1,043	1,924	2,112
Total revenues	104,362	101,131	207,825	199,939
Costs and expenses:				
Direct operating expenses	21,195	26,299	42,823	58,810
Cost of goods sold (exclusive of depreciation and amortization)	20,117	10,298	35,297	19,109
Real estate operating expenses	610	544	1,143	1,061
Depreciation, amortization and accretion	15,112	15,239	35,799	26,485
Impairment and abandonments	177	—	1,259	3,371
General and administrative expenses	6,389	4,956	11,734	9,590
(Gain) loss on disposal of assets	1,187	5,005	1,116	5,011
Total costs and expenses	64,787	62,341	129,171	123,437
Income (loss) from operations	39,575	38,790	78,654	76,502
Other income (expense):				
Interest income (expense), net	(9,126)	(8,235)	(17,810)	(15,545)
Gain (loss) on sale of equity method investments	—	22,989	—	22,989
Income (loss) from equity method investments	27,952	4,472	37,032	1,649
Total other income (expense), net	18,826	19,226	19,222	9,093
Net income (loss) before income taxes	58,401	58,016	97,876	85,595
Provision for (benefit from) income taxes	3,330	3,539	5,714	5,210
Net income (loss)	55,071	54,477	92,162	80,385
Less: Net income (loss) attributable to non-controlling interest	43,083	42,032	72,243	61,925
Net income (loss) attributable to Rattler Midstream LP	$ 11,988	$ 12,445	$ 19,919	$ 18,460
Net income (loss) attributable to limited partners per common unit:				
Basic	$ 0.30	$ 0.30	$ 0.49	$ 0.42
Diluted	$ 0.30	$ 0.30	$ 0.49	$ 0.42
Weighted average number of limited partner common units outstanding:				
Basic	38,245	41,033	38,202	41,386
Diluted	38,267	41,033	38,202	41,386

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Net income (loss)	$ 55,071	$ 54,477	$ 92,162	$ 80,385
Other comprehensive income (loss):				
Change in accumulated other comprehensive income (loss) of equity method investees attributable to non-controlling interest	—	103	—	402
Change in accumulated other comprehensive income (loss) of equity method investees attributable to limited partner	—	40	1	133
Total other comprehensive income (loss)	—	143	1	535
Comprehensive income (loss)	$ 55,071	$ 54,620	$ 92,163	$ 80,920

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Consolidated Statements of Changes in Unitholders' Equity
(Unaudited)

	Limited Partners				General Partner	Non-Controlling Interest	Accumulated Other Comprehensive Income	
	Common Units	Amount	Class B Units	Amount	Amount	Amount	Amount	Total
				(In thousands)				
Balance at December 31, 2021	38,357	$ 350,230	107,815	$ 819	$ 819	$ 815,441	$ 10	$ 1,167,319
Repurchased units as part of unit buyback	(217)	(2,582)	—	—	—	—	—	(2,582)
Unit-based compensation	—	2,520	—	—	—	—	—	2,520
Issuance of common units	6	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	1	1
Change in ownership of consolidated subsidiaries, net	—	1,540	—	—	—	(1,964)	—	(424)
Cash paid for tax withholding on vested common units	—	(56)	—	—	—	—	—	(56)
Distribution equivalent rights payments	—	(511)	—	—	—	—	—	(511)
Distributions	—	(11,444)	—	(20)	(20)	(32,345)	—	(43,829)
Net income (loss)	—	7,931	—	—	—	29,160	—	37,091
Balance at March 31, 2022	38,146	347,628	107,815	799	799	810,292	11	1,159,529
Unit-based compensation	—	2,609	—	—	—	—	—	2,609
Issuance of common units	272	—	—	—	—	—	—	—
Change in ownership of consolidated subsidiaries, net	—	283	—	—	—	(283)	—	—
Cash paid for tax withholding on vested common units	—	(2,745)	—	—	—	—	—	(2,745)
Distribution equivalent rights payments	—	(574)	—	—	—	—	—	(574)
Distributions	—	(11,444)	—	(20)	(20)	(32,345)	—	(43,829)
Net income (loss)	—	11,988	—	—	—	43,083	—	55,071
Balance at June 30, 2022	38,418	$ 347,745	107,815	$ 779	$ 779	$ 820,747	$ 11	$ 1,170,061

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Consolidated Statements of Changes in Unitholders' Equity - Continued
(Unaudited)

	Limited Partners				General Partner	Non-Controlling Interest	Accumulated Other Comprehensive Income	Non-Controlling Interest-Accumulated Other Comprehensive Income	
	Common Units	Amount	Class B Units	Amount	Amount	Amount	Amount	Amount	Total
					(In thousands)				
Balance at December 31, 2020	42,357	$ 385,189	107,815	$ 899	$ 899	$ 793,638	$ (123)	$ (402)	$ 1,180,100
Repurchased units as part of unit buyback	(1,082)	(11,114)	—	—	—	—	—	—	(11,114)
Unit-based compensation	—	2,332	—	—	—	—	—	—	2,332
Issuance of common units	3	—	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	93	299	392
Change in ownership of consolidated subsidiaries, net	—	712	—	—	—	(908)	—	—	(196)
Cash paid for tax withholding on vested common units	—	(21)	—	—	—	—	—	—	(21)
Distribution equivalent rights payments	—	(418)	—	—	—	—	—	—	(418)
Distributions	—	(8,263)	—	(20)	(20)	(21,563)	—	—	(29,866)
Net income (loss)	—	6,015	—	—	—	19,893	—	—	25,908
Balance at March 31, 2021	41,278	374,432	107,815	879	879	791,060	(30)	(103)	1,167,117
Repurchased units as part of unit buyback	(475)	(5,198)	—	—	—	—	—	—	(5,198)
Unit-based compensation	—	2,485	—	—	—	—	—	—	2,485
Issuance of common units	273	—	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	—	—	40	103	143
Change in ownership of consolidated subsidiaries, net	—	1,941	—	—	—	(2,476)	—	—	(535)
Cash paid for tax withholding on vested common units	—	(1,693)	—	—	—	—	—	—	(1,693)
Distribution equivalent rights payments	—	(456)	—	—	—	—	—	—	(456)
Distributions	—	(8,183)	—	(20)	(20)	(21,563)	—	—	(29,786)
Net income (loss)	—	12,445	—	—	—	42,032	—	—	54,477
Balance at June 30, 2021	41,076	$ 375,773	107,815	$ 859	$ 859	$ 809,053	$ 10	$ —	$ 1,186,554

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 92,162	$ 80,385
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for (benefit from) income taxes	5,723	5,210
Depreciation, amortization and accretion	35,799	26,485
Unit-based compensation expense	5,129	4,817
Impairment and abandonments	1,259	3,371
(Gain) loss on sale of equity method investments	—	(22,989)
(Income) loss from equity method investments	(37,032)	(1,649)
Distributions from equity method investments	18,958	9,055
Other	2,122	6,018
Changes in operating assets and liabilities:		
Accounts receivable—related-party	3,502	19,052
Accounts receivable—third-party	1,476	72
Accounts payable and accrued liabilities	6,135	(3,525)
Other	(2,132)	2,110
Net cash provided by (used in) operating activities	133,101	128,412
Cash flows from investing activities:		
Additions to property, plant and equipment	(43,068)	(17,713)
Acquisitions of property, plant and equipment	(4,334)	—
Contributions to equity method investments	(29,133)	(6,454)
Distributions from equity method investments	—	9,107
Proceeds from the sale of equity method investments	—	23,455
Proceeds from the sale of real estate	—	9,118
Other	(1,553)	250
Net cash provided by (used in) investing activities	(78,088)	17,763
Cash flows from financing activities:		
Proceeds from borrowings under Credit Agreement	54,000	24,000
Payments on Credit Agreement	(17,000)	(98,000)
Repurchased units as part of unit buyback	(2,582)	(16,312)
Distribution to public	(22,888)	(16,446)
Distribution to Diamondback	(64,730)	(43,166)
Other	(3,926)	(2,628)
Net cash provided by (used in) financing activities	(57,126)	(152,552)
Net increase (decrease) in cash	(2,113)	(6,377)
Cash at beginning of period	19,897	23,927
Cash at end of period	$ 17,784	$ 17,550
Supplemental disclosure of non-cash investing activity:		
Accrued liabilities related to capital expenditures	$ 18,531	$ 5,963

See accompanying notes to condensed consolidated financial statements.

Rattler Midstream LP
Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

The Partnership is a publicly traded Delaware limited partnership focused on owning, operating, developing and acquiring midstream and energy-related infrastructure assets in the Midland and Delaware Basins of the Permian Basin.

As of June 30, 2022, the General Partner held a 100% general partner interest in the Partnership. Diamondback beneficially owned all of the Partnership's 107,815,152 outstanding Class B units, representing approximately 74% of the Partnership's total units outstanding. Diamondback owns and controls the General Partner.

As of June 30, 2022, the Holding Company owned a 26% membership interest and 100% of the sole managing membership interest in the Operating Company, and Diamondback owned, through its ownership of the Operating Company units, a 74% economic, non-voting interest in the Operating Company. As required by GAAP, the Partnership consolidates 100% of the assets and operations of the Holding Company and the Operating Company in its financial statements and reflects a non-controlling interest attributable to Diamondback. In addition to the Holding Company and the Operating Company, other consolidated subsidiaries of the Partnership include Tall City Towers LLC ("Tall Towers"), Rattler Ajax Processing LLC, Rattler BANGL LLC, Rattler WTG LLC and Rattler OMOG LLC.

As of June 30, 2022, the Partnership also owns indirect interests in OMOG JV LLC ("OMOG"), EPIC Crude Holdings, LP ("EPIC"), EPIC Crude Holdings GP, LLC, Wink to Webster Pipeline LLC ("Wink to Webster"), Gray Oak Pipeline, LLC ("Gray Oak"), Remuda Midstream Holdings LLC (the "WTG joint venture") and BANGL LLC ("BANGL"), which are accounted for as equity method investments as discussed further in Note 8— Equity Method Investments.

Merger

On May 15, 2022, the Partnership entered into an Agreement and Plan of Merger (the "Merger Agreement") with Diamondback, the General Partner, and Bacchus Merger Sub Company, a wholly owned subsidiary of Diamondback ("Merger Sub"). The Merger Agreement provides that, among other things and subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, (i) Merger Sub will be merged with and into the Partnership (the "Merger"), with the Partnership surviving and continuing as the surviving entity in the Merger and (ii) each issued and outstanding publicly held common unit representing a limited partner interest in the Partnership (other than any common units owned by Diamondback and its subsidiaries) will be converted into the right to receive 0.113 of a share of common stock, par value $0.01 per share, of Diamondback. The Merger Agreement also specifies the treatment of outstanding Partnership equity awards in connection with the Merger. The board of directors of the General Partner (acting upon the recommendation of its conflicts committee) and Diamondback's board of directors unanimously approved the Merger. The Partnership and Diamondback expect that the Merger will close, subject to certain closing conditions, reasonably promptly following the distribution payment date for the second quarter 2022 distribution to the Partnership's unitholders discussed in Note 17—Subsequent Events. Upon completion of the Merger, the common units will cease to be listed on Nasdaq and will be subsequently deregistered under the Exchange Act.

Basis of Presentation

The accompanying condensed consolidated financial statements and related notes thereto were prepared in accordance with GAAP. All significant intercompany balances and transactions have been eliminated upon consolidation. The Partnership reports its operations in one reportable segment.

These condensed consolidated financial statements have been prepared by the Partnership without audit, pursuant to the rules and regulations of the SEC. They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to SEC rules and regulations, although the Partnership believes the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10–Q should be read in conjunction with the Partnership's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which contains a summary of the Partnership's significant accounting policies and other disclosures.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. These reclassifications had no effect on the previously reported total assets, total liabilities, unitholders' equity, results of operations or cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Making accurate estimates and assumptions is particularly difficult in the oil and natural gas industry given the challenges resulting from volatility in oil and natural gas prices. For instance, in response to the effects of COVID-19 and actions by OPEC members and other exporting nations on the supply and demand in global oil and natural gas markets, many companies in the oil and natural gas industry, including Diamondback, changed their business plans in response to changing market conditions. Such circumstances generally increase the uncertainty in the Partnership's accounting estimates, particularly those involving financial forecasts.

The Partnership evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods it considers reasonable in each particular circumstance. Nevertheless, actual results may differ significantly from the Partnership's estimates. Any effects on the Partnership's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include, but are not limited to, (i) revenue accruals, (ii) the fair value of long-lived assets and equity method investments and (iii) income taxes.

Accrued Liabilities and Accounts Payable

Accrued liabilities and accounts payable consist of the following as of the dates indicated:

	June 30, 2022	December 31, 2021
	(In thousands)	
Direct operating expenses accrued	$ 11,594	$ 12,978
Interest expense accrued	12,891	12,911
Capital expenditures accrued	13,158	5,509
Sourced water purchases accrued	11,538	7,040
Accounts payable	15,918	8,452
Other	2,402	1,377
Accounts payable and accrued liabilities	$ 67,501	$ 48,267

Accumulated Other Comprehensive Income

The following table provides changes in the components of accumulated other comprehensive income, net of related income tax effects (in thousands):

Balance as of December 31, 2021	$ 10
Other comprehensive income (loss)	1
Balance as of June 30, 2022	$ 11

Recent Accounting Pronouncements

Recently Adopted Pronouncements

There are no recently adopted pronouncements.

Accounting Pronouncements Not Yet Adopted

There are no recent accounting pronouncements not yet adopted.

The Partnership considers the applicability and impact of all ASUs. ASUs not discussed above were assessed and determined to be either not applicable or clarifications of ASUs previously disclosed.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Partnership generates revenues by charging fees on a per unit basis for gathering crude oil and natural gas, delivering and storing sourced water, and collecting, recycling and disposing of produced water.

Surface revenue, rental and real estate income and amortization of out of market leases are outside the scope of ASC Topic 606, "Revenue from Contracts with Customers."

Disaggregation of Revenue

In the following table, revenue from contracts with customers is disaggregated by type of service and fee:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Type of Service:				
Produced water gathering and disposal	$ 72,897	$ 68,605	$ 143,944	$ 134,933
Sourced water gathering	22,807	16,105	45,826	32,682
Crude oil gathering	5,823	6,797	12,032	13,588
Natural gas gathering	—	5,924	—	11,324
Caliche	—	—	365	—
Real estate contracts (non ASC 606 revenues)	2,709	3,585	5,423	7,194
Surface revenue (non ASC 606 revenues)	126	115	235	218
Total revenues	$ 104,362	$ 101,131	$ 207,825	$ 199,939

4. ACQUISITIONS AND DIVESTITURES

2022 Activity

Acquisition

BANGL Joint Venture Acquisition

On January 19, 2022, a wholly owned subsidiary of the Operating Company invested approximately $22.2 million in cash to acquire a 10% interest in the BANGL joint venture. The BANGL pipeline, which began full commercial service in the fourth quarter of 2021, provides NGL takeaway capacity from the MPLX and WTG gas processing plants in the Permian Basin to the NGL fractionation hub in Sweeny, Texas and has expansion capacity of up to 300,000 Bbl/d.

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2021 Activity

Acquisitions

WTG Joint Venture Acquisition

On October 5, 2021, the Partnership and a private affiliate of an investment fund formed the WTG joint venture. The Operating Company invested approximately $104.0 million in cash to acquire a 25% interest in the WTG joint venture, which then completed an acquisition of a majority interest in WTG Midstream LLC (“WTG Midstream”) from West Texas Gas, Inc. and its affiliates. WTG Midstream’s assets primarily consist of an interconnected gas gathering system and six major gas processing plants servicing the Midland Basin with 925 MMcf/d of total processing capacity with additional gas gathering and processing expansions planned.

Drop Down Transaction

On December 1, 2021, the Partnership acquired certain water midstream assets (the “Drop Down assets”) from Diamondback and certain of its subsidiaries (the “Seller”) for $164.4 million, including post-closing adjustments, in cash in a drop down transaction (the “Drop Down”). The Partnership and the Seller also amended their commercial agreements covering produced water gathering and disposal and sourced water gathering services to add certain Diamondback leasehold acreage to the Partnership’s dedication. The Drop Down was accounted for as a transaction between entities under common control with assets recognized at Diamondback’s historical carrying value of $163.9 million in the consolidated balance sheet.

The Drop Down assets include nine active saltwater disposal injection wells with 330 MBbl/d of capacity, seven produced water recycling and storage facilities, 20 fresh water pits and approximately 4,000 acres of fee surface. Also included are 55 miles of produced water gathering pipeline and 18 miles of sourced water gathering pipeline. The Partnership funded the transaction with borrowings under the Credit Agreement (as defined below).

Divestitures

Amarillo Rattler Divestiture

On April 30, 2021, each of the Partnership and its joint venture partner, Amarillo Midstream, LLC, sold its 50% interest in Amarillo Rattler, LLC (“Amarillo Rattler”) to EnLink Midstream Operating, LP for aggregate total gross potential consideration of $75.0 million, consisting of $50.0 million at closing, $10.0 million upon the first anniversary of closing and up to $15.0 million in contingent earn-out payments over a three-year span based upon Diamondback's development activity. The earn-out payments are contingent on connected wells drilled in Diamondback’s leasehold acreage in the specified earn-out area during each year between 2023 and 2025. Net of transaction expenses and working capital adjustments, the Partnership received $23.5 million at closing and an incremental $5.0 million in April 2022, which resulted in a gain on sale of equity method investments of $23.0 million in the consolidated statement of operations for the six months ended June 30, 2021. The Partnership’s share of the contingent earn-out payments, which cannot exceed $7.5 million in total over the three-year span, will be recorded if and when the contingent payments become realizable.

On March 22, 2022, the Partnership acquired Amarillo Midstream, LLC’s share of the contingent consideration earn-out payments from the sale of Amarillo Rattler for $2.8 million. The Partnership will record the contingent earn-out payments if and when they become realizable.

Real Estate Divestiture

On June 28, 2021, the Partnership completed the sale of one of its real estate properties located in Midland, Texas for proceeds of $9.1 million, including closing adjustments. The sale resulted in a loss on disposal of assets of $0.4 million, in the consolidated statement of operations for the six months ended June 30, 2021.

Pecos County Gas Gathering Divestiture

On November 1, 2021, the Partnership completed the sale of its gas gathering assets to Brazos Delaware Gas, LLC, an affiliate of Brazos Midstream, for aggregate total gross potential consideration of $94.1 million, consisting of (i) $84.1 million due at closing and including customary closing adjustments through June 30, 2022, (ii) a $5.0 million contingent payment due in 2023 if the aggregate actual deliveries of gas volumes into the gas gathering system by and/or on behalf of Diamondback and its affiliates exceed certain specified thresholds during 2022, and (iii) a $5.0 million contingent payment due in 2024 if the aggregate actual deliveries of gas volumes into the gas gathering system by and/or on behalf of Diamondback and its affiliates exceed certain specified thresholds during 2022 and 2023. The Partnership has recognized a cumulative $2.0 million gain on the sale of these assets through June 30, 2022. The contingent payments will be recorded if and when they become realizable.

5. REAL ESTATE ASSETS

The following schedules present the cost and related accumulated depreciation or amortization (as applicable) of the Partnership's real estate assets and intangible lease assets:

	Estimated Useful Lives	As of June 30, 2022	As of December 31, 2021
	(Years)	(In thousands)	
Buildings	20-30	$ 95,942	$ 94,825
Tenant improvements	5-15	4,527	4,506
Land	N/A	964	964
Land improvements	5-15	531	531
Total real estate assets		101,964	100,826
Less: accumulated depreciation		(17,922)	(16,217)
Total investment in real estate, net		$ 84,042	$ 84,609

	Weighted Average Useful Lives	As of June 30, 2022	As of December 31, 2021
	(Months)	(In thousands)	
In-place lease intangibles	45	$ 11,762	$ 11,645
Less: accumulated amortization		(9,686)	(9,520)
In-place lease intangibles, net		2,076	2,125
Above-market lease intangibles	45	3,623	3,623
Less: accumulated amortization		(2,274)	(2,098)
Above-market lease intangibles, net		1,349	1,525
Total intangible lease assets, net		$ 3,425	$ 3,650

Depreciation and amortization expense for real estate assets was $1.0 million and $1.1 million for the three months ended June 30, 2022 and 2021, respectively, and $1.9 million and $2.3 million for the six months ended June 30, 2022 and 2021, respectively.

The following table presents the Partnership's estimated amortization expense related to lease intangibles for the periods indicated (in thousands):

Remainder of 2022	2023	2024	2025	2026	Thereafter
$ 318	$ 753	$ 932	$ 1,006	$ 400	$ 16

6. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth the Partnership's property, plant and equipment:

	Estimated Useful Lives	As of			
		June 30, 2022		December 31, 2021	
	(Years)	(In thousands)			
Produced water disposal systems	10-30	$	796,854	$	766,052
Crude oil gathering systems[(1)]	30		136,005		135,869
Natural gas gathering and compression systems[(1)]	10-30		6,215		6,192
Sourced water gathering systems[(1)]	30		200,036		166,549
Other	3		1,804		743
Total property, plant and equipment			1,140,914		1,075,405
Less: accumulated depreciation, amortization and accretion			(144,332)		(121,507)
Land	N/A		98,646		98,645
Total property, plant and equipment, net		$	1,095,228	$	1,052,543

(1) Included in gathering systems are $15.3 million and $13.1 million of assets at June 30, 2022 and December 31, 2021, respectively, that are not subject to depreciation, amortization and accretion as the systems were under construction and had not yet been put into service.

Depreciation expense related to property, plant and equipment was $13.5 million and $13.8 million for the three months ended June 30, 2022 and 2021, respectively, and $32.7 million and $23.5 million for the six months ended June 30, 2022 and 2021, respectively. Depreciation expense during the three and six months ended June 30, 2022 included a write-off of $1.8 million related to the early abandonment of certain facilities. Additionally, the six months ended June 30, 2022 included $8.0 million related to the early plugging and abandonment of a produced water pit. Depreciation expense during the six months ended June 30, 2021 included a write-off of $3.4 million related to in-service projects that were abandoned during the period.

Capitalized internal costs and capitalized interest related to property, plant and equipment were immaterial for the three and six months ended June 30, 2022 and 2021.

The Partnership evaluates its long-lived assets for potential impairment whenever events or circumstances indicate it is more likely than not that the carrying amount of the asset, or set of assets, is greater than the fair value. An impairment involves comparing the estimated future undiscounted cash flows of an asset with the carrying amount. If the carrying amount of the asset exceeds the estimated future undiscounted cash flows, then an impairment charge is recorded for the difference between the estimated fair value of the asset and its carrying value. It is possible that circumstances requiring additional impairment testing will occur in future interim periods, which could result in potentially material impairment charges being recorded.

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7. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations consist primarily of estimated costs of dismantlement, removal, site reclamation, plugging and abandonment and similar activities associated with the Partnership's infrastructure assets. The following table reflects the changes in the Partnership's asset retirement obligation for the following periods:

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
Asset retirement obligations, beginning of period	$ 16,990	$ 15,128
Liabilities incurred[(1)]	20,564	642
Liabilities settled and divested	(899)	(68)
Revisions	109	(27)
Accretion expense during period	1,140	539
Asset retirement obligations, end of period	37,904	16,214
Less current portion of asset retirement obligations	—	79
Asset retirement obligations, long term	$ 37,904	$ 16,135

(1) Includes $12.4 million of asset retirement obligations recorded for assets acquired in the Drop Down transaction and placed in service during the six months ended June 30, 2022.

8. EQUITY METHOD INVESTMENTS

The following table presents the carrying values of the Partnership's equity method investments as of the dates indicated:

	Ownership Interest	June 30, 2022	December 31, 2021
		(In thousands)	
EPIC Crude Holdings, LP	10 %	$ 103,622	$ 107,210
Gray Oak Pipeline, LLC	10 %	118,818	121,105
Wink to Webster Pipeline LLC[(1)]	4 %	86,586	86,207
OMOG JV LLC	60 %	193,762	187,809
WTG joint venture	25 %	131,584	110,143
BANGL, LLC	10 %	25,377	67
Total		$ 659,749	$ 612,541

(1) The Wink to Webster joint venture is developing a crude oil pipeline (the "Wink to Webster pipeline"). The Wink to Webster pipeline's main segment began interim service operation in the fourth quarter of 2020, and the joint venture began full commercial operations in the first quarter of 2022.

Currently, the Partnership receives distributions from Gray Oak, Wink to Webster and OMOG, which are classified either within the operating or investing sections of the consolidated statements of cash flows by determining the nature of each distribution. The following table presents total distributions received from the Partnership's equity method investments for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Gray Oak Pipeline, LLC	$ 7,005	$ 5,535	$ 13,003	$ 11,293
Wink to Webster Pipeline LLC	1,062	—	1,062	—
OMOG JV LLC	3,341	3,520	4,893	6,869
Total	$ 11,408	$ 9,055	$ 18,958	$ 18,162

The following table summarizes the income (loss) of equity method investees reflected in the condensed consolidated statement of operations for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
EPIC Crude Holdings, LP	$ (2,117)	$ (2,672)	$ (4,888)	$ (8,108)
Gray Oak Pipeline, LLC	5,972	3,532	10,716	5,830
Wink to Webster Pipeline LLC	1,503	(528)	840	(1,091)
OMOG JV LLC	8,404	4,291	10,832	5,406
Amarillo Rattler, LLC	—	(151)	—	(388)
WTG joint venture	14,094	—	19,419	—
BANGL, LLC	96	—	113	—
Total	$ 27,952	$ 4,472	$ 37,032	$ 1,649

The Partnership reviews its equity method investments to determine if a loss in value which is other than temporary has occurred. If such a loss has occurred, the Partnership recognizes an impairment provision.

Based on indicators present at December 31, 2021 and through June 30, 2022, the Partnership reviewed its equity method investment in EPIC and determined the carrying value of the investment was less than its estimated fair value due to a reduction in expected future cash flow. However, based on the Partnership’s review of various factors leading to the decline in the fair value of the investment, it was determined that the carrying value of the EPIC investment will recover in the near term and, therefore, an other than temporary impairment in the carrying value of the EPIC investment does not exist at June 30, 2022. However, should the conclusions on certain factors included in the Partnership’s analysis, including estimates of EPIC’s future cash flows change, the Partnership may recognize an impairment that could materially impact its consolidated financial statements.

The entities in which the Partnership is invested all serve customers in the oil and natural gas industry, which has recently experienced economic challenges due to the war in Ukraine, the COVID-19 pandemic and other macroeconomic factors. If similar economic challenges occur in future interim periods, it could result in circumstances requiring the Partnership to record potentially material impairment charges on its equity method investments.

9. DEBT

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

	June 30, 2022	December 31, 2021
	(In thousands)	
5.625% unsecured Senior Notes due 2025(1)	$ 500,000	$ 500,000
Credit Agreement	232,000	195,000
Unamortized debt issuance costs	(6,037)	(7,044)
Total long-term debt	$ 725,963	$ 687,956

(1) Interest on the Notes is payable on January 15 and July 15 of each year. The Notes mature on July 15, 2025.

The Operating Company's Credit Agreement

The Operating Company's credit agreement (the "Credit Agreement") provides for a revolving credit facility in the maximum amount of $600.0 million, which is expandable to $1.0 billion upon the Partnership's election, subject to obtaining additional lender commitments and satisfaction of customary conditions. The Credit Agreement will mature on May 28, 2024. As of June 30, 2022, the Operating Company had $232.0 million of outstanding borrowings and $368.0 million available for future borrowings under the Credit Agreement. During the three and six months ended June 30, 2022, the weighted average interest rates on borrowings under the Credit Agreement were 2.03% and 1.73%, respectively. During the three and six months ended June 30, 2021, the weighted average interest rate on borrowings under the Credit Agreement was 1.36% and 1.39%, respectively.

As of June 30, 2022, the Operating Company was in compliance with all financial maintenance covenants under the Credit Agreement.

10. UNIT-BASED COMPENSATION

On May 22, 2019, the board of directors of the General Partner adopted the Rattler Midstream LP Long Term Incentive Plan ("LTIP") for employees, consultants and directors of the General Partner and any of its affiliates, including Diamondback, who perform services for the Partnership. The LTIP provides for the grant of unit options, unit appreciation rights, restricted units, unit awards, phantom units, distribution equivalent rights, cash awards, performance awards, other unit-based awards and substitute awards. Excluding unvested phantom units, as of June 30, 2022, the Partnership had 12,681,258 common units remaining for issuance under its LTIP of the 15,151,515 common units initially authorized. Common units that are cancelled, forfeited or withheld to satisfy exercise prices or tax withholding obligations will be available for delivery pursuant to other awards. The LTIP is administered by the board of directors of the General Partner or a committee thereof.

For the three and six months ended June 30, 2022, the Partnership incurred $2.6 million and $5.1 million, respectively, of unit–based compensation expense. For the three and six months ended June 30, 2021, the Partnership incurred $2.5 million and $4.8 million, respectively, of unit–based compensation expense.

Phantom Units

Under the LTIP, the board of directors of the General Partner is authorized to issue phantom units to eligible employees and non-employee directors. The Partnership estimates the fair value of phantom units based on the closing price of the Partnership's common units on the grant date of the award, and expenses this value over the applicable vesting period. Upon vesting, the phantom units entitle the recipient to one common unit of the Partnership for each phantom unit. The recipients are also entitled to distribution equivalent rights, which represent the right to receive a cash payment equal to the value of the distributions paid on one phantom unit between the grant date and the vesting date.

The following table presents the phantom unit activity under the LTIP for the six months ended June 30, 2022:

	Phantom Units	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2021	1,737,525	$ 16.64
Granted	214,888	$ 13.09
Vested	(441,716)	$ 19.04
Forfeited	(36,053)	$ 10.37
Unvested at June 30, 2022	1,474,644	$ 15.56

The aggregate fair value of phantom units that vested during the six months ended June 30, 2022 was $8.4 million. As of June 30, 2022, the unrecognized compensation cost related to unvested phantom units was $20.4 million, and is expected to be recognized over a weighted-average period of 2.00 years.

11. UNITHOLDERS' EQUITY AND DISTRIBUTIONS

The Partnership has General Partner and limited partner units. At June 30, 2022, the Partnership had a total of 38,417,574 common units issued and outstanding and 107,815,152 Class B units issued and outstanding, of which no common units and 107,815,152 Class B units, representing approximately 74% of the Partnership's total units outstanding, were beneficially owned by Diamondback. At June 30, 2022, Diamondback also beneficially owned 107,815,152 Operating Company units, representing an overall 74% economic, non-voting interest in the Operating Company. The Operating Company units and the Partnership's Class B units beneficially owned by Diamondback are exchangeable from time to time for the Partnership's common units (that is, one Operating Company unit and one Partnership Class B unit, together, will be exchangeable for one Partnership common unit).

Common Unit Repurchase Program

The board of directors of the General Partner has approved a common unit repurchase program to acquire up to $150.0 million of the Partnership's outstanding common units over an indefinite period of time. The Partnership may purchase common units under the repurchase program opportunistically with cash on hand, free cash flow from operations and proceeds from potential liquidity events such as the sale of assets. The repurchase program may be suspended from time to time, modified, extended or discontinued by the board of directors of the General Partner at any time. Purchases under the repurchase program may be made from time to time in open market or privately negotiated transactions in compliance with Rule 10b-18 under the Exchange Act, as amended, and will be subject to market conditions, applicable legal requirements, contractual obligations and other factors. Any common units purchased as part of this program will be retired. The Partnership did not repurchase any of its common units under the repurchase program during the three months ended June 30, 2022. During the six months ended June 30, 2022 and the three and six months ended June 30, 2021, the Partnership repurchased approximately $2.6 million, $5.2 million, and $16.3 million of its common units under the repurchase program, respectively. As of June 30, 2022, $85.1 million remained available for future repurchases of common units under the repurchase program.

Changes in Ownership of Consolidated Subsidiaries

Non-controlling interest in the accompanying condensed consolidated financial statements represents Diamondback's ownership in the net assets of the Operating Company. Diamondback's relative ownership interest in the Operating Company can change due to the Partnership's public offerings, issuance of units for acquisitions, issuance of unit-based compensation, repurchases of common units and distribution equivalent rights paid on the Partnership's units. These changes in ownership percentage and the disproportionate allocation of net income to Diamondback discussed below result in adjustments to non-controlling interest and common unitholder equity, tax effected.

The following table summarizes changes in the ownership interest in consolidated subsidiaries during the period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Net income (loss) attributable to the Partnership	$ 11,988	$ 12,445	$ 19,919	$ 18,460
Change in ownership of consolidated subsidiaries	283	1,941	1,823	2,653
Change from net income (loss) attributable to the Partnership's unitholders and transfers to non-controlling interest	$ 12,271	$ 14,386	$ 21,742	$ 21,113

Cash Distributions on Common Units

The board of directors of the General Partner sets and administers the cash distribution policies for the Partnership and the Operating Company. Cash distributions paid by the Operating Company to Diamondback and the Partnership as the holders of the Operating Company's common units are determined by the board of directors of the General Partner on a quarterly basis. The partnership agreement does not require the Partnership to pay minimum distributions to its common unitholders on a quarterly or other basis, and the Partnership does not employ structures intended to consistently maintain or increase distributions over time.

The following table presents information regarding cash distributions approved by the board of directors of the General Partner for the periods presented:

Period	Amount per Unit	Distributions (in thousands) Operating Company Distributions to Diamondback	Common Unitholders	Declaration Date	Unitholder Record Date	Payment Date
Q4 2021	$ 0.30	$ 32,345	$ 11,444	February 16, 2022	March 7, 2022	March 14, 2022
Q1 2022	$ 0.30	$ 32,345	$ 11,444	April 27, 2022	May 13, 2022	May 20, 2022

12. EARNINGS PER COMMON UNIT

Earnings per common unit on the condensed consolidated statements of operations is based on the net income of the Partnership for the three and six months ended June 30, 2022 and 2021, which is the amount of net income that is attributable to the Partnership's common units. The Partnership's net income is allocated wholly to the common units, as the General Partner does not have an economic interest.

Basic and diluted earnings per common unit is calculated using the two-class method. The two-class method is an earnings allocation proportional to the respective ownership among holders of common units and participating securities. Basic earnings per common unit is calculated by dividing net income by the weighted-average number of common units outstanding during the period. Diluted earnings per common unit also considers the dilutive effect of unvested common units granted under the LTIP, calculated using the treasury stock method.

A reconciliation of the components of basic and diluted earnings per common unit is presented in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except per unit amounts)			
Net income (loss) attributable to Rattler Midstream LP	$ 11,988	$ 12,445	$ 19,919	$ 18,460
Less: net (income) loss allocated to participating securities(1)	(574)	(456)	(1,085)	(874)
Net income (loss) attributable to common unitholders	$ 11,414	$ 11,989	$ 18,834	$ 17,586
Weighted average common units outstanding:				
Basic weighted average common units outstanding	38,245	41,033	38,202	41,386
Effect of dilutive securities:				
Potential common units issuable(2)	22	—	—	—
Diluted weighted average common units outstanding	38,267	41,033	38,202	41,386
Net income per common unit, basic	$ 0.30	$ 0.30	$ 0.49	$ 0.42
Net income per common unit, diluted	$ 0.30	$ 0.30	$ 0.49	$ 0.42

(1) Distribution equivalent rights granted to employees are considered participating securities.
(2) For the six months ended June 30, 2022 and the three and six months ended June 30, 2021, no potential common units were included in the computation of diluted earnings per unit because their inclusion would have been anti-dilutive under the treasury stock method for the period presented.

13. RELATED-PARTY TRANSACTIONS

Related-party transactions include transactions with Diamondback. The Partnership has entered into certain agreements that govern these transactions, the most significant of which are commercial agreements for the provision of midstream services to Diamondback. The Partnership derives substantially all of its revenue from these commercial agreements, which consist of the following amounts for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Produced water gathering and disposal	$ 68,575	$ 67,387	$ 136,771	$ 131,693
Sourced water gathering	20,816	16,029	41,092	31,272
Natural gas gathering	—	5,925	—	11,325
Crude oil gathering	1,739	2,157	3,569	4,187
Surface revenue	—	81	—	180
Total	$ 91,130	$ 91,579	$ 181,432	$ 178,657

14. INCOME TAXES

The following table provides the Partnership's provision for (benefit from) income taxes and the effective income tax rate for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except for tax rate)			
Provision for (benefit from) income taxes	$ 3,330	$ 3,539	$ 5,714	$ 5,210
Effective tax rate	5.7 %	6.1 %	5.8 %	6.1 %

The Partnership's effective income tax rates for the three and six months ended June 30, 2022 and 2021 differed from amounts computed by applying the United States federal statutory tax rate to pre-tax income for the period, primarily due to net income attributable to the non-controlling interest and to state taxes, net of federal benefit. For the three and six months ended June 30, 2022 and 2021 the Partnership recorded immaterial discrete income tax expense primarily related to unit-based compensation.

The Partnership's total net deferred tax assets consist primarily of the tax basis over the financial statement carrying value of its investment in the Operating Company and of net operating loss carryforwards. As a result of management's assessment each period, including consideration of all available positive and negative evidence, management continued to determine that it is more likely than not that the Partnership will realize its deferred tax assets as of June 30, 2022 and 2021.

15. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Assets and Liabilities Not Recorded at Fair Value

The following table provides the fair value of financial instruments that are not recorded at fair value in the condensed consolidated balance sheets:

	June 30, 2022		December 31, 2021	
	Carrying Value(1)	Fair Value	Carrying Value(1)	Fair Value
	(In thousands)			
Debt:				
5.625% unsecured Senior Notes due 2025	$ 493,963	$ 499,185	$ 492,956	$ 521,250
Credit Agreement	$ 232,000	$ 232,000	$ 195,000	$ 195,000

(1) The carrying value includes associated deferred loan costs and any remaining discount or premium, if any.

The fair value of the Credit Agreement approximates its carrying value based on borrowing rates available to the Partnership for bank loans with similar terms and maturities and is classified as Level 2 in the fair value hierarchy. The fair value of the Notes was determined using the quoted market price at the respective period ends, and is considered a Level 1 classification in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis in certain circumstances. These assets and liabilities can include inventory, midstream assets and other long-lived assets that are written down to fair value when they are impaired or held for sale. Refer to Note 6—Property, Plant and Equipment for additional discussion of nonrecurring fair value adjustments.

Fair Value of Financial Assets

The Partnership has other financial instruments consisting of cash, accounts receivable, other current assets, accounts payable, accrued liabilities and various other current liabilities. The carrying value of these instruments approximates fair value because of the short-term nature of the instruments.

16. COMMITMENTS AND CONTINGENCIES

The Partnership may be a party to various routine legal proceedings, disputes and claims from time to time arising in the ordinary course of its business. The Partnership's management believes there are currently no such matters that, if decided adversely, will have a material adverse effect on the Partnership's financial condition, results of operations or cash flows.

Commitments

As of June 30, 2022, the Partnership's anticipated future capital commitments of $17.2 million for its equity method investments consist of $7.3 million due in the remainder of 2022 and $9.9 million due in 2023.

17. SUBSEQUENT EVENTS

Cash Distribution

On July 27, 2022, the board of directors of the General Partner approved a cash distribution for the second quarter of 2022 of $0.30 per common unit, payable on August 23, 2022, to unitholders of record at the close of business on August 16, 2022.

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

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto presented in this report as well as our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors. See "Cautionary Statement Regarding Forward-Looking Statements."

Overview

We are a Delaware limited partnership formed by Diamondback to own, operate, develop and acquire midstream and energy-related infrastructure assets in the Midland and Delaware Basins of the Permian Basin, one of the most prolific oil producing areas in the world. Our assets and operations are reported in one operating business segment. We have elected to be treated as a corporation for U.S. federal income tax purposes.

We provide crude oil and water-related midstream services (including water sourcing and transportation and produced water gathering and disposal) to Diamondback under long-term, fixed-fee contracts. In addition to our midstream infrastructure assets, we own equity interests in four long-haul crude oil pipelines, which run from the Permian to the Texas Gulf Coast. In addition, we own equity interests in third-party operated gathering systems and processing facilities supported by dedications from Diamondback. We are critical to Diamondback's development plans because we provide a long-term midstream solution to its increasing crude oil and water-related services needs through our robust infield gathering systems and produced water disposal capabilities.

As of June 30, 2022, our General Partner held a 100% general partner interest in us. Diamondback held no common units and beneficially owned all of our 107,815,152 outstanding Class B units, representing approximately 74% of our total outstanding units. Diamondback also owns and controls our General Partner.

As of June 30, 2022, the Holding Company owned a 26% controlling membership interest and 100% of the sole managing membership interest in the Operating Company, and Diamondback owned, through its ownership of the Operating Company units, a 74% economic, non-voting interest in the Operating Company. As required by GAAP, we consolidate 100% of the assets and operations of the Holding Company and the Operating Company in our financial statements and reflect a non-controlling interest.

2022 Transactions and Recent Developments

Merger

On May 15, 2022, we entered into the Merger Agreement with Diamondback, the General Partner, and Merger Sub. The Merger Agreement provides that, among other things and subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, (i) Merger Sub will be merged with and into the Partnership, with the Partnership surviving and continuing as the surviving entity in the Merger and (ii) each issued and outstanding publicly held common unit representing a limited partner interest in the Partnership (other than any common units owned by Diamondback and its subsidiaries) will be converted into the right to receive 0.113 of a share of common stock, par value $0.01 per share, of Diamondback. The Merger Agreement also specifies the treatment of our outstanding equity awards in connection with the Merger. The board of directors of the General Partner (acting upon the recommendation of its conflicts committee) and Diamondback's board of directors unanimously approved the Merger. We and Diamondback expect that the Merger will close, subject to certain closing conditions, reasonably promptly following the distribution payment date for the second quarter 2022 distribution to the Partnership's unitholders discussed in this report. Upon completion of the Merger, our common units will cease to be listed on Nasdaq and will be subsequently deregistered under the Exchange Act.

Commodity Prices and Inflation

Commodity prices and demand for oil and natural gas have been impacted in recent periods by economic challenges due to the war in Ukraine, the COVID-19 pandemic, and recent measures to combat inflation. Such factors have continued to contribute to economic and pricing volatility and cautious oil and natural gas production outlook for 2022. Although the impact of inflation on our business has been insignificant in prior periods, inflation in the U.S. has been rising at its fastest rate in over 40 years, creating inflationary pressure on the cost of services, equipment and other goods in the energy industry and other sectors and contributing to labor and materials shortages across the supply-chain. Additionally, OPEC and its non-OPEC allies, known collectively as OPEC+, continues to meet regularly to evaluate the state of global oil supply, demand and inventory levels, and has planned production increases throughout 2022; however, such increases cannot be guaranteed. As such, pricing may remain volatile during the second half of 2022.

We derive substantially all of our revenue from our commercial agreements with Diamondback, which do not contain minimum volume commitments. Diamondback has announced its 2022 production target of between 220,000 and 222,000 barrels of oil per day. We cannot predict the extent to which Diamondback's business would be impacted if conditions in the energy industry were to deteriorate, nor can we estimate the impact such conditions would have on Diamondback's ability to execute its drilling and development plan on the dedicated acreage or to perform under our commercial agreements.

During 2022, we expect to increase our operated capital expenditures to more than double our 2021 expenditures, as we build out greenfield water infrastructure on assets acquired in the fourth quarter of 2021, and expand gas processing and NGL takeaway for Diamondback and other producers as part of the WTG and BANGL joint ventures. We expect such expenditures will result in sustainable free cash flow growth in 2023.

Acquisition

BANGL Joint Venture Acquisition

On January 19, 2022, we invested approximately $22.2 million in cash to acquire a 10% interest in the BANGL joint venture. The BANGL pipeline, which began full commercial service in the fourth quarter of 2021, provides NGL takeaway capacity from the MPLX and WTG gas processing plants in the Permian Basin to the NGL fractionation hub in Sweeny, Texas and has expansion capacity of up to 300,000 Bbl/d.

See Note 4—Acquisitions and Divestitures included in the condensed notes to the consolidated financial statements included elsewhere in this report for further discussion of our acquisitions and divestitures.

Operational Update

Highlights

For the three months ended June 30, 2022, as compared with the three months ended March 31, 2022:

- average crude oil gathering volumes were 72,324 Bbl/d, a decrease of 7% quarter over quarter;
- average produced water gathering and disposal volumes were 840,205 Bbl/d, a decrease of 1% quarter over quarter; and
- average sourced water gathering volumes were 373,619 Bbl/d, a decrease of 4% quarter over quarter.

Pipeline Infrastructure Assets

The following tables provide information regarding our gathering, compression and transportation system as of June 30, 2022 and utilization for the quarter ended June 30, 2022:

(Miles)[1]	Delaware Basin	Midland Basin	Permian Total
Crude oil	114	46	160
Produced water	276	333	609
Sourced water	27	102	129
Total	417	481	898

(Capacity/capability)[1]	Delaware Basin	Midland Basin	Permian Total	Utilization
Crude oil gathering (Bbl/d)	240,000	65,000	305,000	26 %
Produced water gathering and disposal (Bbl/d)	1,330,000	2,108,000	3,438,000	23 %
Sourced water gathering (Bbl/d)	120,000	655,000	775,000	37 %

(1) Does not include any assets of our equity method investment joint ventures.

Sources of Our Revenues

We currently generate a substantial portion of our revenues under fee-based commercial agreements with Diamondback, each with an initial term ending in 2034, utilizing our existing or planned infrastructure assets to provide an array of essential services critical to Diamondback's upstream operations on certain dedicated acreage in the Delaware and Midland Basins.

Commodity price fluctuations indirectly influence our activities and results of operations over the long-term, since they can affect production rates and investments by Diamondback and third-parties in the development of new crude oil and natural gas reserves. Commodity prices are volatile and influenced by numerous factors beyond our or Diamondback's control, including the domestic and global supply of and demand for crude oil and natural gas. Furthermore, our ability to execute our development strategy in the Permian Basin will depend on crude oil and natural gas production in that area, which is also affected by the supply of and demand for crude oil and natural gas.

Results of Operations for the Three Months Ended June 30, 2022 and March 31, 2022

As noted in "—*2022 Transactions and Recent Developments*," our business is highly dependent on the operational decisions made by Diamondback and our other customers in the Permian Basin, which are affected by highly volatile oil and natural gas markets. Such volatility can, in turn, lead to significant changes in our results of operations and management's operational strategy on a quarterly basis. Accordingly, our results of operations discussion focuses on a comparison of the current quarter's results of operations with those of the immediately preceding quarter. We believe our discussion provides investors with a more meaningful assessment of our quarterly performance based on current market and operational trends.

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

	Three Months Ended	
	June 30, 2022	March 31, 2022
	(In thousands, except operating data)	
Revenues:		
Midstream revenues—related-party	$ 91,130	$ 90,302
Midstream revenues—third-party	10,524	10,446
Other revenues—related-party	1,748	1,751
Other revenues—third-party	960	964
Total revenues	104,362	103,463
Costs and expenses:		
Direct operating expenses	21,195	21,628
Cost of goods sold (exclusive of depreciation and amortization)	20,117	15,180
Real estate operating expenses	610	533
Depreciation, amortization and accretion	15,112	20,687
Impairment and abandonments	177	1,082
General and administrative expenses	6,389	5,345
(Gain) loss on disposal of assets	1,187	(71)
Total costs and expenses	64,787	64,384
Income (loss) from operations	39,575	39,079
Other income (expense):		
Interest income (expense), net	(9,126)	(8,684)
Income (loss) from equity method investments	27,952	9,080
Total other income (expense), net	18,826	396
Net income (loss) before income taxes	58,401	39,475
Provision for (benefit from) income taxes	3,330	2,384
Net income (loss)	55,071	37,091
Less: Net income (loss) attributable to non-controlling interest	43,083	29,160
Net income (loss) attributable to Rattler Midstream LP	$ 11,988	$ 7,931
Operating Data:		
Throughput[(1)]		
Crude oil gathering (Bbl/d)	72,324	77,989
Produced water gathering and disposal (Bbl/d)	840,205	845,835
Sourced water gathering (Bbl/d)	373,619	387,542

(1) Does not include any volumes from our equity method investment joint ventures.

Comparison of the Three Months Ended June 30, 2022 and March 31, 2022

Revenues

Total revenues increased by $0.9 million to $104.4 million for the second quarter of 2022, compared to $103.5 million for the first quarter of 2022, primarily due to a $1.9 million increase in produced water gathering and disposal revenue as a result of placing certain assets acquired in the Drop Down in service as well as the continued build out of the systems. This increase was partially offset by aggregate insignificant decreases of $1.0 million in revenues from sourced water gathering, crude oil gathering, caliche and real estate contracts.

Cost of Goods Sold

Cost of goods sold (exclusive of depreciation and amortization) increased by $4.9 million to $20.1 million for the second quarter of 2022, compared to $15.2 million for the first quarter of 2022, primarily due to (i) $1.8 million in additional variable costs incurred for sourced water, including the higher costs associated with chemicals used to treat recycled produced water, (ii) a $1.6 million increase in write-offs associated with water evaporation, and (iii) $0.3 million in adjustments recorded on our water pits. The remainder of the change is largely attributable to 1% growth in our recycled produced water volumes in the second quarter of 2022 that carry higher variable costs than our fresh water volumes which declined by 5% in the second quarter of 2022.

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion decreased by $5.6 million to $15.1 million for the second quarter of 2022, compared to $20.7 million for the first quarter of 2022, primarily due to recording accelerated depreciation of $1.8 million on two facilities that were abandoned in the second quarter of 2022 compared to recording accelerated depreciation of $8.0 million on a produced water pit that was abandoned in the first quarter of 2022.

Income (loss) from Equity Method Investments

Income from equity method investments increased by $18.9 million to $28.0 million for the second quarter of 2022, compared to $9.1 million for the first quarter of 2022, primarily due to higher capacity utilization and price realizations from our investees. The increase consisted of (i) $8.8 million from our interest in the WTG joint venture, which began operations in the fourth quarter of 2021, (ii) $6.0 million from our investment in OMOG (iii) $2.2 million from our investment in Wink to Webster, which became fully operational in the February 2022, (iv) $1.2 million from our investment in Gray Oak, and (v) a $0.7 million reduction in losses recorded for our EPIC investment.

Results of Operations for the *Six Months Ended June 30, 2022* and 2021

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

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
	(In thousands, except operating data)	
Revenues:		
Midstream revenues—related-party	$ 181,432	$ 178,657
Midstream revenues—third-party	20,970	14,088
Other revenues—related-party	3,499	5,082
Other revenues—third-party	1,924	2,112
Total revenues	207,825	199,939
Costs and expenses:		
Direct operating expenses	42,823	58,810
Cost of goods sold (exclusive of depreciation and amortization)	35,297	19,109
Real estate operating expenses	1,143	1,061
Depreciation, amortization and accretion	35,799	26,485
Impairment and abandonments	1,259	3,371
General and administrative expenses	11,734	9,590
(Gain) loss on disposal of assets	1,116	5,011
Total costs and expenses	129,171	123,437
Income (loss) from operations	78,654	76,502
Other income (expense):		
Interest income (expense), net	(17,810)	(15,545)
Gain (loss) on sale of equity method investments	—	22,989
Income (loss) from equity method investments	37,032	1,649
Total other income (expense), net	19,222	9,093
Net income (loss) before income taxes	97,876	85,595
Provision for (benefit from) income taxes	5,714	5,210
Net income (loss)	92,162	80,385
Less: Net income (loss) attributable to non-controlling interest	72,243	61,925
Net income (loss) attributable to Rattler Midstream LP	$ 19,919	$ 18,460
Operating Data:		
Throughput[1]		
Crude oil gathering (Bbl/d)	75,141	84,609
Natural gas gathering (MMBtu/d)	—	136,014
Produced water gathering and disposal (Bbl/d)	843,004	783,878
Sourced water gathering (Bbl/d)	380,542	254,629

(1) Does not include any volumes from our equity method investment joint ventures.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenues

Total revenues increased by $7.9 million to $207.8 million for the six months ended June 30, 2022, compared to $199.9 million for the same period of 2021, primarily due to $13.1 million in additional revenue from sourced water gathering and disposal and $9.0 million in additional revenue from produced water gathering and disposal largely resulting from placing assets acquired in the Drop Down in service as well as the continued buildout of our gathering systems. These increases were partially offset by declining revenues of (i) $11.3 million due to the sale of substantially all of our natural gas gathering assets in the fourth quarter of 2021, (ii) $1.8 million due to the sale of one of our real estate properties at the end of the second quarter of 2021, and (iii) $1.6 million primarily due to a reduction in crude oil volumes transported by Diamondback through the systems on our dedicated acreage,

Direct Operating Expenses

Direct operating expenses decreased by $16.0 million to $42.8 million for the six months ended June 30, 2022, compared to $58.8 million for the same period in 2021, primarily due to reductions of (i) $3.9 million for workover expenses, $3.5 million for generator rental, $3.5 million for equipment repair and maintenance, $2.6 million for roustabouts, due to lower levels of workover activity and the release of multiple generators in the first half of 2022, and (ii) $6.0 million due to the sale of the Pecos gas gathering assets in the fourth quarter of 2021. These reductions were partially offset by $2.7 million in additional employee onsite supervision costs

Cost of Goods Sold

Cost of goods sold (exclusive of depreciation and amortization) increased by $16.2 million to $35.3 million for the six months ended June 30, 2022, compared to $19.1 million for the same period in 2021, primarily due to (i) $9.4 million in additional variable costs incurred for sourced water, including higher costs associated with chemicals used to treat recycled produced water, (ii) $2.6 million in additional write-offs due to water evaporation, and (iii) $1.8 million in additional adjustments to our water pits in 2022 compared to 2021. The remainder of the change is largely attributable to the 49% growth in our average sourced water gathering volumes transported in 2022 compared to 2021.

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion increased by $9.3 million to $35.8 million for the six months ended June 30, 2022, compared to $26.5 million for the same period in 2021 primarily due to (i) the accelerated depreciation of $9.8 million for assets that were plugged and abandoned in the first half of 2022 compared to $3.5 million in the first half of 2021 and (ii) an increase of $4.1 million associated with assets acquired in the Drop Down. These increases were partially offset by a reduction of $2.5 million resulting from the sale of the Pecos gas gathering assets.

General and Administrative Expenses

General and administrative expenses increased by $2.1 million to $11.7 million for the six months ended June 30, 2022, compared to $9.6 million for the same period in 2021 primarily due to (i) $1.5 million in additional salaries and benefits costs related to higher incentive compensation accruals in 2022, (ii) $0.5 million in additional legal and advisory fees related to the Merger and other legal matters, and (iii) $0.1 million in additional director fees.

Gain (loss) on Sale of Equity Method Investments

The gain on sale of equity method investments for the six months ended June 30, 2021 related to the sale of our interest in Amarillo Rattler in the second quarter of 2021. See Note 4—Divestitures included in the condensed notes to the consolidated financial statements included elsewhere in this report for discussion of the sale.

Income (loss) from Equity Method Investments

Income from equity method investments increased by $35.4 million to $37.0 million for the six months ended June 30, 2022, compared to $1.6 million for the same period in 2021, primarily due to additional income of $19.4 million from the WTG joint venture, which was acquired in the fourth quarter of 2021. The remaining change in income is due primarily to higher capacity utilization and price realizations by our investees and consisted of (i) $5.4 million from our investment in OMOG, (ii) $4.9 million from our investment in Gray Oak, and (iii) $3.2 million through a reduction in losses recorded for our EPIC investment. See Note 8—Equity Method Investments included in the condensed notes to the consolidated financial statements included elsewhere in this report for additional discussion of our equity method investments.

Liquidity and Capital Resources

Overview of Sources and Uses of Cash

As we pursue our business and financial strategy, we regularly consider which capital resources, including cash flow and equity and debt financings, are available to meet our future financial obligations and liquidity requirements. Our primary sources of liquidity have included cash generated from operations, borrowings under the Credit Agreement and the issuance of the Notes. Our primary uses of capital have been for additions to property, plant and equipment, contributions to equity method investments, distributions to our unitholders and repurchases of our common units. As of June 30, 2022, we had approximately $385.8 million of liquidity consisting of $17.8 million in cash and $368.0 million available under the Credit Agreement.

Our working capital requirements are supported by our cash and the Credit Agreement. We believe that cash generated from the sources discussed above will be sufficient to meet our short-term and long-term funding requirements, including our capital spending programs, distribution payments, repayment of the Credit Agreement, common unit repurchase program, expenses under the services and secondment agreement with Diamondback and other amounts that may ultimately be paid in connection with commitments and contingencies. We do not have any commitment from Diamondback, our General Partner or any of their respective affiliates to fund our cash flow deficits or provide us with other direct or indirect financial assistance. Although we expect that our sources of capital will be adequate to fund our short-term and long-term liquidity requirements, should we require additional capital, the indirect effect of volatile commodity markets and/or adverse macroeconomic conditions may limit our access to, or increase our cost of, capital or make capital unavailable on terms acceptable to us or at all.

Cash Flows

The following table presents our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2022	2021
	(In thousands)	
Cash Flow Data:		
Net cash provided by (used in) operating activities	$ 133,101	$ 128,412
Net cash provided by (used in) investing activities	(78,088)	17,763
Net cash provided by (used in) financing activities	(57,126)	(152,552)
Net increase (decrease) in cash	$ (2,113)	$ (6,377)

Operating Activities

Net cash provided by operating activities increased by $4.7 million during the six months ended June 30, 2022 compared to the six months ended June 30, 2021, due primarily to decreases in direct operating expenses of $16.0 million, an increase in receipt of distributions representing returns on investment from our equity method investments of $9.9 million and an increase of $7.9 million in revenues. These cash inflows were partially offset by higher costs of goods sold of $16.2 million and higher general and administrative expenses of $2.1 million. The remaining change stems largely from fluctuations in working capital due primarily to the timing of when collections are made on accounts receivable and payments are made on accounts payable and accrued liabilities. See *—Results of Operations* for further discussion of changes in revenue and operating expenses and Note 8—Equity Method Investments included in the condensed notes to the consolidated financial statements included elsewhere in this report for further discussion of distributions.

Investing Activities

Net cash used in investing activities was $78.1 million during the six months ended June 30, 2022, and consisted primarily of (i) $29.1 million in contributions to our equity method investments, including the $22.2 million initial investment in BANGL, (ii) $43.1 million in capital expenditures related to our midstream and real estate assets and (iii) $4.3 million in acquisitions of midstream assets.

Net cash provided by investing activities was $17.8 million during the six months ended June 30, 2021, and primarily related to (i) $23.5 million in proceeds from the sale of our Amarillo Rattler equity method investment, (ii) $9.1 million in proceeds from the sale of a real estate asset, and (iii) $9.1 million in distributions considered to be returns of investment received from our Gray Oak and OMOG equity method investments. These cash inflows were partially offset by capital expenditures for property, plant and equipment of $17.7 million and contributions to our equity method investments of $6.5 million.

Financing Activities

Net cash used in financing activities was $57.1 million during the six months ended June 30, 2022, and primarily related to the return of capital to our unitholders through distributions of $87.6 million and $2.6 million in repurchases of common units under our repurchase program. These cash outflows were partially offset by borrowings on the credit facility of $37.0 million.

Net cash used in financing activities was $152.6 million during the six months ended June 30, 2021, and primarily related to (i) the return of capital to our unitholders through distributions of $59.6 million, (ii) net payments on the Credit Agreement of $74.0 million and (iii) $16.3 million in repurchases of common units under our repurchase program.

Capital Resources

The Operating Company's Credit Agreement

The Credit Agreement provides for a revolving credit facility in the maximum credit amount of $600.0 million, which is expandable to $1.0 billion upon our election, subject to obtaining additional lender commitments and satisfaction of customary conditions. As of June 30, 2022, we had $232.0 million in outstanding borrowings under the Credit Agreement, which matures on May 28, 2024.

The Operating Company is currently in compliance, and expects to be in compliance, with all financial maintenance covenants under its Credit Agreement.

For additional information regarding the Credit Agreement and other outstanding debt, see Note 9—Debt included in the condensed notes to the consolidated financial statements included elsewhere in this report.

Capital Requirements

2022 Capital Budget

The midstream energy business is capital intensive, requiring the maintenance of existing gathering systems and other midstream assets and facilities and the acquisition or construction and development of new gathering systems and other midstream assets and facilities. However, with respect to capital expenditures incurred for acquisitions or capital improvements, we have some discretion and control. In times of reduced operational activity, we may choose to defer a portion of our budgeted capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. Subject to financing alternatives, we may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We consistently monitor and may adjust our projected capital expenditures in response to factors both within and outside our control.

We estimate that our total capital expenditures related to midstream assets for 2022 will be between $80 million and $100 million, excluding our anticipated total capital commitments related to our equity method investments of approximately $10 million to $15 million. We also estimate that distributions from our equity method investments will be between $45 million and $55 million. However, this range could decrease due to the continued impact, either directly or indirectly, of the war in Ukraine, the COVID-19 pandemic or volatile crude oil prices on our business.

We own equity interests in several joint ventures including EPIC, Gray Oak, Wink to Webster, OMOG, the WTG joint venture and BANGL. Each of these joint ventures is accounted for using the equity method. The following table sets forth our cumulative capital contributions and anticipated future capital commitment for each of our equity method investments:

	Ownership Interest	Acquisition Date	Cumulative Capital Contributions to Date	Anticipated Future Capital Commitment
			(In thousands)	
EPIC Crude Holdings, LP	10 %	February 1, 2019	$ 139,334	$ 3,000
Gray Oak Pipeline, LLC	10 %	February 15, 2019	$ 142,096	$ 2,250
Wink to Webster Pipeline LLC	4 %	July 30, 2019	$ 90,053	$ 9,947
OMOG JV LLC	60 %	October 1, 2019	$ 218,569	$ —
WTG joint venture	25 %	October 5, 2021	$ 106,513	$ —
BANGL LLC	10 %	January 19, 2022	$ 25,150	$ 2,000

As of June 30, 2022, we anticipate making additional contributions of $7.3 million to our equity method investments during the remainder of 2022. For further discussion regarding these investments see Note 8—Equity Method Investments included in the condensed notes to the consolidated financial statements included elsewhere in this report.

Common Unit Repurchase Program

During the six months ended June 30, 2022, we repurchased approximately $2.6 million of common units under our common unit repurchase program. As of June 30, 2022, $85.1 million remained available for future repurchases of our common units under our program. See Note 11—Unitholders' Equity and Distributions included in the condensed notes to the consolidated financial statements included elsewhere in this report for further discussion of the common unit repurchase program.

Cash Distributions on Common Units

On July 27, 2022, the board of directors of our general partner approved a cash distribution for the second quarter of 2022 of $0.30 per common unit, payable on August 23, 2022, to common unitholders of record at the close of business on August 16, 2022. The board of directors of our general partner may change the distribution policy at any time and from time to time. See Note 11—Unitholders' Equity and Distributions included in the condensed notes to the consolidated financial statements included elsewhere in this report for additional discussion of our distribution policy.

Critical Accounting Estimates

There have been no changes in our critical accounting estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

See Note 2—Summary of Significant Accounting Policies in the notes to the consolidated financial statements included elsewhere in this report for recent accounting pronouncements and accounting policies not yet adopted, if any.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including the effects of adverse changes in commodity prices and interest rates as described below. The primary objective of the following information is to provide quantitative and qualitative information about our potential exposure to market risks. The term “market risk” refers to the risk of loss arising from adverse changes in oil and natural gas prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses.

Commodity Price Risk

We currently generate the majority of our revenues pursuant to fee-based agreements with Diamondback under which we are paid based on volumetric fees, rather than the underlying value of the commodity. Consequently, our existing operations and cash flows have little direct exposure to commodity price risk. However, Diamondback and our other customers are exposed to commodity price risk, and an extended reduction in commodity prices could reduce the production volumes available for our midstream services in the future below expected levels. Although we intend to maintain fee-based pricing terms on both new contracts and existing contracts for which prices have not yet been set, our efforts to negotiate such terms may not be successful, which could have a materially adverse effect on our business.

We may acquire or develop additional midstream assets in a manner that increases our exposure to commodity price risk. Future exposure to the volatility of crude oil, natural gas and NGLs prices could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to make cash distributions to our unitholders.

Credit Risk

We are subject to counterparty credit risk related to our midstream commercial contracts, lease agreements and joint venture receivables. We derive substantially all of our revenue from our commercial agreements with Diamondback. As a result, we are directly affected by changes to Diamondback’s business related to operational and business risks or otherwise. We cannot predict the extent to which Diamondback’s business would be impacted if conditions in the energy industry were to deteriorate, nor can we estimate the impact such conditions would have on Diamondback’s ability to execute its drilling and development program or to perform under our agreements. While we monitor the creditworthiness of purchasers, lessees and joint venture partners with which we conduct business, we are unable to predict sudden changes in solvency of these counterparties and may be exposed to associated risks. Nonperformance by a counterparty could result in significant financial losses.

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our indebtedness under the Credit Agreement. The terms of the Credit Agreement provide for interest at a rate elected by the Operating Company that is based on the prime rate or LIBOR, in each case plus margins ranging from 0.250% to 1.250% for prime-based loans and 1.250% to 2.250% per annum for LIBOR loans, in each case depending on the Consolidated Total Leverage Ratio (as defined in the Credit Agreement). The Operating Company is obligated to pay a quarterly commitment fee ranging from 0.250% to 0.375% per annum on the unused portion of the commitment, which fee is also dependent on the Consolidated Total Leverage Ratio.

As of June 30, 2022, we had $232.0 million in outstanding borrowings and $368.0 million available for future borrowings under the Credit Agreement. During the three and six months ended June 30, 2022, the weighted average interest rate on borrowings under the Credit Agreement was 2.03% and 1.73%, respectively.

ITEM 4. CONTROLS AND PROCEDURES

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

As of June 30, 2022, an evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of our general partner, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer of our general partner have concluded that as of June 30, 2022, our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting. There have not been any changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Due to the nature of our business, we may be involved in various routine legal proceedings, disputes and claims from time to time arising in the ordinary course of our business activities. In the opinion of our management, there are currently no such matters that, if decided adversely, will have a material adverse effect on our financial condition, results of operations or cash flows. See Note 16—Commitments and Contingencies included in the condensed notes to the consolidated financial statements included elsewhere in this report.

ITEM 1A. RISK FACTORS

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

As of the date of this filing, we continue to be subject to the risk factors previously disclosed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 24, 2022, Part II, Item 1A Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, filed with the SEC on May 5, 2022, and in subsequent filings we make with the SEC. Except as provided below, there have been no material changes in our risk factors from those described in such reports.

The Merger is subject to conditions, including some conditions that may not be satisfied on a timely basis, if at all. Failure to complete the Merger, or significant delays in completing the Merger, could negatively affect our and Diamondback's future business and financial results and the trading prices for our common units and shares of Diamondback's common stock.

We and Diamondback expect that the Merger will close reasonably promptly following the distribution payment date for the second quarter 2022 distribution to the Partnership's unitholders discussed in this report. The completion of the Merger is subject to certain conditions, not assured and subject to risks. The Merger Agreement contains conditions, some of which are beyond our and Diamondback's control, that, if not satisfied or waived, may prevent, delay or otherwise result in the Merger not occurring.

In addition, if the Merger is not completed on or before December 31, 2022, either we or Diamondback may choose not to proceed with the Merger by terminating the Merger Agreement, subject to certain limitations, and we and Diamondback can mutually decide to terminate the Merger Agreement at any time prior to the effective time of the Merger. Further, either we or Diamondback may elect to terminate the Merger Agreement in certain other circumstances specified in the Merger Agreement.

If the Merger is not completed, or if there are significant delays in completing the Merger, our or Diamondback's future business and financial results and the trading prices for our common units and shares of Diamondback's common stock could be negatively affected, and each of us will be subject to several risks, as described in more detail in Diamondback's Registration Statement on Form S-4, initially filed with the SEC on June 13, 2022, amended on July 21, 2022 and declared effective by the SEC on July 28, 2022, in connection with the Merger under the heading "*Risk Factors—Risks Related to the Merger*," including the following:

- there may be negative reactions from the financial markets due to the fact that current prices of our common units and shares of Diamondback's common stock may reflect a market assumption that the Merger will be completed;
- the attention of our and Diamondback's respective management will have been diverted to the Merger rather than our and Diamondback's respective operations and pursuit of other opportunities that could have been beneficial to our and Diamondback's respective businesses;
- we and Diamondback will be required to pay our respective costs relating to the Merger, such as legal, accounting, financial advisory, filing fees, written consent costs, mailing and printing fees, whether or not the Merger is completed, and many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time;
- in connection with the termination of the Merger Agreement as a result of a material uncured breach by a party, the breaching party is obligated to reimburse the other party's expenses, up to $3.5 million; and

- litigation related to any failure to complete the Merger or related to any enforcement proceeding commenced against us or Diamondback to perform our respective obligations pursuant to the Merger Agreement can subject each party to the risks discussed in more detail below.

Rattler is currently, and each of Diamondback and Rattler may in the future be, a target of individual or class action securities or derivative lawsuits, which could result in substantial costs and may delay or prevent the closing of the Merger.

Securities class action lawsuits and derivative lawsuits are often brought against companies that have entered into merger agreements in an effort to enjoin the relevant merger or seek monetary relief. We are currently a defendant in a lawsuit relating to the Merger Agreement, and we and Diamondback may in the future be defendants in one or more lawsuits relating to the Merger Agreement and the Merger and, even if the pending or any future lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. We and Diamondback cannot predict the outcome of any such lawsuits, nor can either company predict the amount of time and expense that would be required to resolve such litigation. An unfavorable resolution of any such litigation surrounding the Merger could delay or prevent its consummation. In addition, the costs of defending the litigation, even if resolved in our or Diamondback’s favor, could be substantial, and such litigation could distract us and Diamondback from pursuing the consummation of the Merger and other potentially beneficial business opportunities.

We may incur substantial transaction-related costs in connection with the Merger. If the Merger does not occur, we will not benefit from these costs.

We expect to incur substantial expenses in connection with completing the Merger, including fees paid to legal, financial and accounting advisors, filing fees, written consent costs, mailing and printing costs. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time.

If the Merger does not qualify as a “reorganization” under Section 368(a) of the Code, the public holders of our common units may be subject to U.S. federal income tax upon the receipt of Diamondback’s common stock in the Merger.

We intend for the Merger to be treated as a “reorganization” within the meaning of Section 368(a) of the Code for U.S. federal income tax purposes. However, it is not a condition to our or Diamondback’s obligation to complete the transactions that the Merger qualifies as a “reorganization.” Moreover, neither we nor Diamondback intends to request any ruling from the Internal Revenue Service (the “IRS”) regarding any matters relating to the Merger, and, consequently, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position to the contrary to any of the positions set forth in the information statement/prospectus filed with the SEC in connection with the Merger. If the IRS were to challenge the “reorganization” status of the Merger successfully or the form or structure of the Merger was changed in a manner such that it did not qualify as a “reorganization,” the public holders of our common units could be subject to U.S. federal income tax upon the receipt of Diamondback’s common stock in the Merger.

Transition risks relating to climate change 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:

- 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;

- 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);

- 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

- 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, which relate to the transition from hydrocarbon energy sources to alternative energy sources and therefore to a lower-carbon economy, 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 indirectly influence our activities and results of operations over the long-term, since they can affect production rates and investments by Diamondback and third-parties in the development of new crude oil and natural gas reserves. Please see the risk factor in our Annual Report on Form 10-K for the year ended December 31, 2021 titled "*Our business and operations have been and could continue to be adversely affected by the ongoing COVID-19 pandemic and volatility in the oil and natural gas markets*" and "*We derive substantially all of our revenue from Diamondback. If Diamondback changes its business strategy, alters its current drilling and development plan on the Acreage Dedications, or otherwise significantly reduces the volumes of crude oil, produced water or sourced water with respect to which we perform midstream services, our revenue would decline and our business, financial condition, results of operations, cash flow and ability to make distributions to our common unitholders would be materially and adversely affected*" for more information regarding the potential impact on us of reduced demand for oil and natural gas.

If any of these developments reduce the desirability of participating in the oilfield services, midstream or downstream portions of the oil and gas industry, then these developments may also reduce the availability to Diamondback of necessary third-party services and facilities that it relies on, which could increase its operational costs and adversely affect its ability to explore for, produce, transport and process oil and natural gas and successfully carry out its business and financial strategy, which in turn could have an adverse effect on our business, financial condition and cash flow. These developments could also reduce the number of customers willing to purchase the oil and natural gas that Diamondback produces.

In addition to potentially reducing demand for oil and natural gas and potentially reducing the availability of oilfield services and midstream and downstream customers to Diamondback, any of these developments may also create reputational risks associated with the oil and gas sector, which may adversely affect the availability and cost of capital to us. 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 significantly increased cost.

In addition, the enactment of climate change-related regulations, policies and initiatives may also result in increases in Diamondback's compliance and other operating costs and have other adverse effects, such as a greater potential for governmental investigations or litigation, which may impair its ability to explore and develop our acreage dedication, all of which could adversely impact our business, financial condition and cash flows. For further discussion regarding the risks to us of climate change-related regulations, policies and initiatives, please see the discussion in our Annual Report on Form 10-K for the year ended December 31, 2021 in the section entitled "*Business—Regulation—Climate Change.*"

Continuing political and social concerns relating to climate change 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 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 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 by public campaigns, investor communications, regulatory lobbying efforts or otherwise, which may result in significant management distraction and potentially significant expense.

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.

Our midstream assets are currently located exclusively in the Permian Basin in Texas, making us vulnerable to risks (including weather-related risks) associated with a single geographic area.

Our midstream assets are currently located exclusively in the Permian Basin in Texas. As a result of this concentration, we are 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, market limitations, water shortages or restrictions, drought related conditions or other weather-related conditions, such as the severe winter storms in the Permian Basin in February 2021.

Extreme regional weather events may occur that can affect Diamondback's 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 could then cause production in the Permian Basin to be curtailed or shut in. Such 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, which could have an adverse impact on our gathering or transportation volumes.

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 magnify the effects of these conditions. Due to the concentrated nature of our midstream assets, these conditions may result 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.

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

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

Our common unit repurchase activity for the three months ended June 30, 2022 was as follows:

Period	Total Number of Units Purchased[(1)]	Average Price Paid Per Unit [(2)]	Total Number of Units Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plan [(3)]
	($ in thousands, except per unit amounts)			
April 1, 2022 - April 30, 2022	—	$ —	—	$ 85,086
May 1, 2022 - May 31, 2022	159,895	$ 17.92	—	$ 85,086
June 1, 2022 - June 30, 2022	—	$ —	—	$ 85,086
Total	159,895	$ 17.92	—	

(1) Includes 159,895 common units repurchased from employees in order to satisfy tax withholding requirements. Such units are retired immediately upon repurchase.
(2) The average price paid per common unit includes commissions paid to repurchase common units.
(3) In October 2020, the board of directors of our General Partner approved an initial common unit repurchase program to acquire up to $100.0 million of our outstanding common units through December 31, 2021. In October 2021, the repurchase program authorization was increased to $150.0 million and the program was extended indefinitely. This repurchase program may be suspended from time to time, modified, extended or discontinued by the board of directors of our general partner at any time.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of May 15, 2022, by and among Diamondback Energy, Inc., Rattler Midstream GP LLC, Bacchus Merger Sub Company and Rattler Midstream LP (incorporated by reference to Exhibit 2.1 of the Registrant’s Current Report on Form 8-K (File 001-38919) filed on May 16, 2022.
3.1	Certificate of Limited Partnership of Rattler Midstream LP (incorporated by reference to Exhibit 3.1 of the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on August 7, 2018).
3.2	Certificate of Amendment to the Certificate of Limited Partnership of Rattler Midstream LP (incorporated by reference to Exhibit 3.2 of Amendment No. 2 to the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on January 22, 2019).
3.3	First Amended and Restated Agreement of Limited Partnership of Rattler Midstream LP, dated May 28, 2019 (incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File 001-38919) filed on May 29, 2019).
3.4	Certificate of Formation of Rattler Midstream Operating LLC (formerly White Fang Energy LLC) (incorporated by reference to Exhibit 3.3 of the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on August 7, 2018).
3.5	Certificate of Amendment to the Certificate of Formation of Rattler Midstream Operating LLC (formerly White Fang Energy LLC) (incorporated by reference to Exhibit 3.4 of the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on August 7, 2018).
3.6	Certificate of Amendment to the Certificate of Formation of Rattler Midstream Operating LLC (formerly Rattler Midstream LLC) (incorporated by reference to Exhibit 3.6 of Amendment No. 2 to the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on January 22, 2019).
3.7	Certificate of Formation of Rattler Midstream GP LLC (incorporated by reference to Exhibit 3.6 of the Registrant’s Registration Statement on Form S-1 (File No. 333-226645) filed on August 7, 2018).
3.8	First Amended and Restated Limited Liability Company Agreement of Rattler Midstream GP LLC (incorporated by reference to Exhibit 3.3 of the Registrant’s Current Report on Form 8-K (File 001-38919) filed on May 29, 2019).
3.9	Third Amended and Restated Limited Liability Company Agreement of Rattler Midstream Operating LLC (incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K (File 001-38919) filed on December 27, 2021).
4.1	Indenture, dated as of July 14, 2020, among Rattler Midstream LP, as issuer, Rattler Midstream Operating LLC, Tall City Towers LLC, Rattler OMOG LLC and Rattler Ajax Processing LLC, as guarantors, and Wells Fargo Bank, National Association, as trustee (including the form of Rattler Midstream LP’s 5.625% Senior Notes due 2025) (incorporated by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K (File 001-38919) filed on July 14, 2020).
4.2	Supplemental Indenture, dated as of December 8, 2021, among Rattler WTG LLC, as guaranteeing subsidiary, Rattler Midstream LP, as issuer, Rattler Midstream Operating LLC, Tall City Towers LLC, Rattler OMOG LLC and Rattler Ajax Processing LLC, as the other guarantors, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.4 of the Registrant's Current Report on Form 10-K (File No. 333-226645) filed on February 24, 2022).
4.3	Supplemental Indenture, dated as of December 22, 2021, among Rattler Holdings LLC, as guaranteeing subsidiary, Rattler Midstream LP, as issuer, Rattler Midstream Operating LLC, Tall City Towers LLC, Rattler OMOG LLC and Rattler Ajax Processing LLC, as the other guarantors, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.5 of the Registrant's Current Report on Form 10-K (File No. 333-226645) filed on February 24, 2022).
10.1*	Fourth Amendment to the Credit Agreement, dated as of June 8, 2022, among Rattler Midstream Operating LLC, as borrower, Rattler Midstream LP, as parent, each of the undersigned guarantors together with the parent as guarantors, Wells Fargo, National Association, as administrative agent, and the lenders from time to time party thereto.
31.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	The following financial information from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statement of Changes in Unitholders’ Equity, (v) Condensed Consolidated Statements of Cash Flows and (vi) Condensed Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

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

SIGNATURES

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

			RATTLER MIDSTREAM LP
		By:	RATTLER MIDSTREAM GP LLC, its general partner
Date:	August 3, 2022	By:	/s/ Travis D. Stice Travis D. Stice Chief Executive Officer (Principal Executive Officer)
Date:	August 3, 2022	By:	/s/ Teresa L. Dick Teresa L. Dick Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

FOURTH AMENDMENT TO CREDIT AGREEMENT

This **FOURTH AMENDMENT TO CREDIT AGREEMENT** (this "Amendment"), dated as of June 8, 2022, is among: Rattler Midstream LP, a Delaware limited partnership (the "Parent"); Rattler Midstream Operating LLC, a Delaware limited liability company (the "Borrower"); each of the undersigned guarantors (together with the Parent, the "Guarantors"); each of the Lenders (as such term is defined in the Credit Agreement referred to below) party hereto; and Wells Fargo Bank, National Association, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

R E C I T A L S

A. The Parent, the Borrower, the Administrative Agent, and the Lenders are parties to that certain Credit Agreement, dated as of May 28, 2019 (as amended, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), pursuant to which the Lenders have made certain credit available to and on behalf of the Borrower.

B. The Borrower has advised the Administrative Agent and the Lenders that Borrower intends to amend and restate the limited liability company agreement (as so amended and restated, the "Rattler WTG A&R LLCA") of Rattler WTG LLC ("Rattler WTG"), a Guarantor and Restricted Subsidiary under the Credit Agreement to, among other things, permit the issuance of "Incentive Units" (as defined in the Rattler WTG A&R LLCA) by Rattler WTG to certain persons who are or were employees, service providers or members of the board of WTG Midstream LLC, a Delaware limited liability company, the issuance of which would otherwise be prohibited by Section 9.14 of the Credit Agreement unless the parties enter into this Amendment.

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

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

Section 2. Amendments to Credit Agreement. In reliance on the representations, warranties, covenants, and agreements contained in this Amendment, and subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the Credit Agreement is hereby amended, effective as of the Amendment Effective Date (as defined below), as follows:

2.1 Amendments to Section 1.02.

(a) The following definitions are hereby amended and restated in their entirety to read as follows:

"EBITDA" means, for any period, (a) the sum (without duplication) of Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: (i) interest, (ii) income taxes, (iii) depreciation, (iv) amortization, (v) all noncash charges, including expenses relating to stock based compensation and hedging, and (vi) any reasonable expenses and charges (up to an aggregate of $10,000,000 during any calendar year), related to any Investment, acquisition, disposition, offering of Equity Interests, recapitalization, or issuance or incurrence of Debt not prohibited hereunder (in each case, whether or not successful), plus (b) all Material Project Add-Backs applicable to such period, minus (c) all noncash income added to Consolidated Net Income in such period minus (d) solely in the case of Rattler WTG, the amount of all cash distributions made in such period to holders of "Incentive Units" (as defined in the Rattler WTG A&R LLCA) if and to the extent the amounts of such distributions were not otherwise deducted from or excluded in the calculation of Consolidated Net Income; *provided* that the aggregate amount of Material Project Add-Backs shall not exceed twenty percent (20%) of Unadjusted EBITDA for such period. For the purposes of calculating EBITDA for any Rolling Period for any determination of the Consolidated Total Leverage Ratio or the Consolidated Senior Secured Leverage Ratio, if at any time during such Rolling Period any Credit Party shall have made any Material Disposition or Material Acquisition, the EBITDA for such Rolling Period shall be calculated after giving pro forma effect thereto as if such Material Disposition or Material Acquisition had occurred on the first day of such Rolling Period, such pro forma adjustments to be acceptable to Administrative Agent and the Borrower. Notwithstanding anything to the contrary contained herein, (x) for any calculation of EBITDA on or after the Effective Date through but not including the date on which financial statements for the fiscal quarter ending June 30, 2019 are delivered pursuant to Section 8.01(b), EBITDA shall be deemed to be $240,000,000, and (y) for any calculation of EBITDA (other than for purposes of Section 9.01) following the date on which financial statements for the fiscal quarter ending June 30, 2019 are delivered pursuant to Section 8.01(b) and prior to the date on which financial statements for the fiscal quarter ending September 30, 2019 are delivered pursuant to Section 8.01(b), EBITDA shall be deemed to be actual EBITDA for the two fiscal quarter period ending on June 30, 2019 multiplied by two.

"Loan Documents" means this Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Notes, the Letter of Credit Agreements, the Letters of Credit, and the Security Instruments.

"Unrestricted Subsidiary" means any Subsidiary of the Parent (a) designated as such on Schedule 7.14 on the Fourth Amendment Effective Date (as updated with any written disclosures provided in writing to the Administrative Agent in accordance with and subject to the terms hereof, including, as applicable, Section 9.17), (b) that the Parent or the Borrower has designated in writing to the Administrative Agent to be an Unrestricted Subsidiary pursuant to Section 9.17, or (c) that is a Subsidiary of an Unrestricted Subsidiary; *provided, however,* that neither the Borrower nor Intermediate Holdings may be designated as or be an Unrestricted Subsidiary.

(b) The following definitions are hereby added where alphabetically appropriate to read as follows:

"Fourth Amendment" means that certain Fourth Amendment to Credit Agreement, dated as of the Fourth Amendment Effective Date, by and among the Parent, the Borrower, the other Guarantors party thereto, the Administrative Agent, and the Lenders party thereto.

"Fourth Amendment Effective Date" means June 8, 2022.

"Rattler WTG" means Rattler WTG LLC, a Delaware limited liability company.

"Rattler WTG A&R LLCA" has the meaning ascribed to it in the Fourth Amendment.

2.2 Amendment to Section 9.04(a)(vii). Section 9.04(a)(vii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(vii) the Parent and the Restricted Subsidiaries may declare and make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans (including as set forth in the Rattler WTG A&R LLCA) for past, present and future management, employees, directors, consultants and service providers of the Parent or any Subsidiary and, in the case of Rattler WTG, for past, present and future management, employees, directors, consultants and service providers of WTG Midstream LLC, a Delaware limited liability company;

2.3 Amendment to Section 9.14. Section 9.14 of the Credit Agreement is hereby amended by amending and restating the second to last sentence in its entirety to read as follows:

> The Parent and the Borrower will not permit any Equity Interests of any Restricted Subsidiary (other than the Borrower, Intermediate Holdings and Rattler WTG) to be directly owned by any Person other than the Borrower or a Restricted Subsidiary that is a Guarantor.

2.4 Amendment to Section 9.18. Section 9.18 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

> Section 9.18 Changes to Organizational Documents and Material Contracts. The Parent and the Borrower shall not, and shall not permit any other Credit Party to, (a) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) its certificate of formation, limited liability company agreement, limited partnership agreement (including, without limitation, the Parent Partnership Agreement), articles of incorporation, bylaws, any preferred stock designation or any other organic document of such Person in any manner that would be adverse to the Lenders in any material respect (provided that (x) any amendment, supplement or other modification to the conflicts rules and procedures or other provisions governing transactions with Affiliates thereunder shall be deemed to be material if adverse to the Lenders in any respect, (y) the amendment and restatement of the Rattler WTG limited liability company agreement on the Fourth Amendment Effective Date shall be deemed not to be adverse to the Lenders in any material respect, and (z) any amendment to the Rattler WTG A&R LLCA after the Fourth Amendment Effective Date that increases the rights of holders of the "Incentive Units" (as defined in the Rattler WTG A&R LLCA) with respect to management of Rattler WTG shall be deemed adverse to the Lenders in a material respect unless consented to by the Administrative Agent) or (b) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) any Material Contract in any manner that would be adverse to the Lenders in any material respect.

2.5 Amendment to Schedule 7.14. Schedule 7.14 of the Credit Agreement is hereby amended and restated in its entirety to read as set forth in the attached Schedule 7.14.

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

3.1 The Administrative Agent shall have received from Lenders constituting Majority Lenders, the Guarantors, and the Borrower, counterparts (in such number as may be requested by the Administrative Agent) of this Amendment signed on behalf of such Person.

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

3.3 The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower attaching the duly executed and effective Rattler WTG A&R LLCA, which shall be certified thereby as being true and complete as of the date of such certificate.

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

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

Section 4. Miscellaneous.

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

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

(i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (or, if already qualified by materiality, Material Adverse Effect or a similar qualification, true and correct in all respects), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case such representations and warranties shall be true and correct in all material respects (or, if already qualified by materiality, Material Adverse Effect or a similar qualification, true and correct in all respects) as of such specified earlier date;

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

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

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

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

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

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

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

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

4.9 Loan Document. This Amendment is a Loan Document.

[SIGNATURES BEGIN NEXT PAGE]

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

BORROWER:

RATTLER MIDSTREAM OPERATING LLC

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

GUARANTORS:

RATTLER MIDSTREAM LP

By: Rattler Midstream GP LLC, its General Partner

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

TALL CITY TOWERS LLC

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

RATTLER OMOG LLC

By: Rattler Midstream Operating LLC, its sole member

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

RATTLER AJAX PROCESSING LLC

By: Rattler Midstream Operating LLC, its sole member

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

RATTLER WTG LLC

By: Rattler Midstream Operating LLC, its sole member

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

RATTLER HOLDINGS LLC

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer, Executive Vice President, and Assistant Secretary

ADMINISTRATIVE AGENT, ISSUING BANK AND LENDER:	WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Issuing Bank and as a Lender By: /s/ Andrew Ostrov Name: Andrew Ostrov Title: Director

LENDERS:

BANK OF AMERICA, N.A.

By: /s/ Ronald E. McKAig
Name: Ronald E. McKAig
Title: Managing Director

LENDERS:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH

By: /s/ Komal Shah
Name: Komal Shah
Title: Authorized Signatory

By: /s/ Michael Wagner
Name: Michael Wagner
Title: Authorized Signatory

LENDERS:	JPMORGAN CHASE BANK, N.A.	
	By:	/s/ Umar Hassan
	Name:	Umar Hassan
	Title:	Authorized Officer

LENDERS:

CITIBANK, N.A.

By: /s/ Jeff Ard
Name: Jeff Ard
Title: Vice President

LENDERS: PNC BANK, NATIONAL ASSOCIATION

By: /s/ Denise Davis
Name: Denise Davis
Title: Managing Director

LENDERS: BARCLAYS BANK PLC

By: /s/ Warren Veech III
Name: Warren Veech III
Title: Vice President

LENDERS:

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ Christopher Kuna
Name: Christopher Kuna
Title: Senior Director

LENDERS:

TRUIST BANK, as a Lender

By: /s/ Lincoln LaCour
Name: Lincoln LaCour
Title: Vice President

LENDERS:

THE BANK OF NOVA SCOTIA, HOUSTON BRANCH

By: /s/ Marc Graham
Name: Marc Graham
Title: Managing Director

LENDERS:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Bruce Hernandez
Name: Bruce Hernandez
Title: Senior Vice President

LENDERS:	GOLDMANS SACHS BANK USA		
	By:	/s/ Dan Martis	
	Name:	Dan Martis	
	Title:	Authorized Signatory	

Schedule 7.14

SUBSIDIARIES

Subsidiary	Jurisdiction of Organization	Organizational Identification Number	Principal Place of Business and Chief Executive Office	Wholly-Owned Subsidiary	Restricted or Unrestricted
Rattler Midstream Operating LLC	Delaware	5577244	500 West Texas Ave Suite 1200 Midland, Texas 79701	No	Restricted
Tall City Towers LLC	Delaware	6727079	500 West Texas Ave Suite 1200 Midland, Texas 79701	Yes	Restricted
Rattler OMOG LLC	Delaware	7617292	500 West Texas Ave Suite 1200 Midland, Texas 79701	Yes	Restricted
Rattler Ajax Processing LLC	Delaware	7759041	500 West Texas Ave Suite 1200 Midland, Texas 79701	Yes	Restricted
Rattler WTG LLC	Delaware	6259068	500 West Texas Ave Suite 1200 Midland, Texas 79701	No	Restricted
Rattler BANGL LLC	Delaware	6506837	500 West Texas Ave Suite 1200 Midland, Texas 79701	Yes	Unrestricted
Rattler Holdings LLC	Delaware	6475960	500 West Texas Ave Suite 1200 Midland, Texas 79701	Yes	Restricted

If OMOG JV LLC, a Delaware limited liability company (organization identification number 7635076), at any time constitutes a Subsidiary under the Credit Agreement, it is an Unrestricted Subsidiary. Its principal place of business and chief executive office is 500 West Texas Ave, Suite 1200, Midland, Texas 79701.

EXHIBIT 31.1

CERTIFICATION

I, Travis D. Stice, certify that:

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

Date: August 3, 2022

/s/ Travis D. Stice
Travis D. Stice
Chief Executive Officer
Rattler Midstream GP LLC
(as general partner of Rattler Midstream LP)

EXHIBIT 31.2

CERTIFICATION

I, Teresa L. Dick, certify that:

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

Date: August 3, 2022

/s/ Teresa L. Dick
Teresa L. Dick
Chief Financial Officer
Rattler Midstream GP LLC
(as general partner of Rattler Midstream LP)

EXHIBIT 32.1

CERTIFICATION OF PERIOD REPORT

In connection with the Quarterly Report on Form 10-Q of Rattler Midstream LP (the “Partnership”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Travis D. Stice, Chief Executive Officer of Rattler Midstream GP LLC, the general partner of the Partnership, and Teresa L. Dick, Chief Financial Officer of Rattler Midstream GP LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

Date:	August 3, 2022	/s/ Travis D. Stice Travis D. Stice Chief Executive Officer Rattler Midstream GP LLC (as general partner of Rattler Midstream LP)
Date:	August 3, 2022	/s/ Teresa L. Dick Teresa L. Dick Chief Financial Officer Rattler Midstream GP LLC (as general partner of Rattler Midstream LP)