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

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# FORM 10-Q

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

**For the quarterly period ended March 31, 2022**

**OR**

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

**Commission File Number 001-38919**

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# 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**<br>**Suite 1200**<br>**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<br>(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 April 29, 2022, the registrant had outstanding 38,146,047 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 MARCH 31, 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:

- 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, and inflation rates;
- 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;
- 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 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)**

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (In thousands) | |
| **Assets** | | |
| Current assets: | | |
| Cash | $ 13,702 | $ 19,897 |
| Accounts receivable—related-party | 49,885 | 58,154 |
| Accounts receivable—third-party, net | 14,107 | 9,415 |
| Sourced water inventory | 13,512 | 13,081 |
| Other current assets | 1,008 | 1,181 |
| Total current assets | 92,214 | 101,728 |
| Property, plant and equipment: | | |
| Land | 98,646 | 98,645 |
| Property, plant and equipment | 1,119,113 | 1,075,405 |
| Accumulated depreciation, amortization and accretion | (130,989) | (121,507) |
| Property, plant and equipment, net | 1,086,770 | 1,052,543 |
| Equity method investments | 643,205 | 612,541 |
| Real estate assets, net | 84,563 | 84,609 |
| Intangible lease assets, net | 3,544 | 3,650 |
| Deferred tax asset | 59,548 | 62,356 |
| Other assets | 6,160 | 3,708 |
| Total assets | $ 1,976,004 | $ 1,921,135 |
| **Liabilities and Unitholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 58,480 | $ 48,267 |
| Taxes payable | 603 | 603 |
| Asset retirement obligations | — | 79 |
| Total current liabilities | 59,083 | 48,949 |
| Long-term debt | 723,460 | 687,956 |
| Asset retirement obligations | 33,932 | 16,911 |
| Total liabilities | 816,475 | 753,816 |
| Commitments and contingencies (Note 16) | | |
| Unitholders' equity: | | |
| General Partner—Diamondback | 799 | 819 |
| Common units—public (38,146,047 units issued and outstanding as of March 31, 2022 and 38,356,771 units issued and outstanding as of December 31, 2021) | 347,628 | 350,230 |
| Class B units—Diamondback (107,815,152 units issued and outstanding as of March 31, 2022 and as of December 31, 2021) | 799 | 819 |
| Accumulated other comprehensive income (loss) | 11 | 10 |
| Total Rattler Midstream LP unitholders' equity | 349,237 | 351,878 |
| Non-controlling interest | 810,292 | 815,441 |
| Total equity | 1,159,529 | 1,167,319 |
| Total liabilities and unitholders' equity | $ 1,976,004 | $ 1,921,135 |

See accompanying notes to condensed consolidated financial statements.

# Rattler Midstream LP
## Condensed Consolidated Statements of Operations
## (Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands, expect per unit amounts) | |
| **Revenues:** | | |
| Midstream revenues—related-party | $ 90,302 | $ 87,078 |
| Midstream revenues—third-party | 10,446 | 8,121 |
| Other revenues—related-party | 1,751 | 2,540 |
| Other revenues—third-party | 964 | 1,069 |
| Total revenues | 103,463 | 98,808 |
| **Costs and expenses:** | | |
| Direct operating expenses | 21,628 | 32,511 |
| Cost of goods sold (exclusive of depreciation and amortization) | 15,180 | 8,811 |
| Real estate operating expenses | 533 | 517 |
| Depreciation, amortization and accretion | 20,687 | 11,246 |
| Impairment and abandonments | 1,082 | 3,371 |
| General and administrative expenses | 5,345 | 4,634 |
| (Gain) loss on disposal of assets | (71) | 6 |
| Total costs and expenses | 64,384 | 61,096 |
| **Income (loss) from operations** | 39,079 | 37,712 |
| **Other income (expense):** | | |
| Interest income (expense), net | (8,684) | (7,310) |
| Income (loss) from equity method investments | 9,080 | (2,823) |
| Total other income (expense), net | 396 | (10,133) |
| **Net income (loss) before income taxes** | 39,475 | 27,579 |
| Provision for (benefit from) income taxes | 2,384 | 1,671 |
| **Net income (loss)** | 37,091 | 25,908 |
| Less: Net income (loss) attributable to non-controlling interest | 29,160 | 19,893 |
| **Net income (loss) attributable to Rattler Midstream LP** | $ 7,931 | $ 6,015 |
| **Net income (loss) attributable to limited partners per common unit:** | | |
| Basic | $ 0.19 | $ 0.13 |
| Diluted | $ 0.19 | $ 0.13 |
| **Weighted average number of limited partner common units outstanding:** | | |
| Basic | 38,159 | 41,742 |
| Diluted | 38,376 | 41,742 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| **Net income (loss)** | $ 37,091 | $ 25,908 |
| **Other comprehensive income (loss):** | | |
| Change in accumulated other comprehensive income (loss) of equity method investees attributable to non-controlling interest | — | 299 |
| Change in accumulated other comprehensive income (loss) of equity method investees attributable to limited partner | 1 | 93 |
| Total other comprehensive income (loss) | 1 | 392 |
| **Comprehensive income (loss)** | $ 37,092 | $ 26,300 |

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 | 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, 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 |

| | 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 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 37,091 | $ 25,908 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Provision for deferred income taxes | 2,387 | 1,671 |
| Depreciation, amortization and accretion | 20,687 | 11,246 |
| Unit-based compensation expense | 2,520 | 2,332 |
| Impairment and abandonments | 1,082 | 3,371 |
| (Income) loss from equity method investments | (9,080) | 2,823 |
| Distributions from equity method investments | 7,550 | — |
| Other | 574 | 509 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable—related-party | 5,740 | 11,209 |
| Accounts receivable—third-party | (4,660) | (1,402) |
| Accounts payable and accrued liabilities | (4,067) | (6,092) |
| Other | 64 | 1,093 |
| Net cash provided by (used in) operating activities | 59,888 | 52,668 |
| **Cash flows from investing activities:** | | |
| Additions to property, plant and equipment | (17,888) | (5,860) |
| Acquisitions of property, plant and equipment | (4,334) | — |
| Contributions to equity method investments | (29,133) | (3,663) |
| Distributions from equity method investments | — | 9,107 |
| Other | (2,750) | — |
| Net cash provided by (used in) investing activities | (54,105) | (416) |
| **Cash flows from financing activities:** | | |
| Proceeds from borrowings from Credit Agreement | 35,000 | 12,000 |
| Payments on Credit Agreement | — | (37,000) |
| Repurchased units as part of unit buyback | (2,582) | (11,114) |
| Distribution to public | (11,444) | (8,263) |
| Distribution to Diamondback | (32,365) | (21,583) |
| Other | (587) | (459) |
| Net cash provided by (used in) financing activities | (11,978) | (66,419) |
| **Net increase (decrease) in cash** | (6,195) | (14,167) |
| Cash at beginning of period | 19,897 | 23,927 |
| Cash at end of period | $ 13,702 | $ 9,760 |
| **Supplemental disclosure of non-cash investing activity:** | | |
| Accrued liabilities related to capital expenditures | $ 23,180 | $ 8,725 |

See accompanying notes to condensed consolidated financial statements.

## 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 March 31, 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 March 31, 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 March 31, 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.

***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.

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

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:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (In thousands) | |
| Direct operating expenses accrued | $ 11,213 | $ 12,978 |
| Interest expense accrued | 5,859 | 12,911 |
| Capital expenditures accrued | 16,079 | 5,509 |
| Sourced water purchases accrued | 7,759 | 7,040 |
| Accounts payable | 16,688 | 8,452 |
| Other | 882 | 1,377 |
| Accounts payable and accrued liabilities | $ 58,480 | $ 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 March 31, 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Type of Service: | | |
| Produced water gathering and disposal | $ 71,047 | $ 66,328 |
| Sourced water gathering | 23,019 | 16,577 |
| Crude oil gathering | 6,209 | 6,791 |
| Natural gas gathering | — | 5,400 |
| Caliche | 365 | — |
| Real estate contracts (non ASC 606 revenues) | 2,714 | 3,609 |
| Surface revenue (non ASC 606 revenues) | 109 | 103 |
| Total revenues | $ 103,463 | $ 98,808 |

## 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.

***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, with an incremental $5.0 million due in April 2022, which resulted in a gain on sale of equity method investments of $23.0 million. 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.

In the first quarter of 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.

*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 $93.0 million, consisting of (i) $83.0 million due at closing, subject to customary closing adjustments, (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 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 March 31, 2022 | As of December 31, 2021 |
|---|---|---|---|
| | (Years) | (In thousands) | |
| Buildings | 20-30 | $ 95,611 | $ 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 | | 101,633 | 100,826 |
| Less: accumulated depreciation | | (17,070) | (16,217) |
| Total investment in real estate, net | | $ 84,563 | $ 84,609 |

| | Weighted Average Useful Lives | As of March 31, 2022 | As of December 31, 2021 |
|---|---|---|---|
| | (Months) | (In thousands) | |
| In-place lease intangibles | 45 | $ 11,710 | $ 11,645 |
| Less: accumulated amortization | | (9,603) | (9,520) |
| In-place lease intangibles, net | | 2,107 | 2,125 |
| | | | |
| Above-market lease intangibles | 45 | 3,623 | 3,623 |
| Less: accumulated amortization | | (2,186) | (2,098) |
| Above-market lease intangibles, net | | 1,437 | 1,525 |
| Total intangible lease assets, net | | $ 3,544 | $ 3,650 |

Depreciation and amortization expense for real estate assets was $0.9 million and $1.2 million for the three months ended March 31, 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 |
|---|---|---|---|---|---|
| $ 621 | $ 777 | $ 952 | $ 978 | $ 206 | $ 10 |

## 6. PROPERTY, PLANT AND EQUIPMENT

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

| | Estimated Useful Lives | As of | |
|---|---|---|---|
| | | March 31, 2022 | December 31, 2021 |
| | (Years) | (In thousands) | |
| Produced water disposal systems | 10-30 | $ 788,269 | $ 766,052 |
| Crude oil gathering systems[1] | 30 | 135,614 | 135,869 |
| Natural gas gathering and compression systems[1] | 10-30 | 6,216 | 6,192 |
| Sourced water gathering systems[1] | 30 | 188,091 | 166,549 |
| Other | 3 | 923 | 743 |
| Total property, plant and equipment | | 1,119,113 | 1,075,405 |
| Less: accumulated depreciation, amortization and accretion | | (130,989) | (121,507) |
| Land | N/A | 98,646 | 98,645 |
| Total property, plant and equipment, net | | $ 1,086,770 | $ 1,052,543 |

(1) Included in gathering systems are $27.5 million and $13.1 million of assets at March 31, 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 $19.1 million and $9.8 million for the three months ended March 31, 2022 and 2021, respectively. Depreciation expense included a write-off of $8.0 million related to early plugging and abandonment during the three months ended March 31, 2022. Depreciation expense in 2021 included a write-off of $3.4 million related to in-service projects that were abandoned during the three months ended March 31, 2021.

Capitalized internal costs and capitalized interest related to property, plant and equipment were immaterial for the three months ended March 31, 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.

## 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:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Asset retirement obligations, beginning of period | $ 16,990 | $ 15,128 |
| Liabilities incurred[1] | 17,173 | 258 |
| Liabilities settled and divested | (899) | 6 |
| Revisions | 109 | — |
| Accretion expense during period | 559 | 264 |
| Asset retirement obligations, end of period | 33,932 | 15,656 |
| Less current portion of asset retirement obligations | — | 35 |
| Asset retirement obligations, long term | $ 33,932 | $ 15,621 |

(1) Includes asset retirement obligations recorded for assets acquired in the Drop Down transaction and placed in service during the three months ended March 31, 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 | March 31, 2022 | December 31, 2021 |
|---|---|---|---|
| | | (In thousands) | |
| EPIC Crude Holdings, LP | 10 % | $ 105,739 | $ 107,210 |
| Gray Oak Pipeline, LLC | 10 % | 119,851 | 121,105 |
| Wink to Webster Pipeline LLC[1] | 4 % | 86,145 | 86,207 |
| OMOG JV LLC | 60 % | 188,699 | 187,809 |
| WTG joint venture | 25 % | 117,490 | 110,143 |
| BANGL, LLC | 10 % | 25,281 | 67 |
| Total | | $ 643,205 | $ 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 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Gray Oak Pipeline, LLC | $ 5,998 | $ 5,758 |
| OMOG JV LLC | 1,552 | 3,349 |
| Total | $ 7,550 | $ 9,107 |

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 March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| | (In thousands) | |
| EPIC Crude Holdings, LP | $ (2,771) | $ (5,436) |
| Gray Oak Pipeline, LLC | 4,744 | 2,298 |
| Wink to Webster Pipeline LLC | (663) | (563) |
| OMOG JV LLC | 2,428 | 1,115 |
| Amarillo Rattler, LLC | — | (237) |
| WTG joint venture | 5,325 | — |
| BANGL, LLC | 17 | — |
| Total | $ 9,080 | $ (2,823) |

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 March 31, 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 March 31, 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 Russian-Ukrainian military conflict, 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:

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (In thousands) | |
| 5.625% unsecured Senior Notes due 2025[1] | $ 500,000 | $ 500,000 |
| Credit Agreement | 230,000 | 195,000 |
| Unamortized debt issuance costs | (6,540) | (7,044) |
| Total long-term debt | $ 723,460 | $ 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 March 31, 2022, the Operating Company had $230.0 million outstanding borrowings and $370.0 million available for future borrowings under the Credit Agreement. During the three months ended March 31, 2022 and 2021, the weighted average interest rate on borrowings under the Credit Agreement was 1.40%.

As of March 31, 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 March 31, 2022, the Partnership had 12,488,231 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 months ended March 31, 2022 and 2021, the Partnership incurred $2.5 million and $2.3 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 three months ended March 31, 2022:

| | Phantom Units | Weighted Average Grant-Date Fair Value |
|---|---|---|
| **Unvested at December 31, 2021** | 1,737,525 | $ 16.64 |
| Granted | 213,917 | $ 13.08 |
| Vested | (10,294) | $ 11.87 |
| Forfeited | (1,950) | $ 8.34 |
| **Unvested at March 31, 2022** | 1,939,198 | $ 16.28 |

The aggregate fair value of phantom units that vested during the three months ended March 31, 2022 was $0.1 million. As of March 31, 2022, the unrecognized compensation cost related to unvested phantom units was $23.3 million, and is expected to be recognized over a weighted-average period of 2.23 years.

## 11. UNITHOLDERS' EQUITY AND DISTRIBUTIONS

The Partnership has General Partner and limited partner units. At March 31, 2022, the Partnership had a total of 38,146,047 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 March 31, 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 Securities Exchange Act of 1934, 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. During the three months ended March 31, 2022, the Partnership repurchased approximately $2.6 million of common units under the repurchase program. As of March 31, 2022, $85.1 million remained available for future repurchases of common units under the Partnership's common unit 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Net income (loss) attributable to the Partnership | $ 7,931 | $ 6,015 |
| Change in ownership of consolidated subsidiaries | 1,540 | 712 |
| Change from net income (loss) attributable to the Partnership's unitholders and transfers to non-controlling interest | $ 9,471 | $ 6,727 |

***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 and paid during the three months ended March 31, 2022:

| | | Distributions (in thousands) | | | | |
|---|---|---|---|---|---|---|
| Period | Amount per Unit | 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 |

## 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 months ended March 31, 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands, except per unit amounts) | |
| Net income (loss) attributable to Rattler Midstream LP | $ 7,931 | $ 6,015 |
| Less: net (income) loss allocated to participating securities[1] | (511) | (418) |
| Net income (loss) attributable to common unitholders | $ 7,420 | $ 5,597 |
| Weighted average common units outstanding: | | |
| Basic weighted average common units outstanding | 38,159 | 41,742 |
| Effect of dilutive securities: | | |
| Potential common units issuable[2] | 217 | — |
| Diluted weighted average common units outstanding | 38,376 | 41,742 |
| Net income per common unit, basic | $ 0.19 | $ 0.13 |
| Net income per common unit, diluted | $ 0.19 | $ 0.13 |

(1) Distribution equivalent rights granted to employees are considered participating securities.
(2) For the three months ended March 31, 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands) | |
| Produced water gathering and disposal | $ 68,196 | $ 64,306 |
| Sourced water gathering | 20,276 | 15,243 |
| Natural gas gathering | — | 5,400 |
| Crude oil gathering | 1,830 | 2,030 |
| Surface revenue | — | 99 |
| Total | $ 90,302 | $ 87,078 |

## 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 March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | (In thousands, except for tax rate) | |
| Provision for (benefit from) income taxes | $ 2,384 | $ 1,671 |
| Effective tax rate | 6.0 % | 6.1 % |

The Partnership’s effective income tax rates for the three months ended March 31, 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 months ended March 31, 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 March 31, 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:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Value(1) | Fair Value | Carrying Value(1) | Fair Value |
| | (In thousands) | | | |
| **Debt:** | | | | |
| 5.625% unsecured Senior Notes due 2025 | $ 493,460 | $ 508,000 | $ 492,956 | $ 521,250 |
| Credit Agreement | $ 230,000 | $ 230,000 | $ 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, including those that arise from interpretation of federal and state laws and regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. 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 March 31, 2022, the Partnership's anticipated future capital commitments of $12.8 million for its equity method investments consist of $5.3 million due in the remainder of 2022 and $7.5 million due in 2023.

## 17. SUBSEQUENT EVENTS

***Cash Distribution***

On April 27, 2022, the board of directors of the General Partner approved a cash distribution for the first quarter of 2022 of $0.30 per common unit, payable on May 20, 2022, to unitholders of record at the close of business on May 13, 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 March 31, 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 March 31, 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

#### *Commodity Prices*

Commodity prices and demand for oil and natural gas have been impacted in recent periods by economic challenges due to the Russian-Ukrainian military conflict, COVID-19 pandemic and other macroeconomic factors which continued to contribute to economic and pricing volatility and cautious oil and natural gas production outlook for 2022, On March 31, 2022, OPEC and its non-OPEC allies, known collectively as OPEC+, agreed to continue their program (commenced in August 2021) of gradual monthly output increases, raising its output target by 432,000 Bbl per day for May 2022, which is expected to further boost oil supply in response to rising demand. In its report issued on April 12, 2022 OPEC noted its expectation that world oil demand will rise by 3.7 million Bbls per day in 2022, down 480,000 Bbls per day from its previous forecast due to the impact of the Russian-Ukrainian conflict, rising inflation and the resurgence of the Omicron coronavirus variant in China. Additionally, the Russian-Ukrainian military conflict may continue to impact the global energy markets. Although this demand outlook is expected to underpin oil prices, already seen at a seven-year high in March 2022, we cannot predict any future volatility in commodity prices or demand for crude oil.

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 218,000 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.

***Divestiture***

*Amarillo Rattler Divestiture*

In the first quarter of 2022, we acquired Amarillo Midstream, LLC's share of the contingent consideration earn-out payments from the sale of Amarillo Rattler for $2.8 million. We will record the contingent earn-out payments if and when they become realizable.

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 March 31, 2022, as compared with the three months ended March 31, 2021 and the three months ended December 31, 2021:

- average crude oil gathering volumes were 77,989 Bbl/d, a decrease of 8% year over year and an increase of 5% quarter over quarter;
- average produced water gathering and disposal volumes were 845,835 Bbl/d, an increase of 10% year over year and an increase of 3% quarter over quarter; and
- average sourced water gathering volumes were 387,542 Bbl/d, an increase of 45% year over year and an increase of 26% quarter over quarter.

### Pipeline Infrastructure Assets

The following tables provide information regarding our gathering, compression and transportation system as of March 31, 2022 and utilization for the quarter ended March 31, 2022:

| (Miles)[1] | Delaware Basin | Midland Basin | Permian Total |
|---|---|---|---|
| Crude oil | 113 | 46 | 159 |
| Produced water | 273 | 327 | 600 |
| Sourced water | 27 | 101 | 128 |
| Total | 413 | 474 | 887 |

| (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 | 2,112,000 | 3,442,000 | 23 % |
| Sourced water gathering (Bbl/d) | 120,000 | 544,000 | 664,000 | 40 % |

(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 March 31, 2022 and 2021

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

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| | (In thousands, except operating data) | |
| **Revenues:** | | |
| Midstream revenues—related-party | $ 90,302 | $ 87,078 |
| Midstream revenues—third-party | 10,446 | 8,121 |
| Other revenues—related-party | 1,751 | 2,540 |
| Other revenues—third-party | 964 | 1,069 |
| Total revenues | 103,463 | 98,808 |
| **Costs and expenses:** | | |
| Direct operating expenses | 21,628 | 32,511 |
| Cost of goods sold (exclusive of depreciation and amortization) | 15,180 | 8,811 |
| Real estate operating expenses | 533 | 517 |
| Depreciation, amortization and accretion | 20,687 | 11,246 |
| Impairment and abandonments | 1,082 | 3,371 |
| General and administrative expenses | 5,345 | 4,634 |
| (Gain) loss on disposal of assets | (71) | 6 |
| Total costs and expenses | 64,384 | 61,096 |
| **Income (loss) from operations** | 39,079 | 37,712 |
| **Other income (expense):** | | |
| Interest income (expense), net | (8,684) | (7,310) |
| Income (loss) from equity method investments | 9,080 | (2,823) |
| Total other income (expense), net | 396 | (10,133) |
| **Net income (loss) before income taxes** | 39,475 | 27,579 |
| Provision for (benefit from) income taxes | 2,384 | 1,671 |
| **Net income (loss)** | 37,091 | 25,908 |
| Less: Net income (loss) attributable to non-controlling interest | 29,160 | 19,893 |
| **Net income (loss) attributable to Rattler Midstream LP** | $ 7,931 | $ 6,015 |
| | | |
| **Operating Data:** | | |
| **Throughput**(1) | | |
| Crude oil gathering (Bbl/d) | 77,989 | 85,210 |
| Natural gas gathering (MMBtu/d) | — | 130,437 |
| Produced water gathering and disposal (Bbl/d) | 845,835 | 765,588 |
| Sourced water gathering (Bbl/d) | 387,542 | 267,834 |

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

### *Comparison of the Three Months Ended March 31, 2022 and 2021*

#### *Revenues*

Total revenues increased by $4.7 million to $103.5 million for the first quarter of 2022, compared to $98.8 million for the same period of 2021, primarily due to increases in revenue from produced water gathering and disposal of $4.7 million and sourced water gathering of $6.4 million, 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 a decline in natural gas gathering revenues of $5.4 million due to the sale of substantially all of our natural gas gathering assets in the fourth quarter of 2021, and crude oil gathering of $0.6 million, primarily due to a reduction in volumes transported by Diamondback through the systems on our dedicated acreage.

***Direct Operating Expenses***

Direct operating expenses decreased by $10.9 million to $21.6 million for the first quarter of 2022, compared to $32.5 million for the same period in 2021 primarily due to reductions of (i) $1.9 million, $1.6 million and $1.1 million, respectively, for generators, workover expense and roustabouts due to lower levels of workover activity and the release of multiple generators in the first quarter of 2022, (ii) $1.6 million due to a decline in third-party disposal, and (iii) $2.9 million due to the sale of the Pecos gas gathering assets in the fourth quarter of 2021.

***Cost of Goods Sold***

Cost of goods sold (exclusive of depreciation and amortization) increased by $6.4 million to $15.2 million for the first quarter of 2022, compared to $8.8 million for the same period in 2021 primarily due to a 45% increase in average sourced water gathering volumes transported. Additionally, we incurred $0.7 million in costs associated with higher levels of evaporation on our frac ponds in the first quarter of 2022.

***Depreciation, Amortization and Accretion***

Depreciation, amortization and accretion increased by $9.4 million to $20.7 million for the first quarter of 2022, compared to $11.2 million for the same period in 2021 primarily due to (i) the accelerated depreciation of $8.0 million in assets that were plugged and abandoned in the first quarter of 2022, and (ii) an increase of $2.0 million associated with assets acquired in the Drop Down. These increases were partially offset by a reduction of $1.2 million resulting from the sale of the Pecos gas gathering assets.

***Income (loss) from Equity Method Investments***

Income from equity method investments increased by $11.9 million to $9.1 million for the first quarter of 2022, compared to a loss of $2.8 million for the same period in 2021 primarily due to the addition of $5.3 million in income from the WTG joint venture, which was acquired in the fourth quarter of 2021. The remaining change stemmed primarily from a general recovery in the operations of our other equity method investments beginning in the second quarter of 2021 after the oil and gas industry downturn due to the COVID-19 pandemic and other economic factors in 2020. 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.

### Results of Operations for the Three Months Ended March 31, 2022 and December 31, 2021

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 and can lead to significant changes in our results of operations and management's operational strategy on a quarterly basis. As a result, beginning with the first quarter of 2022, we have elected to change our results of operations discussion to focus on a comparison of the current quarter's results of operations with those of the immediately preceding quarter. We believe the change in our discussion will provide 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 | |
|---|---|---|
| | March 31, 2022 | December 31, 2021 |
| | (In thousands, except operating data) | |
| **Revenues:** | | |
| Midstream revenues—related-party | $ 90,302 | $ 90,228 |
| Midstream revenues—third-party | 10,446 | 6,920 |
| Other revenues—related-party | 1,751 | 1,747 |
| Other revenues—third-party | 964 | 937 |
| Total revenues | 103,463 | 99,832 |
| **Costs and expenses:** | | |
| Direct operating expenses | 21,628 | 21,780 |
| Cost of goods sold (exclusive of depreciation and amortization) | 15,180 | 13,410 |
| Real estate operating expenses | 533 | 612 |
| Depreciation, amortization and accretion | 20,687 | 11,268 |
| Impairment and abandonments | 1,082 | — |
| General and administrative expenses | 5,345 | 6,683 |
| (Gain) loss on disposal of assets | (71) | (1,199) |
| Total costs and expenses | 64,384 | 52,554 |
| **Income (loss) from operations** | 39,079 | 47,278 |
| **Other income (expense):** | | |
| Interest income (expense), net | (8,684) | (8,363) |
| Income (loss) from equity method investments | 9,080 | 8,305 |
| Total other income (expense), net | 396 | (58) |
| **Net income (loss) before income taxes** | 39,475 | 47,220 |
| Provision for (benefit from) income taxes | 2,384 | 2,769 |
| **Net income (loss)** | 37,091 | 44,451 |
| Less: Net income (loss) attributable to non-controlling interest | 29,160 | 34,616 |
| **Net income (loss) attributable to Rattler Midstream LP** | $ 7,931 | $ 9,835 |
| | | |
| **Operating Data:** | | |
| **Throughput**[(1)] | | |
| Crude oil gathering (Bbl/d) | 77,989 | 74,582 |
| Natural gas gathering (MMBtu/d) | — | 42,672 |
| Produced water gathering and disposal (Bbl/d) | 845,835 | 818,291 |
| Sourced water gathering (Bbl/d) | 387,542 | 307,047 |

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

***Comparison of the Three Months Ended March 31, 2022 and December 31, 2021***

***Revenues***

Total revenues increased by $3.6 million to $103.5 million for the first quarter of 2022, compared to $99.8 million for the fourth quarter of 2021, primarily due to (i) a $3.9 million increase in sourced water gathering 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, and (ii) $0.9 million in additional produced water revenues due to a 3% increase in produced water volumes transported. These increases were partially offset by a decline in revenues from natural gas gathering volumes of $1.8 million due to the sale of substantially all of our natural gas gathering assets in November 2021.

***Direct Operating Expenses***

Direct operating expenses incurred in the first quarter of 2022 remained consistent with the fourth quarter of 2021.

***Cost of Goods Sold***

Cost of goods sold (exclusive of depreciation and amortization) increased by $1.8 million to $15.2 million for the first quarter of 2022, compared to $13.4 million for the fourth quarter of 2021 primarily due to an increase of 26% in the average sourced water gathering volumes transported. Additionally, we incurred $0.8 million in costs associated with higher levels of evaporation on our frac ponds during the first quarter of 2022.

***Depreciation, Amortization and Accretion***

Depreciation, amortization and accretion increased by $9.4 million to $20.7 million for the first quarter of 2022, compared to $11.3 million for the fourth quarter of 2021 primarily due to (i) the accelerated depreciation of $8.0 million in assets that were plugged and abandoned in the first quarter of 2022, and (ii) an increase of $1.4 million associated with assets acquired in the Drop Down.

***Income (loss) from Equity Method Investments***

Income from equity method investments increased by $0.8 million to $9.1 million for the first quarter of 2022, compared to $8.3 million for the fourth quarter of 2021 primarily due to reductions of (i) $2.3 million in losses recorded for our EPIC investment as capacity utilization of the EPIC pipeline continues to increase as economic conditions in the Permian Basin improve and (ii) $1.1 million in losses recorded for our Wink to Webster investment as the pipeline began full commercial operations in February 2022. These were partially offset by reductions in income of $1.2 million and $1.1 million from our Gray Oak and OMOG investments, respectively.

**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 March 31, 2022, we had approximately $383.7 million of liquidity consisting of $13.7 million in cash and $370.0 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:

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | **(In thousands)** | |
| **Cash Flow Data:** | | |
| Net cash provided by (used in) operating activities | $ 59,888 | $ 52,668 |
| Net cash provided by (used in) investing activities | (54,105) | (416) |
| Net cash provided by (used in) financing activities | (11,978) | (66,419) |
| Net increase (decrease) in cash | $ (6,195) | $ (14,167) |

*Operating Activities*

Net cash provided by operating activities increased by $7.2 million during the three months ended March 31, 2022 compared to the three months ended March 31, 2021, due primarily to the receipt of distributions representing returns on investment from our equity method investments of $7.6 million, decreases in direct operating expenses of $10.9 million and an increase of $4.7 million in revenues. These increases were partially offset by an increase of $6.4 million in costs of goods sold. 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 $54.1 million during the three months ended March 31, 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, and (ii) $17.9 million in capital expenditures related to our midstream and real estate assets.

Net cash used in investing activities was $0.4 million during the three months ended March 31, 2021, and primarily related to (i) $5.9 million in capital expenditures, and (ii) $3.7 million in contributions to our equity method investments, which were partially offset by $9.1 million in distributions considered to be returns of investment received from our Gray Oak and OMOG equity method investments.

*Financing Activities*

Net cash used in financing activities was $12.0 million during the three months ended March 31, 2022, and primarily related to the return of capital to our unitholders through distributions of $43.8 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 $35.0 million.

Net cash used in financing activities was $66.4 million during the three months ended March 31, 2021, and primarily related to the return of capital to our unitholders through distributions of $29.8 million and $11.1 million in repurchases of common units under our repurchase program. Additionally, we made payments, net of borrowings, on the Credit Agreement of $25.0 million.

***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 March 31, 2022, there was $230.0 million in outstanding borrowings under the Credit Agreement, which matures on May 28, 2024.

As of March 31, 2022, the Operating Company was in compliance with all financial 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 Russian- Ukrainian military conflict, 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 | $ 900 |
| Gray Oak Pipeline, LLC | 10 % | February 15, 2019 | $ 142,096 | $ — |
| 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 March 31, 2022, we anticipate making additional contributions of $5.3 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 three months ended March 31, 2022, we repurchased approximately $2.6 million of common units under our common unit repurchase program. As of March 31, 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 April 27, 2022, the board of directors of our general partner approved a cash distribution for the first quarter of 2022 of $0.30 per common unit, payable on May 20, 2022, to common unitholders of record at the close of business on May 13, 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 March 31, 2022, we had $230.0 million outstanding borrowings and $370.0 million available for future borrowings under the Credit Agreement. During the three months ended March 31, 2022, the weighted average interest rate on borrowings under the Credit Agreement was 1.40%.

## ITEM 4. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Control 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 March 31, 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 March 31, 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 March 31, 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. Except as set forth below, there have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the year ended December 31, 2021.

***We cannot predict the impact of the ongoing military conflict between Russia and Ukraine and the related humanitarian crisis on the global economy, energy markets, geopolitical stability and our business.***

Our midstream assets are currently located exclusively in the Permian Basin and we derive substantially all of our revenue from our commercial agreements with Diamondback. However, the broader consequences of the Russian-Ukrainian conflict, which may include further sanctions, embargoes, supply chain disruptions, regional instability and geopolitical shifts, may have adverse effects on global macroeconomic conditions, increase volatility in the price of and demand for oil and natural gas, increase exposure to cyberattacks, cause disruptions in global supply chains, increase foreign currency fluctuations, cause constraints or disruption in the capital markets and limit sources of liquidity. We cannot predict the extent of the conflict’s effect on our business and results of operations as well as on the global economy and energy markets.

## 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 March 31, 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) | | | |
| January 1, 2022 - January 31, 2022 | 216,966 | $ 11.90 | 216,996 | $ 85,086 |
| February 1, 2022 - February 28, 2022 | — | $ — | — | $ 85,086 |
| March 1, 2022 - March 31, 2022 | 4,052 | $ 13.81 | — | $ 85,086 |
| Total | 221,018 | $ 11.94 | 216,996 | |

(1) Includes 4,052 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 |
|---|---|
| 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). |
| 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 March 31, 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,<br>its general partner |
| Date: | May 5, 2022 | By: | /s/ Travis D. Stice<br>Travis D. Stice<br>Chief Executive Officer<br>(Principal Executive Officer) |
| Date: | May 5, 2022 | By: | /s/ Teresa L. Dick<br>Teresa L. Dick<br>Chief Financial Officer<br>(Principal Financial Officer) |

**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: May 5, 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: May 5, 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: | May 5, 2022 | /s/ Travis D. Stice |
| | | Travis D. Stice<br>Chief Executive Officer<br>Rattler Midstream GP LLC<br>(as general partner of Rattler Midstream LP) |
| Date: | May 5, 2022 | /s/ Teresa L. Dick |
| | | Teresa L. Dick<br>Chief Financial Officer<br>Rattler Midstream GP LLC<br>(as general partner of Rattler Midstream LP) |