

Diamondback Energy, Inc.  
Form DEF 14A  
April 27, 2018

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by Registrant                       Filed by a Party other than the Registrant

Check the appropriate box

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under § 240.14a-12

Diamondback Energy, Inc.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Party:

(4) Date

Filed:

500 West Texas, Suite 1200  
Midland, Texas 79701

NOTICE OF  
2018  
ANNUAL STOCKHOLDERS  
MEETING

and

PROXY STATEMENT

Thursday  
June 7, 2018

11:30 a.m. local time  
1200 N Walker Ave  
Oklahoma City, Oklahoma 73103

April 27, 2018

Dear Diamondback Energy, Inc. Stockholder:

On behalf of your board of directors and management, you are cordially invited to attend the Annual Meeting of Stockholders to be held at 1200 N Walker Ave, Oklahoma City, Oklahoma 73103 on Thursday, June 7, 2018, at 11:30 a.m.

It is important that your shares be represented at the meeting. Whether or not you plan to attend the meeting in person, we urge you to grant your proxy to vote your shares by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials that you received, or if you requested to receive a paper copy of the proxy card, to mark, date, sign and return the proxy card in the envelope provided. Please note that submitting a proxy will not prevent you from attending the meeting and voting in person. Please note, however, if a

broker or other nominee holds your shares of record and you wish to vote at the meeting, you must obtain from that registered holder a proxy card issued in your name.

You will find information regarding the matters to be voted on at the meeting in the proxy statement. In addition to the formal items of business to be brought before the meeting, there will be a report on our operations, followed by a question and answer period. Your interest in Diamondback Energy, Inc. is appreciated. We look forward to seeing you on June 7, 2018.

Sincerely,  
/s/ Steven E. West  
Steven E. West  
Chairman of the Board

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DIAMONDBACK ENERGY, INC.  
500 West Texas, Suite 1200  
Midland, Texas 79701

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 7, 2018

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To the Stockholders of Diamondback Energy, Inc.:

The Annual Meeting of Stockholders of Diamondback Energy, Inc. will be held on June 7, 2018 at 11:30 a.m., local time, at 1200 N Walker Ave, Oklahoma City, Oklahoma 73103, for the following purposes:

1. To elect seven directors to serve until the Company's 2019 Annual Meeting of Stockholders;
2. To hold an advisory vote on the Company's executive compensation;
3. To ratify the appointment of Grant Thornton LLP as the Company's independent auditors for the fiscal year ending December 31, 2018; and
4. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

We are providing access to our proxy materials, including this proxy statement and our 2017 Annual Report to Stockholders, over the Internet. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy materials. The notice contains instructions on how to access those proxy materials over the Internet, as well as instructions on how to request a paper or email copy of our proxy materials. Those stockholders who request a paper copy of our proxy materials as provided in the Notice of Internet Availability will receive such proxy materials by mail. This electronic distribution process reduces the environmental impact and lowers the costs of printing and distributing our proxy materials.

Your vote is important. Please carefully consider the proposals and vote in one of these ways:

- 1. Follow the instructions on the Notice of Internet Availability of Proxy Materials or the proxy card to vote through the Internet;
- 2. Follow the instructions on the proxy card to vote by phone;
- 3. If you request to receive a paper copy of our proxy materials, mark, sign, date and promptly return the proxy card in the postage-paid envelope; or
- 4. Submit a ballot at the Annual Meeting.

Only stockholders of record at the close of business on April 13, 2018 or their proxy holders may vote at the meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 7, 2018. This proxy statement and the Company's 2017 Annual Report to Stockholders are available at [www.envisionreports.com/FANG](http://www.envisionreports.com/FANG).

By Order  
of the  
Board of  
Directors,

/s/ Randall  
J. Holder  
Randall J.  
Holder  
Executive  
Vice  
President,  
General  
Counsel  
and  
Secretary

The Notice of Internet Availability of Proxy Materials is first being mailed to stockholders on April 27, 2018.

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## About the Annual Meeting

### Who is soliciting my vote?

The board of directors of Diamondback Energy, Inc., which we refer to as “Diamondback,” the “Company” and “we” in this proxy statement, is soliciting your vote at the 2018 Annual Meeting of Stockholders.

### What am I voting on?

You are voting on:

The election of directors (see Proposal 1 beginning on page 5);

The approval, on an advisory basis, the compensation paid to the Company’s named executive officers as reported in this proxy statement (see Proposal 2 on page 53);

The ratification of Grant Thornton LLP as our independent auditors for 2018 (see Proposal 3 beginning on page 54); and

Any other business properly coming before the meeting.

### How does the board of directors recommend that I vote my shares?

Unless you give other instructions on your proxy, the persons named as proxy holders on the proxy or proxy card will vote in accordance with the recommendations of our board of directors. The board of directors’ recommendation can be found with the description of each item in this proxy statement. In summary, the board of directors recommends a vote:

FOR the proposal to elect nominated directors;

FOR the proposal to approve, on an advisory basis, the compensation paid to the Company’s named executive officers as reported in this proxy statement;

FOR the proposal to ratify Grant Thornton LLP as the Company’s independent auditors for 2018.

### Who is entitled to vote?

You may vote if you were the record owner of our common stock as of the close of business on April 13, 2018. Each share of common stock is entitled to one vote. As of April 13, 2018, we had 98,611,408 shares of common stock outstanding and entitled to vote. There is no cumulative voting.

### How many votes must be present to hold the meeting?

Your shares are counted as present at the Annual Meeting if you attend the meeting and vote in person or if you properly grant your proxy by telephone, Internet or mail. In order for us to hold our meeting, holders of a majority of the voting power of our outstanding shares of common stock as of the close of business on April 13, 2018 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.



What is a broker non-vote?

If a broker does not have discretion to vote shares held in street name on a particular proposal and does not receive instructions from the beneficial owner on how to vote those shares, the broker may not vote on that proposal. This is known as a broker non-vote. No broker may vote your shares without your specific instructions on any of the proposals to be considered at the Annual Meeting other than the ratification of our independent auditors.

How many votes are needed to approve each of the proposals?

In April 2018, our board of directors amended our bylaws to provide for the election of directors in uncontested elections by a majority of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon. Prior to this amendment, our bylaws provided for the election of directors by a plurality of the votes cast by the stockholders present in person

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or represented by proxy at a meeting of stockholders and entitled to vote thereon. Accordingly, for purposes of the Annual Meeting, if a quorum is present, directors will be elected by the affirmative vote of a majority of the votes cast, in person or by proxy. The number of shares voted “FOR” a director nominee must exceed the number of votes cast “AGAINST” that nominee. Abstentions and broker non-votes will not be counted for voting purposes with respect to the re-election of directors. Stockholders may not cumulate their votes with respect to the re-election of directors. If any incumbent director is not elected because he or she does not receive a majority of the votes cast, he or she is required to immediately tender his or her resignation for consideration by our board of directors. Our board of directors will evaluate whether to accept or reject such resignation, or whether other action should be taken; provided, however, that the board will act on such resignation and publicly disclose its decision to accept or reject such resignation and the rationale behind such decision within 90 days from the date of the certification of the director election results. Unless you indicate otherwise, the persons named as your proxies will vote your shares FOR all the nominees for director named in Proposal 1.

Each of Proposals 2 and 3 requires the affirmative “FOR” vote of a majority of the votes cast by the stockholders present in person or represented by proxy at the Annual Meeting and entitled to vote thereon. Only votes for or against Proposal 2 will be counted as votes cast, and abstentions and broker non-votes will not be counted for voting purposes. Broker non-votes will be counted as votes cast with respect to Proposal 3.

How do I vote?

You can vote either in person at the meeting or by proxy without attending the meeting.

To vote by proxy, you may vote by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials or proxy card, or, if you request to receive a paper copy of the proxy card, by returning a signed, dated and marked proxy card. If you are a registered holder or hold your shares in street name, votes submitted by Internet or telephone must be received by 1:00 a.m. central time on June 7, 2018.

Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. If you plan to vote in person at the Annual Meeting, and you hold your stock in street name, you must obtain a proxy from your broker and bring that proxy to the meeting.

Can I change my vote?

Yes. You can change or revoke your vote at any time before the polls close at the Annual Meeting. You can do this by:

Submitting another valid proxy bearing a later date and returning it to us prior to the meeting;

Sending our Corporate Secretary a written document revoking your earlier proxy; or

Voting again at the meeting.

However, if your shares are held in street name by a broker or other nominee, you must contact your broker or such other nominee to revoke your proxy.

Who counts the votes?

We have hired Computershare Trust Company, N.A., our transfer agent, to count the votes represented by proxies cast by telephone, Internet, mail or ballot. Employees of Computershare Trust Company, N.A. will act as inspectors of

election.

Will my vote be confidential?

Yes. As a matter of Company policy, proxies, ballots and voting tabulations that identify individual stockholders are treated as confidential. Only the tabulation agent and the inspectors of election have access to your vote. Directors and employees of the Company may see your vote only if there is a contested proxy solicitation, as required by law or in certain other special circumstances.

Will my shares be voted if I don't provide my proxy and don't attend the Annual Meeting?

If you do not provide a proxy or vote your shares held in your name, your shares will not be voted.

If you hold your shares in street name, your broker may be able to vote your shares for certain "routine" matters even if you do not provide the broker with voting instructions. The ratification of Grant Thornton LLP as our independent auditors for 2018 is considered

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routine. For matters not considered “routine,” if you do not give your broker instructions on how to vote your shares, the broker may not vote on that proposal. This is a broker non-vote.

The proposals to elect directors and to approve, on an advisory basis, the Company’s executive compensation are not considered routine. As a result, no broker may vote your shares on these proposals without your specific instructions.

How are votes counted?

In the election of directors contemplated by Proposal 1, you may vote “FOR,” “AGAINST” or “ABSTAIN” with respect to one or more of the nominees. For Proposals 2 and 3, you may vote “FOR,” “AGAINST” or “ABSTAIN.”

What if I submit my proxy but don’t indicate my vote on the proposals?

If you submit a proxy by telephone or Internet, or if you request a paper copy of our proxy materials and return a signed proxy card by mail, in each case without indicating your vote, your shares will be voted FOR the director nominees listed on the card, FOR approving, on an advisory basis, the Company’s executive compensation as described in this proxy statement and FOR the ratification of Grant Thornton LLP as our independent auditors for 2018.

Could other matters be decided at the Annual Meeting?

We have not received any stockholder proposals and are not aware of any other matters that will be considered at the Annual Meeting. If any other matters arise at the Annual Meeting, the persons named in your proxies will vote in accordance with their best judgment.

Who can attend the meeting?

The Annual Meeting is open to all holders of our common stock.

What do I need to bring to attend the Annual Meeting?

You will need proof of ownership of our common stock to enter the meeting. If your shares are in the name of your broker or bank or other nominee, you will need to bring evidence of your stock ownership, such as your most recent brokerage statement. All stockholders will be required to present valid picture identification. **IF YOU DO NOT HAVE VALID PICTURE IDENTIFICATION AND PROOF THAT YOU OWN SHARES OF OUR STOCK, YOU MAY NOT BE ADMITTED INTO THE MEETING.**

What are the directions to the Annual Meeting location?

The Annual Meeting will be held at 1200 N Walker Ave, Oklahoma City, Oklahoma 73103. From I-40, take exit 149 - Western Avenue. Turn North on Western Avenue and continue for several miles to NW 10th Street and turn right (East). Continue on NW 10th Street until you reach Dewey Avenue and turn left (North) to NW 11th Street and turn right (East). Continue on NW 11th Street to N. Walker Avenue and the Ambassador Hotel is on the Northeast corner of NW 11th Street and Walker Avenue. Please note that there may be construction along this route and it is subject to detours.

How can I access the Company’s proxy materials and annual report electronically?

This proxy statement and the Company's 2017 Annual Report to Stockholders are available at [www.envisionreports.com/FANG](http://www.envisionreports.com/FANG).

Why did I receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the proxy materials?

We are providing access to our proxy materials, including this proxy statement and our 2017 Annual Report to Stockholders, over the Internet in accordance with the rules of the Securities and Exchange Commission, or the SEC. As a result, we are mailing to our stockholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy materials. Your Notice of Internet Availability of Proxy Materials contains instructions on how to access our proxy materials over the Internet, as well as instructions on how to request a paper copy of our proxy materials by mail.

Our proxy materials are also available at [www.envisionreports.com/FANG](http://www.envisionreports.com/FANG).

How can I request a full set of proxy materials?

You may request, without charge, a full set of our proxy materials, including our 2017 Annual Report to Stockholders, for one year following the annual meeting of stockholders. If a broker or other nominee holds your shares of record, you may request a full set of our proxy materials by following the instructions contained in the Notice of Internet Availability of Proxy Materials that you received.

#### Board of Directors Information

What is the makeup of the board of directors and how often are the members elected?

In April 2018, we increased the size of our board of directors from five to seven adding Melanie M. Trent as an additional independent director, advancing diversity on our board of directors, and Michael L. Hollis, our President and Chief Operating Officer, enhancing operational and executive management expertise of our board of directors. Our board of directors currently consists of seven members who are elected annually. All of our directors, except for our Chief Executive Officer and our President and Chief Operating Officer, are independent under the Nasdaq listing standards.

What if a nominee is unable or unwilling to serve?

That is not expected to occur. If it does, shares represented by proxies will be voted for a substitute nominated by the board of directors.

How are directors compensated?

Members of our board of directors who are also officers or employees of the Company do not receive compensation for their services as directors.

#### Cash Compensation

Prior to July 1, 2017, non-employee directors of the Company received \$47,500 in cash plus additional annual payments of \$15,000 for the chairperson of the audit committee and \$10,000 for each other member of the audit committee and \$10,000 for the chairperson of all other committees and \$5,000 for each other member of each other committee, with such amounts paid in quarterly installments. Additionally, each director received \$1,000 for each board or committee meeting the director attends in person, and \$500 for each board or committee meeting the director attends telephonically. After giving consideration to a competitive analysis prepared by Aon Hewitt, our independent compensation consultant, with respect to the director compensation and other factors, effective as of July 1, 2017, our board of directors eliminated the fees payable to non-employee directors for each meeting of the board or its committees attended in person or telephonically and increased the annual cash retainer for the Chairman of the Board from \$47,500 to \$200,000 and for the other non-employee directors from \$47,500 to \$65,000. Further, our board of directors adjusted the annual retainers for the chairperson of each of the board's committees, increasing the annual retainer for the Chairman of the Audit Committee from \$15,000 to \$20,000 and for the chairperson of all other committees from \$10,000 to \$15,000, leaving unchanged the annual retainer of \$10,000 payable to non-chair members of the Audit Committee and the annual retainer of \$5,000 payable to each non-chair member of the board's other committees. Consistent with our prior practice, cash compensation is payable to our non-employee directors in quarterly installments.

#### Equity Compensation

Effective July 1, 2017, our board of directors increased the annual equity compensation of our non-employee directors granted to them under our equity incentive plan. The value of such annual equity compensation, granted to non-employee directors in restricted stock units, was increased from \$120,000 to \$180,000, based on the average closing price per share of our common stock on the Nasdaq Global Select Market for the five trading days immediately preceding the date of grant. The annual grant of restricted stock will be made to non-employee directors at the close of business on the date of each annual meeting of our stockholders, except that the 2017 equity grant of 2,055 restricted stock units to each of our non-employee director was made on July 12, 2017, based on the average closing price per share of our common stock for the five trading days immediately preceding July 1, 2017. Our board of directors also adjusted the vesting schedule for the annual equity grant from a three-year vesting schedule to a one-year vesting schedule for equity awards granted after July 1, 2017. As a result, the entire annual equity award granted to our non-employee directors will vest on the earlier of the first anniversary of the date of grant and the next annual meeting of our stockholders following the date of grant.

No equity awards have been granted to our non-employee directors during 2018 to date. Further details regarding our director compensation in 2017 are set forth under the heading “Compensation Tables—Director Compensation” below.

## Insurance and Indemnification

We provide liability insurance for our directors and executive officers at a current annual premium of approximately \$437,584. We are also party to indemnification agreements with our directors and executive officers. In addition, our certificate of incorporation sets forth limitations on our directors' liability to our stockholders. Further, our bylaws contain indemnification and advancement of expenses provisions for the benefit of our directors and officers.

How often did the board of directors meet in 2017?

Our board of directors met five (5) times, in person or telephonically, in 2017. In addition to these meetings, the board of directors adopted resolutions by unanimous written consent. Each director attended at least 92% of the meetings of the board of directors and the meetings of the committees on which he served.

## Election of Directors and Director Biographies

(Proposal 1 on the Proxy Card)

Who are this year's nominees?

The directors standing for election this year to hold office until the 2019 Annual Meeting of Stockholders and until each such director's successor is elected are listed below. All of these director nominees, except for our Chief Executive Officer and our President and Chief Operating Officer, are independent under the Nasdaq listing standards, comprising a supermajority of independent directors currently serving on our board of directors.

STEVEN E. WEST, age 57. Mr. West has served as a director of the Company since December 2011 and Chairman of the Board since October 2012. Mr. West served as our Chief Executive Officer from January 2009 to December 2011. From January 2011 until December 2016, Mr. West was a partner at Wexford Capital LP, or Wexford Capital, focusing on Wexford Capital's private equity energy investments. From August 2006 until December 2010, Mr. West served as senior portfolio advisor at Wexford Capital. From August 2003 until August 2006, Mr. West was the Chief Financial Officer of Sunterra Corporation, a former Wexford Capital portfolio company. From December 1993 until July 2003, Mr. West held senior financial positions at Coast Asset Management and IndyMac Bank. Prior to that, Mr. West worked at First Nationwide Bank, Lehman Brothers and Peat Marwick Mitchell & Co., the predecessor of KPMG LLP. Since February 2014, Mr. West has also served as a director and Executive Chairman of the general partner of Viper Energy Partners LP, our publicly traded subsidiary, which we refer to as Viper. Mr. West holds a Bachelor of Science degree in Accounting from California State University, Chico. We believe Mr. West's background in finance, accounting and private equity energy investments, as well as his executive management skills developed as part of his career with Wexford Capital, its portfolio companies and other financial institutions qualify him to serve on our board of directors.

TRAVIS D. STICE, age 56. Mr. Stice has served as our Chief Executive Officer since January 2012 and as a director of the Company since November 2012. Mr. Stice has also served as the Chief Executive Officer and a director of the general partner of Viper since February 2014. Prior to his current positions with us and Viper, he served as our President and Chief Operating Officer from April 2011 to January 2012. From November 2010 to April 2011, Mr. Stice served as a Production Manager of Apache Corporation, an oil and gas exploration company. He served as a Vice President of Laredo Petroleum Holdings, Inc., an oil and gas exploration and production company, from September 2008 to September 2010 and as a Development Manager of ConocoPhillips/Burlington Resources Mid Continent Business Unit, an oil and gas exploration company, from April 2006 until August 2008. Prior to that, Mr. Stice held a series of positions of increasing responsibilities at Burlington Resources, most recently as a General Manager, Engineering, Operations and Business Reporting of the Mid Continent Division from January 2001 until



Burlington Resources' acquisition by ConocoPhillips in March 2006. He started his career with Mobil Oil in 1985. Mr. Stice has 33 years of industry experience in production operations, reservoir engineering, production engineering and unconventional oil and gas exploration and over 20 years of management experience. Mr. Stice graduated from Texas A&M University with a Bachelor of Science degree in Petroleum Engineering. Mr. Stice is a registered engineer in the State of Texas, and is a 33-year member of the Society of Petroleum Engineers. We believe that Mr. Stice's leadership within the Company, his management experience and his knowledge of the critical internal and external challenges facing the Company and the oil and natural gas industry as a whole qualify him for service on our board of directors.

MICHAEL L. HOLLIS, age 42. Mr. Hollis has served as our President since his appointment effective January 1, 2017 and as our Chief Operating Officer since July 2015 and as our director since April 2018. He joined us in September 2011 and served as our Vice President—Drilling prior to his current position. Mr. Hollis has also served as a director of the general partner of Viper since June 2014. Prior to joining us, Mr. Hollis served in various roles, most recently as drilling manager at Chesapeake Energy Corporation, an oil and gas exploration company, from June 2006 to September 2011. Mr. Hollis worked for ConocoPhillips Company as a senior drilling engineer from January 2002 to June 2006. Mr. Hollis received his Bachelor of Science degree in Chemical Engineering from Louisiana

State University. We believe that Mr. Hollis' executive management experience and knowledge of the oil and natural gas industry as a whole qualify him for service on our board of directors.

MICHAEL P. CROSS, age 66. Mr. Cross has served as a director of the Company since October 2012. Mr. Cross is owner of Michael P. Cross, Inc., an independent oil and natural gas producer, and serves as its President, a position he has held since January 2007. Mr. Cross also currently serves as a director of Warren Equipment Company, a position he has held since 2002. Mr. Cross also served as a member of the executive committee of the Oklahoma Energy Resources Board from February 2005 until March 2014, where he was a member of the executive committee from 2007 until 2014. Mr. Cross currently serves as a member of the Board of Directors of the Oklahoma Independent Petroleum Association, a position he has held for over 17 years, and was inducted into its Wildcatters Hall of Honor. Mr. Cross served on the Board of Directors for OGE Enogex GP LLC from October 2007 to October 2008. Mr. Cross also served as Chief Executive Officer and President of Windsor Energy Resources, Inc. from December 2005 until December 2006. Mr. Cross served as President of Twister Gas Services, L.L.C., an oil and gas exploration, production and marketing company, from its inception in 1996 until June 2003 and served as President of its predecessor, Twister Transmission Company, from 1990 to 1996. Mr. Cross graduated from Oklahoma State University with a Bachelor of Science degree in Business Administration. We believe that Mr. Cross's strong oil and gas background and executive management experience qualify him for service on our board of directors.

DAVID L. HOUSTON, age 65. Mr. Houston has served as a director of the Company since October 2012. Since 1991, Mr. Houston has been the principal of Houston Financial, a firm providing wealth management services with a focus on the energy sector. Since 2000, Mr. Houston has managed a mineral trust with approximately 9,200 net acres in Oklahoma, Texas, Kansas and New Mexico, which includes responsibility for leasing and production matters. Mr. Houston served on the board of directors and executive committee of Deaconess Hospital, Oklahoma City, Oklahoma, from January 1993 until December 2008. Mr. Houston has served as a director of Gulfport Energy Corporation, or Gulfport, since July 1998, and has been Chairman of its Board since June 2013. Mr. Houston also serves on Gulfport's nominating and governance, audit and compensation committees. He also served as a director of Bronco Drilling Company from May 2005 until December 2010 and was a member of its audit committee. Mr. Houston received a Bachelor of Science degree in business from Oklahoma State University and a graduate degree in banking from Louisiana State University. We believe that Mr. Houston's financial background and his executive management experience qualify him for service on our board of directors.

MARK L. PLAUMANN, age 62. Mr. Plaumann has served as a director of the Company since October 2012. He is currently a Managing Member of Greyhawk Capital Advisors LLC, or Greyhawk, which he co-founded in 1998. Prior to founding Greyhawk, Mr. Plaumann was a Senior Vice President of Wexford Capital. Mr. Plaumann was formerly a Managing Director of Alvarez & Marsal, Inc. and the President of American Healthcare Management, Inc. He also was Senior Manager at Ernst & Young LLP. Mr. Plaumann served as a director and audit committee chairman for ICx Technologies, Inc. from 2006 until October 2010 and currently serves as a director and a member of the audit and compensation committees of Republic Airways Holdings, Inc., and a director of one private company. Mr. Plaumann served as a director, an audit committee chairman and a member of the conflicts committee of the general partner of Rhino Resource Partners LP, a coal operating company, from September 2010 until March 2016. Mr. Plaumann holds an M.B.A. and a B.A. in Business from the University of Central Florida. We believe that Mr. Plaumann's service on the boards of other public companies and his executive management experience, including previous experience as chairman of audit committees, qualifies him for service on our board of directors.

MELANIE M. TRENT, age 53. Ms. Trent has served as a director of the Company since April 2018. Ms. Trent served in various legal, administrative and compliance capacities for Rowan Companies plc, an offshore drilling services company, from 2005 until April 2017, including as an Executive Vice President, General Counsel and Chief Administrative officer from 2014 until April 2017, as Senior Vice President, Chief Administrative Officer and Company Secretary from 2011 until 2014, as Vice President and Corporate Secretary from 2010 until 2011, as

Corporate Secretary from 2007 until 2010 and as Compliance Officer and Corporate Secretary from 2005 until 2007. Prior to her tenure at Rowan Companies plc, Ms. Trent served as Acting General Counsel for Jindal United Steel Corporation, an iron and steel products' manufacturer, from 2004 until 2005, in various legal and investor relations capacities for Reliant Energy Incorporated (and its predecessor Houston Industries), a commercial and residential electric utility business, from 1998 until 2003 and in various legal capacities for Compaq Computer Corporation from 1996 until 1998 prior to its acquisition by Hewlett-Packard in 2013. Prior to these positions, Ms. Trent was an associate at Andrews Kurth LLP practicing corporate and securities law from 1991 until 1996. Ms. Trent currently serves on the boards of two non-profit organizations in Houston: YES Prep Public Schools, an open enrollment public charter school, and New Hope Housing, Inc., a provider of life-stabilizing, affordable, permanent housing. Ms. Trent previously served on the Audit Committee and Compensation Committee of the Memorial Hermann Hospital System and on the Board and Executive Committee of Hermann Park Conservancy. Ms. Trent has been named to the National Diversity Council Top 50 Most Powerful Women in Oil and Gas (2015 and 2017). Ms. Trent holds a Bachelor's degree from Middlebury College and holds a Juris Doctorate degree from Georgetown University Law Center. We believe that Ms. Trent's strong legal and executive management experience, diverse background and knowledge of oil and gas and energy industries qualify her for service on our board of directors.

What does the board of directors recommend?

THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF THESE DIRECTORS

What are the committees of the Board?

Our board of directors has the following committees:

Committee	Members	Principal Functions	Number of Meetings in 2017
Audit	Mark L. Plaumann* Michael P. Cross David L. Houston	<p>1 Reviews and discusses with management and the independent auditors the integrity of our accounting policies, internal controls, financial statements, accounting and auditing processes and risk management compliance.</p> <p>Monitors and oversees our accounting, auditing and financial reporting processes generally, including the qualifications, independence and performance of the independent auditor.</p> <p>1 Monitors our compliance with legal and regulatory requirements.</p> <p>Establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.</p> <p>1 Reviews and approves related party transactions.</p> <p>1 Appoints, determines compensation, evaluates and terminates our independent auditors.</p> <p>1 Pre-approves audit and permissible non-audit services to be performed by the independent auditors.</p> <p>1 Prepares the report required by the SEC for the inclusion in our annual proxy statement.</p> <p>1 Reviews and reassesses the adequacy of the audit committee charter on a periodic basis.</p> <p>Inform our independent auditors of the audit committee's understanding of significant relationships and transactions with related parties and review and discuss with our independent auditors the auditors' evaluation of our identification of, accounting for and disclosure of our relationships and transactions with related parties, including any significant matters arising from the audit regarding our relationships and transactions with related parties.</p> <p>1 Conducts a periodic performance evaluation of the committee.</p>	Four (4)
Compensation	Michael P. Cross* David L. Houston Mark L. Plaumann	<p>1 Oversees and administers our executive compensation policies, plans and practices and evaluates their impact on risk and risk management.</p>	Two (2)

1 Reviews and makes recommendations to the board of directors with  
1 respect to compensation plans and policies for employees generally.  
1 Discharges the board of directors' responsibilities relating to the  
1 compensation of our Chief Executive Officer and other executive officers.  
Where appropriate or required, makes recommendations to our  
1 stockholders with respect to incentive compensation and equity-based  
plans.  
Reviews, approves and administers our Executive Annual Incentive  
1 Compensation Plan, including the establishment of performance criteria  
and targets and awards under such plan.

Committee	Members	Principal Functions	Number of Meetings in 2017
		<p>Reviews, approves and administers our equity-based compensation plans, including the grants of stock options, restricted stock units and other equity awards under such plans.</p> <p>Makes recommendations to the board with respect to director compensation.</p> <p>Determines any stock ownership guidelines for our chief executive officer and other executive officers and directors.</p> <p>Conducts a periodic performance evaluation of the committee.</p> <p>Reviews disclosure related to executive compensation in our proxy statement.</p> <p>Reviews and reassesses the adequacy of the compensation committee charter.</p> <p>Advise the board of directors regarding the stockholder advisory vote on executive compensation and golden parachutes, including the frequency of such votes.</p> <p>Reviews and considers the stockholder advisory vote on executive compensation when determining policies and making decisions on executive compensation.</p> <p>Has the sole authority to appoint, compensate and oversee work of any compensation consultant and other advisors with respect to executive compensation and assistance with other charter responsibilities and determines any conflict of interest with such compensation consultant.</p>	
Nominating and Corporate Governance	David L. Houston* Michael P. Cross Mark L. Plaumann	<p>Assists the board of directors in developing criteria for, identifying and evaluating individuals qualified to serve as members of our board of directors.</p> <p>Identifies and recommends director candidates to the board of directors to be submitted for election at the Annual Meeting and to fill any vacancies on the board of directors.</p> <p>Evaluates candidates for board of directors membership, including those recommended by stockholders of the Company.</p> <p>Periodically reviews and makes recommendations regarding the composition and size of the board of directors and each of its committees.</p> <p>Conducts a periodic performance evaluation of the committee.</p> <p>Reviews and reassesses the adequacy of the nominating and corporate governance committee charter and recommends any proposed changes to the board of directors for approval.</p>	One (1)

\*Committee Chairperson.

Do the committees have written charters?

Yes. The charters for our audit committee, compensation committee and nominating and corporate governance committee can be found on our website at [www.diamondbackenergy.com](http://www.diamondbackenergy.com) under the “Investors—Corporate Governance” caption. You may also obtain copies of these charters, as well as our Code of Business Conduct and Ethics, which is described below, at no charge to you, by writing to Corporate Secretary, Diamondback Energy, Inc. 9400 N. Broadway Extension, Suite 700, Oklahoma City, OK 73114.

## Corporate Governance Matters and Communications with the Board

### Corporate Governance Highlights

We believe that effective corporate governance should include regular constructive discussions with our stockholders. We have a proactive stockholder engagement process that encourages feedback from our stockholders. This feedback helps shape our governance practices, which include:

- ü Increased size of the board of directors from five to seven
- ü Supermajority of independent director nominees
- ü Independent chair of the board of directors
- ü Majority voting to elect directors
- ü Advancement of board diversity, with an addition of a female director to our board and emphasis on diversity in the nominating and corporate governance committee's charter
- ü Declassified board of directors
- ü Active stockholder outreach with respect to corporate governance and executive compensation
- ü Active board oversight of risk and risk management
- ü Independent director meetings in executive sessions
- ü Commitment to social responsibility with respect to our people, community and environment
- ü Periodic board and committee self-assessments
- ü Independent director meetings in executive sessions
- ü 92% attendance at 2017 board and committee meetings
- ü All financially literate audit committee members and all members of the audit committee qualify as financial experts

### Who are our independent directors?

Our board of directors has determined that each of David L. Houston, Michael P. Cross, Mark L. Plaumann, Melanie M. Trent and Steve West meets the standards regarding independence set forth in the Nasdaq listing standards and is free of any relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Our board of directors has determined that each member of the audit committee is independent for purposes of serving on such committee under the Nasdaq listing standards and applicable federal law. In addition, our board of directors has determined that each current member of the audit committee is financially literate under the Nasdaq listing standards and that each of Mr. Plaumann, Mr. Cross and Mr. Houston qualifies as an “audit committee financial expert,” as such term is defined in Item 407(d) of Regulation S-K.

Our board of directors has also determined that each member of the compensation committee and the nominating and corporate governance committee meets the independence requirements applicable to those committees under the Nasdaq rules. In addition, our board of directors determined that each member of our compensation committee is an “outside director” in accordance with Section 162(m) of the Internal Revenue Code and a “non-employee director” in accordance with Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

### Do our non-management directors meet separately without management?

Our non-management directors have the opportunity to meet in an executive session following each regularly scheduled meeting of the board of directors and its committees. Our non-management directors met in an executive session on four (4) occasions in 2017.



How can I communicate with the board of directors?

Individuals may communicate with our board of directors or individual directors by writing to Corporate Secretary, Diamondback Energy, Inc., 9400 N. Broadway Extension, Suite 700, Oklahoma City, Oklahoma 73114. Our Corporate Secretary will review all such correspondence and forward to our board of directors a summary of all such correspondence and copies of all correspondence that, in the opinion of our Corporate Secretary, relates to the functions of our board of directors or the compensation committee thereof or that he otherwise determines requires their attention. Directors may review a log of all such correspondence received by us and request copies. Concerns relating to accounting, internal control over financial reporting or auditing matters will be immediately brought to the attention of the chairman of the audit committee and handled in accordance with the audit committee procedures established with respect to such matters.

Do directors attend the Annual Meeting?

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Recognizing that director attendance at our Annual Meeting can provide our stockholders with an opportunity to communicate with directors about issues affecting the Company, we actively encourage our directors to attend the Annual Meeting of Stockholders. All of our directors attended our 2017 Annual Meeting of Stockholders.

#### Code of Business Conduct and Ethics and Environmental Policy

##### Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics designed to help directors and employees resolve ethical issues. Our Code of Business Conduct and Ethics applies to all directors and employees, including the Chief Executive Officer, the Chief Financial Officer, principal accounting officer and controller and persons performing similar functions. Our Code of Business Conduct and Ethics covers various topics including, but not limited to, conflicts of interest, fair dealing, discrimination and harassment, confidentiality, compliance procedures and employee complaint procedures. Our Code of Business Conduct and Ethics is posted on our website under the “Investors—Corporate Governance” caption.

##### Environmental Policy

We are committed to exploration, exploitation, acquisition and production of oil, natural gas and natural gas liquids in an environmentally responsible manner and in compliance with applicable federal, state and local environmental laws, including laws regulating emissions of greenhouse gases, such as methane. We take actions beyond those required by law to reduce methane emissions, recycle an increasing percentage of water, and make significant investment in infrastructure to reduce environmental impact.

#### Nominating Process For Directors, Director Qualifications and Review of Director Nominees

The nominating and corporate governance committee is comprised of three non-employee directors, all of whom are independent under Nasdaq listing standards. As provided by the nominating and corporate governance committee’s charter, our nominating and corporate governance committee identifies, evaluates and recommends to our board of directors candidates with the goal of creating a balance of knowledge, experience and diversity. Generally, the committee identifies candidates through the personal, business and organizational contacts of the directors and management and through the use of third-party search firms.

It is our policy that potential directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the interests of our stockholders. In addition to reviewing a candidate’s background and accomplishments, candidates for director nominees are reviewed in the context of the current composition of our board of directors and the evolving needs of our stockholders’ business. It is the policy of our board of directors that at all times at least a majority of its members meets the standards of independence promulgated by Nasdaq and the SEC and that all members reflect a range of talents, skills and expertise, particularly in the areas of accounting and finance, management, leadership and oil and gas related industries sufficient to provide sound and prudent guidance with respect to our operations and the interests of our stockholders. In addition to the foregoing factors, it is our policy that our nominating committee shall consider diversity in its evaluation of candidates for board membership. Our board believes that diversity with respect to viewpoint, including such that is held by candidates of different gender, race, ethnicity, background, age, thought and tenure on our board (in connection with the consideration of the renomination of an existing director), should be an important factor in board composition. To reflect this policy and to ensure a competitive recruitment process, our nominating committee, in accordance with its charter, seeks to include diverse candidates in all director searches, taking into account diversity of gender, race, ethnicity, background, age, thought and tenure on our board (in connection with the consideration of the renomination

of an existing director), including by affirmatively instructing any search firm retained to assist the nominating committee in identifying director candidates to seek to include diverse candidates from traditional and nontraditional candidate groups. In accordance with its charter, our nominating committee also ensures, in accordance with its charter, that diversity considerations are discussed in connection with each potential nominee, as well as on a periodic basis in connection with its periodic review of the composition of the board and the size of the board as a whole.

We also require that the members of our board of directors be able to dedicate the time and resources sufficient to ensure the diligent performance of their duties on our behalf, including attending all meetings of the board of directors and applicable committee meetings. In accordance with its charter, our nominating and corporate governance committee periodically reviews the criteria for the selection of directors to serve on our board and recommends any proposed changes to our board of directors for approval.

Our board of directors will consider stockholder nominations for director candidates upon written submission of such recommendation to our Corporate Secretary along with, among other things, the nominee's qualifications and certain biographical information regarding the nominee, such nominee's written consent to serving as a director if elected and being named in the proxy or information statement and certain information regarding the status of the stockholder submitting the recommendation, all in the manner required by our amended and restated bylaws and the applicable rules and regulations promulgated under the Exchange Act. Following

verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by our board of directors at a regularly scheduled or special meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to our board of directors. See “Submission of Future Stockholder Proposals” below for additional detail regarding submitting director nominees.

Our board of directors may also review materials provided by professional search firms or other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, our board of directors will seek to achieve a balance of knowledge, experience and diversity on the board. Our board of directors uses the same criteria for evaluating candidates nominated by stockholders as it does for those proposed by current board members, professional search firms and other persons. After completing its evaluation, our board of directors approves the final slate of director nominees.

Our nominating and corporate governance committee approved the director nominees submitted for election at this Annual Meeting. Each nominee is a current board member and brings a strong and unique background and set of skills to our board of directors, giving our board of directors as a whole competence and experience in a variety of areas, including corporate governance and board service, executive management, oil and natural gas industry, accounting and finance and risk assessment and management. Specifically, in nominating the current board members for re-election at this Annual Meeting, our nominating and corporate governance committee considered such directors’ past service on our board and the information discussed in each of the directors’ individual biographies set forth beginning on page 5 above.

#### Director Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer are held by two different individuals. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business and operations, while allowing our Chairman of the Board to lead the board in its fundamental role of providing advice to and oversight of management. The Chairman of the Board provides leadership to our board of directors and works with the board of directors to define its structure and activities in the fulfillment of its responsibilities. The Chairman of the Board sets the board agendas, with the input from other members of the board and our management, facilitates communications among and information flow to directors, has the power to call special meetings of our board of directors and stockholders and presides at meetings of our board of directors and stockholders. The Chairman of the Board also advises and counsels our Chief Executive Officer and other officers.

We believe that our directors bring a broad range of leadership experience to the boardroom and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe that the atmosphere of our board is collegial, that all board members are well engaged in their responsibilities, and that all board members express their views and consider the opinions expressed by other directors. Five of the seven directors on our board are independent under the Nasdaq listing standards and SEC rules, and Mr. Houston has been appointed as the lead director among our independent directors. In such capacity, Mr. Houston’s duties include presiding at all meetings of the board at which the Chairman of the Board is not present, including executive sessions of the independent directors, and serving as a liaison between the Chairman of the Board and the independent directors. We believe that all of our independent directors have demonstrated leadership in business enterprises and are familiar with board processes. Our independent directors are involved in the leadership structure of our board by serving on our audit, nominating and compensation committees, each having a separate independent chairperson. Specifically, the chair of our audit committee oversees the accounting and financial reporting processes, as well as compliance with legal and regulatory requirements. The chair of our compensation committee oversees the annual performance evaluation of our Chief Executive Officer and our compensation policies and practices and their impact on risk and risk management. The chair of our nominating and corporate governance committee monitors matters such

as the composition of the board and its committees, board performance and best practices in corporate governance. As such, each committee chair provides independent leadership for purposes of many important functions delegated by our board of directors to such committee.

#### Board of Director's Role in Risk Oversight

As an exploration and production company, we face a number of risks, including risks associated with supply of and demand for oil and natural gas, volatility of oil and natural gas prices, exploring for, developing, producing and delivering oil and natural gas, declining production, environmental and other government regulations and taxes, weather conditions, including hurricanes, that can affect oil and natural gas operations over a wide area, adequacy of our insurance coverage, political instability or armed conflict in oil and natural gas producing regions and overall economic environment. Management is responsible for the day-to-day management of risks we face as a company, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight. Our Chairman of the Board meets regularly with our Chief Executive Officer and our Chief

Financial Officer to discuss strategy and risks facing the Company. Our executive officers regularly attend the board meetings and are available to address any questions or concerns raised by the board on risk management-related and any other matters. Other members of our management team periodically attend the board meetings or are otherwise available to confer with the board to the extent their expertise is required to address risk management matters. Periodically, our board of directors receives presentations from senior management on strategic matters involving our operations. During such meetings, our board of directors also discusses strategies, key challenges, and risks and opportunities for the Company with senior management.

While our board of directors is ultimately responsible for risk oversight at the Company, the board's three committees assist the board in fulfilling its oversight responsibilities in certain areas of risk. The audit committee assists the board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements, and discusses policies with respect to risk assessment and risk management. The compensation committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. The nominating and corporate governance committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure and executive officers, and corporate governance.

#### Audit Committee Report

The audit committee is responsible for providing independent, objective oversight for the integrity of the Company's financial reporting process and internal control system. Other primary responsibilities of the audit committee include the review, oversight and appraisal of the qualifications, independence and audit performance of the Company's independent registered public accounting firm and providing an open venue for communication among the independent registered public accounting firm, financial and senior management, our internal auditors and the board of directors of the Company. A more detailed description of the responsibilities of the audit committee is set forth in its written charter, which is posted on our website at [www.diamondbackenergy.com](http://www.diamondbackenergy.com). The following report summarizes certain of the audit committee's activities with respect to its responsibilities during 2017.

**Review with Management and Independent Registered Public Accounting Firm.** The audit committee has reviewed and discussed with management and Grant Thornton LLP, an independent registered public accounting firm, the audited consolidated financial statements of the Company for the year ended December 31, 2017.

**Controls and Procedures.** The audit committee discussed with management and Grant Thornton LLP the quality and adequacy of the Company's disclosure controls and procedures. The audit committee also reviewed and discussed with management and Grant Thornton LLP the Company's system of internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

**Discussions with Independent Auditing Firm.** The audit committee has discussed with Grant Thornton LLP, independent auditors for the Company, the matters required to be discussed by Rules on Auditing Standards No. 16, Communication with Audit Committees, as amended. The audit committee has received the written disclosures and the letter from Grant Thornton LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with that firm its independence from the Company.

**Recommendation to the board of directors.** Based on its review and discussions noted above, the audit committee recommended to the board of directors that the audited financial statements and management's report on internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

THE AUDIT COMMITTEE

Mark L. Plaumann, Chairman

Michael P. Cross

David L. Houston

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## Executive Officers

The following table sets forth the name, age and positions of each of our executive officers as of the record date:

Name	Age	Position
Travis D. Stice	56	Chief Executive Officer and Director
Michael L. Hollis	42	President and Chief Operating Officer; Director
Teresa L. Dick	48	Chief Financial Officer, Executive Vice President and Assistant Secretary
Russell D. Pantermuehl	58	Executive Vice President—Reservoir Engineering
Paul S. Molnar	62	Executive Vice President—Exploration and Business Development
Randall J. Holder	64	Executive Vice President, General Counsel and Secretary
Thomas F. Hawkins	64	Senior Vice President—Land
Kaes Van't Hof	31	Senior Vice President—Strategy and Corporate Development
Jennifer Soliman	47	Senior Vice President and Chief Human Resources Officer

Biographical information for each of Messrs. Stice and Hollis is set forth in this proxy statement under the heading “Election of Directors and Director Biographies.”

**TERESA L. DICK.** Ms. Dick has served as our Executive Vice President and Chief Financial Officer since February 2017 and as our Assistant Secretary since October 2012. Ms. Dick served as our Chief Financial Officer and Senior Vice President and Assistant Secretary from November 2009 to February 2007 and as our Corporate Controller from November 2007 until November 2009. Ms. Dick has also served as Chief Financial Officer and Executive Vice President of the general partner of Viper since February 2017 and served as its Chief Financial Officer and Senior Vice President from February 2014 to February 2017. From June 2006 to November 2007, Ms. Dick held a key management position as the Controller/Tax Director at Hiland Partners, a publicly-traded midstream energy master limited partnership. Ms. Dick has over 20 years of accounting experience, including over eight years of public company experience in both audit and tax areas. Ms. Dick received her Bachelor of Business Administration degree in Accounting from the University of Northern Colorado. Ms. Dick is a certified public accountant and a member of the American Institute of CPAs and the Council of Petroleum Accountants Societies.

**RUSSELL D. PANTERMUEHL.** Mr. Pantermuehl has served as our Executive Vice President—Reservoir Engineering since February 2017, and served as our Vice President—Reservoir Engineering from August 2011 to February 2017. Mr. Pantermuehl has also served as Executive Vice President—Reservoir Engineering of the general partner of Viper since February 2017 and served as its Vice President—Reservoir Engineering from February 2014 to February 2017. Prior to his positions with us and Viper, Mr. Pantermuehl served as a reservoir engineering supervisor for Concho Resources Inc., an oil and gas exploration company, from March 2010 to August 2011 where he was responsible for reserve reporting and estimates of the Midland Basin Wolfberry assets. Mr. Pantermuehl worked for ConocoPhillips Company as a reservoir engineering advisor from January 2005 to March 2010 where he provided advice with respect to ConocoPhillips’ Bakken assets, reserve reporting and capital allocation. Mr. Pantermuehl received a Bachelor of Science degree in Petroleum Engineering from Texas A&M University.

**PAUL S. MOLNAR.** Mr. Molnar joined us in August 2011 as Vice President—Geoscience and was promoted to Executive Vice President—Exploration and Business Development effective January 1, 2017. Mr. Molnar has also served as Executive Vice President—Exploration and Geoscience of the general partner of Viper since January 2017 and served as its Vice President—Geoscience from February 2014 to January 2017. Prior to his positions with us and Viper, Mr. Molnar served as a Senior District Geologist for Samson Investment Company, an oil and gas exploration company, from March 2011 to August 2011. Mr. Molnar worked as an asset supervisor and geosciences supervisor for ConocoPhillips Company from April 2006 to February 2011. Mr. Molnar also worked as a geologic advisor for Burlington Resources, an oil and gas exploration company, from December 1996 to March 2006. Mr. Molnar has over 31 years of industry experience. Mr. Molnar received a Bachelor of Science degree in Geoscience from the State



University of New York, College at Buffalo and a Master of Science degree in Geology from the State University of New York, University at Buffalo.

RANDALL J. HOLDER. Mr. Holder has served as our Executive Vice President, General Counsel and Secretary since February 2017, and served as our Vice President, General Counsel and Secretary from October 2012 to February 2017, and as our General Counsel and Vice President from November 2011 to October 2012. Mr. Holder has also served as the Executive Vice President, General Counsel and Secretary of the general partner of Viper since February 2017, and served as its Vice President, General Counsel and Secretary from February 2014 to February 2017. Prior to his positions with us and Viper, Mr. Holder served as General Counsel and Vice President for Great White Energy Services LLC, an oilfield services company, from November 2008 to November 2011. Mr. Holder served as Executive Vice President and General Counsel for R.L. Hudson and Company, a supplier of molded rubber and plastic components, from February 2007 to October 2008. Mr. Holder was in private practice of law and a member of Holder Betz LLC from February 2005 to February

2007. Mr. Holder served as Vice President and Assistant General Counsel for Dollar Thrifty Automotive Group, Inc., a vehicle rental company, from January 2003 to February 2005 and, before that, as Vice President and General Counsel for Thrifty Rent-A-Car System, Inc., a vehicle rental company, from September 1996 to January 2003. He also served as Vice President and General Counsel for Pentastar Transportation Group, Inc. from November 1992 to September 1996, which was wholly-owned by Chrysler Corporation. Mr. Holder started his legal career with Tenneco Oil Company where he served as a Division Attorney providing legal services to the Company's mid-continent division for ten years. Mr. Holder received a Juris Doctorate degree from Oklahoma City University.

THOMAS F. HAWKINS. Mr. Hawkins has served as our Senior Vice President—Land since March 2017. Prior to his current position with us, Mr. Hawkins was an independent Consultant for Land Activities from July 2016 to February 2017. Mr. Hawkins has over 38 years of experience in the oil and gas industry. Mr. Hawkins spent seven years with Oasis Petroleum, an active oil and gas company in the Williston Basin, as their Senior Vice President of Land (or in similar capacities) from March 2009 until June 2016, retiring from that position. Prior to his tenure at Oasis Petroleum, Mr. Hawkins spent 31 years at ConocoPhillips and Burlington Resources (which ConocoPhillips acquired in 2006) in various operations and managerial positions in Land, Marketing, Planning and the Corporate Acquisitions and Divestitures group, retiring in February 2009. While at ConocoPhillips (Burlington Resources), Mr. Hawkins has worked in several major regions in the continental United States, including the San Juan Basin, the Williston Basin and the Austin Chalk/Wilcox Trends in South Texas. Mr. Hawkins holds a Bachelor of Business Administration degree in Finance from the University of Texas at El Paso.

KAES VAN'T HOF. Mr. Van't Hof has served as our Senior Vice President—Strategy and Corporate Development since February 2017 after joining us in July 2016 as Vice President. Mr. Van't Hof has also served as the President of the general partner of Viper since March 2017. Prior to his positions with us and Viper, Mr. Van't Hof served as Chief Executive Officer for Bison Drilling and Field Services from September 2012 to June 2016. From August 2011 to August 2012, Mr. Van't Hof was an analyst for Wexford Capital, LP responsible for developing operating models and business plans, including for our initial public offering, and before that worked for the Investment Banking-Financial Institutions Group of Citigroup Global Markets, Inc. from February 2010 to July 2011. Mr. Van't Hof was a professional tennis player from May 2008 to January 2010. Mr. Van't Hof received a Bachelor of Science degree in Accounting and Business Administration from the University of Southern California.

JENNIFER SOLIMAN. Ms. Soliman has served as our Senior Vice President and Chief Human Resources Officer since January 2018. Prior to joining us, Ms. Soliman served as Senior Vice President and Chief Human Resources Officer at Sunnova Energy Corporation from December 2015 to January 2018, and prior to that, served in various human resources leadership roles at Freedom Oil & Gas Ltd. (formerly, Maverick Drilling & Exploration Ltd.), Woodside USA and BP America, each an oil and gas company, and Koch Industries, Inc., a diversified industrial, including chemicals and refining. Ms. Soliman serves on the board of Jones Partners at the Rice Business School and previously served as a member of the United States Air Force Reserves. Ms. Soliman holds a Bachelor of Arts degree in Organizational Behavior from Rollins College and a Master of Business Administration degree from Rice University.

## Compensation Discussion and Analysis

### Overview

The compensation discussion and analysis set forth below provides an overview of our compensation program, including the objectives and rationale of each element of compensation, for each of our Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers, which we refer to in this proxy statement as our named executive officers. This compensation discussion and analysis describes the actions and decisions of the compensation committee of our board of directors, and of our board of directors, to the extent

applicable, as they relate to our executive compensation decisions. The compensation committee, which is composed entirely of independent directors, is primarily responsible for establishing, implementing and monitoring our compensation programs, including those applicable to our named executive officers. In particular, the compensation committee's current role is to oversee, on behalf of our board of directors, our compensation and benefit plans and policies, review and approve incentive compensation and equity based plans (including establishing, reviewing and approving performance-based cash incentive bonuses and equity grants to our executive officers and directors, as may be applicable) and establish, review and approve annually all compensation decisions relating to our named executive officers, including those with respect to employment agreements, performance targets, severance arrangements, change in control provisions and any special supplemental benefits applicable to our Chief Executive Officer and other executive officers. The compensation committee meets at least annually to review executive compensation programs, approve compensation levels, consider performance targets, review management performance and administer our equity-based and cash incentive compensation plans. The compensation committee may delegate any or all of its responsibilities to a subcommittee, although no such delegation was made in 2017 or to date in 2018. The compensation committee operates in accordance with its charter, as revised and approved, effective March 2016, which sets forth the committee's powers and responsibilities described in more detail under the heading "Election of Directors and Director Biographies—What are the committees of the Board?"

Certain of our executive officers and directors are also executive officers and/or directors of the general partner of Viper, our publicly traded subsidiary, and allocate their time between managing our business and managing the business of Viper. We own the general partner of Viper and approximately 64% of the limited partner interest in Viper. Viper’s general partner has the sole responsibility for conducting its business and for managing its operations, and its board of directors and executive officers make decisions on Viper’s behalf.

Except with respect to any awards that may be granted under the Viper Energy Partners LP Long-Term Incentive Plan, which we refer to as the Viper LTIP, the executive officers of Viper’s general partner do not receive separate amounts of compensation in relation to the services they provide to Viper. In accordance with the terms of Viper’s amended and restated limited partnership agreement, Viper reimburses Diamondback for compensation related expenses attributable to the portion of the executive’s time allocated to providing services to Viper. The responsibility and authority for compensation-related decisions for these executive officers resides with our compensation committee. However, all determinations with respect to awards that are made to Viper’s executive officers, key employees and non-employee directors under the Viper LTIP are made by the board of directors of Viper’s general partner. For a description of the Viper LTIP and awards granted to our named executive officers thereunder, please see “Viper’s Long-Term Incentive Plan,” and “Compensation Tables—Outstanding Equity Awards under the Viper LTIP at Fiscal 2017 Year-End” below.

#### Executive Compensation Highlights

##### What we do:

ü We provide pay for performance - The majority of our executive officers’ compensation is “at risk” and is paid only if the Company achieves certain performance objectives, which are designed to increase the value of our stock.

ü We measure our long-term equity awards by total shareholder return, or TSR, as compared to the TSR of peer group companies.

ü Beginning with 2018, all of our new performance-based equity awards vest over a three-year performance period, subject to achieving a specified total stockholder return measured against our peer group and satisfaction of continuous services requirements.

ü Beginning with 2018, all of our new equity awards contain double-trigger change of control provisions.

ü We provide short-term incentive compensation based on pre-established performance metrics (with payout caps) and provide robust disclosure of our performance metrics and targets.

ü We require substantial stock ownership for our executive officers and their applicable stock ownership levels are required to be maintained for as long as they are employed by us.

ü We maintain a competitive compensation package designed to attract, motivate and reward experienced and talented executive officers.

ü We hold annual advisory “say-on-pay” vote.

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##### What we don't do:

ü We do not permit hedging of Company securities, including our publicly traded options, puts, calls and short sales, by executive officers or directors.

ü We prohibit our directors and executive officers from holding our common stock in a margin account.

ü We do not provide for tax gross-ups for executive officers.

ü We do not allow repricing of underwater stock options or stock appreciation rights.

ü We do not allow our executive officers to compete with us for a specified period of time after the end of employment (except in the event of a “no cause” termination following a change in control).

ü We do not set performance metrics that would encourage excessive risk taking by our executive officers.

ü We do not award discretionary bonuses to our executive officers.

ü We do not allow our executive officers or directors to pledge Company securities as collateral for a loan.

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We engage in active stockholder outreach with respect to executive compensation and corporate governance.

Each member of our compensation committee meets the independence requirements under SEC rules and Nasdaq listing standards.

We use an independent compensation consultant.

Our 2016 Amended and Restated Equity Incentive Plan contains a “clawback” policy that allows us to recover incentive compensation based on misconduct or, in certain instances, if our financial results are restated.

We utilize a balanced approach to compensation, which combines performance and time-based, short-term and long-term, and cash and equity compensation components.

We do not provide significant perquisites to our executive officers.

We do not provide pension or supplemental retirement benefits to our executive officers (other than under our broad-based 401(k) plan).

## Executive Compensation Policy and Objectives

Our general compensation policy is guided by several key principles:

- designing competitive total compensation programs to enhance our ability to attract and retain knowledgeable and experienced senior management level employees;
- motivating employees to deliver outstanding financial performance and meet or exceed general and specific business, operational and individual objectives;
- setting compensation and incentive levels relevant to the market in which the employee provides service;
- providing a meaningful performance-based compensation incentive, based on the performance of the individual and the financial performance of the Company to assure an alignment of interests between our senior management-level employees and our stockholders; and
- providing a meaningful portion of the total compensation to our named executive officers in equity, thus assuring an alignment of interests between our senior management level employees and our stockholders.

Our compensation committee determines, subject to the terms of the employment agreements with our named executive officers, the mix of compensation, both among short-term and long-term compensation and cash and equity compensation, to establish structures that it believes are appropriate for each of our named executive officers. In making compensation decisions with respect to each element of compensation, the compensation committee considers numerous factors, including:

- aligning the compensation of our executives with the performance of the Company on both a short-term and long-term basis;
- achievement of individual and company performance goals and other expectations relating to the position;
- comparison to other executives within the Company having similar levels of expertise and experience and the uniqueness of the individual's industry skills;
- the individual's particular background and circumstances, including training and prior relevant work experience;
- the individual's role with us and the compensation paid to similar persons at comparable companies; and
- the demand for individuals with the individual's specific expertise and experience.

The compensation committee seeks to provide a total compensation package to our named executive officers designed to drive performance and reward contributions in support of our business strategies and to attract, motivate and retain high quality talent with the skills and competencies required by us. The compensation committee also seeks to balance these goals by designing our compensation policies and programs to encourage and reward prudent business judgment over the long term by structuring long-term awards as both time-vesting and performance-based and setting meaningful performance criteria and targets, while also offering a competitive base salary component of executive compensation. The compensation committee believes that this combination should avoid encouraging management-level employees to engage in excessive risk-taking, while at the same time promoting performance and retention. In structuring our compensation policies and programs, the compensation committee also takes into consideration the compensation practices of our peer companies and may also review compensation data from the oil

and natural gas industry in general. The compensation committee also may review any relevant compensation surveys and consult with compensation consultants with respect to determining any changes in the compensation for our named executive officers, subject to their respective employment agreements. The compensation committee also takes into consideration recommendations from our Chief Executive Officer with respect to our other named executive officers' compensation.

#### Highlights of Company Performance in 2017

##### Operational and Financial Performance

During 2017, we achieved the following financial and operational metrics, in each case, as compared to 2016:

- our production volumes increased 84%;

our total proved reserves increased 63%;

our proved developed reserves increased 75%;

net income increased 392%;

Consolidated Adjusted EBITDA increased 152%, and Adjusted EBITDA attributable to Diamondback increased 139%;

- continuous improvement in our expense structure, with lease operating expense, or LOE, averaging \$4.38 per barrel of oil equivalent, or BOE, in 2017, down 16% from \$5.23 per BOE in 2016;

peer leading cash margins, with cash operating costs per BOE down by 11%;

- borrowings of \$397.0 million outstanding under the revolving credit facility at year-end, of which we repaid \$308.5 million with the net proceeds from our issuance of our new senior notes due 2025 on January 29, 2018 and, immediately following such repayment, had \$911.4 million of available borrowing capacity under our revolving credit facility; and

closed \$3.2 billion of accretive acquisitions with debt and equity transactions and cash on hand.

In 2018, we have also initiated an annual cash dividend of \$0.50 per common share to be payable quarterly beginning with the first quarter of 2018, designed to return capital to our stockholders and reward them for their support of our growth in the last five years since becoming a public company, as well as evidence of our continued commitment to capital discipline.

#### 2017 Acquisitions

On February 28, 2017, we completed an acquisition of oil and natural gas properties, midstream assets and other related assets in the Delaware Basin for an aggregate purchase price of \$2.55 billion, consisting of \$1.74 billion in cash and 7.69 million shares of our common stock. This transaction included the acquisition of (i) approximately 100,306 gross (80,339 net) acres primarily in Pecos and Reeves counties for approximately \$2.5 billion and (ii) midstream assets for approximately \$47.6 million. We used the net proceeds from our December 2016 equity offering, net proceeds from our December 2016 debt offering, cash on hand and other financing sources to fund the cash portion of the purchase price for this acquisition.

#### Shareholder Value Creation and Total Shareholder Return

Since our initial public offering in October of 2012, our executive management has been focused not only on achieving peer-leading operational performance in the Permian Basin, but also on creating superior stockholder value.

Further, our cumulative total stockholder return was not only consistently and substantially above our 2016 and 2017 proxy peer groups, but also consistently and substantially above the applicable industry index and S&P 500 index in each year following our initial public offering. The following performance graph compares our cumulative total stockholder return from the first trading date following our IPO through December 31, 2017, with the average performance of our four proxy peer groups identified below under “Compensation Decisions for 2017 and Changes in Compensation for 2018,” the Standard & Poor’s 500 Stock Index, a broad market index, or the S&P 500 Index, and the SPDR S&P Oil & Gas Exploration and Production ETF, or XOP Index. The graph assumes an investment of \$100 on



such date, and that all dividends were reinvested and are weighted on a market capitalization basis.

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Date	S&P 500	XOP	Diamondback Energy Inc.	2016 Proxy Peer Group	2017 Proxy Peer Group
10/12/2012	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
12/31/2012	\$99.83	\$97.32	\$109.26	\$90.16	\$93.60
3/28/2013	\$109.84	\$108.85	\$153.37	\$102.90	\$103.83
6/28/2013	\$112.44	\$104.70	\$190.40	\$104.93	\$103.12
9/30/2013	\$117.71	\$118.50	\$243.66	\$133.21	\$126.08
12/31/2013	\$129.38	\$123.32	\$302.06	\$142.02	\$128.26
3/31/2014	\$131.06	\$129.26	\$384.63	\$157.43	\$134.56
6/30/2014	\$137.21	\$148.07	\$507.43	\$179.91	\$155.76
9/30/2014	\$138.06	\$123.86	\$427.31	\$148.96	\$135.86
12/31/2014	\$144.12	\$86.13	\$341.60	\$109.59	\$94.60
3/31/2015	\$144.75	\$92.96	\$439.09	\$121.05	\$100.16
6/30/2015	\$144.42	\$83.97	\$430.74	\$124.22	\$97.97
9/30/2015	\$134.40	\$59.10	\$369.14	\$96.95	\$72.92
12/31/2015	\$143.07	\$54.38	\$382.29	\$90.93	\$68.28
3/31/2016	\$144.18	\$54.62	\$441.03	\$95.48	\$73.95
6/30/2016	\$146.92	\$62.64	\$521.20	\$116.40	\$91.98
9/30/2016	\$151.78	\$69.21	\$551.66	\$142.27	\$105.59
12/31/2016	\$156.72	\$74.54	\$577.49	\$145.80	\$108.26
3/31/2017	\$165.39	\$67.37	\$592.66	\$133.27	\$99.34
6/30/2017	\$169.64	\$57.44	\$507.49	\$101.92	\$80.13
9/29/2017	\$176.35	\$61.35	\$559.77	\$112.24	\$86.42
12/29/2017	\$187.15	\$66.91	\$721.43	\$121.73	\$98.02

#### Compensation Decisions for 2017 and Changes in Compensation for 2018

During 2017, our named executive officers' compensation was set in their employment agreements, subject to any salary adjustments by the compensation committee.

During 2017, the principal elements of compensation for our named executive officers contemplated by their respective employment agreements were:

- base salary;

- performance-based annual incentive bonus award under our Annual Incentive Plan (defined below);

- performance-based equity awards granted to our named executive officers in February 2017, subject to attainment of certain performance goals established by our compensation committee, based on our total stockholder return relative to our proxy peer group during the applicable performance periods and continuous service requirements;

- time vesting equity awards granted to our named executive officers in February 2017, vesting in three approximately equal annual installments, with the first installment vesting on the date of grant and the remaining installments vesting in February of each subsequent year; and

- health insurance, life and disability insurance and 401(k) plan benefits available to all of our other employees.

Stockholder Outreach and 2017 "Say On Pay" Advisory Vote

The compensation committee carefully reviews our executive pay programs and focuses on emphasizing pay for performance in making annual compensation decisions. The compensation committee values the insight we glean from our stockholder outreach and from our annual say-on pay advisory vote on executive compensation. In 2017, approximately 72% of votes cast by our stockholders were in favor of our say-on-pay proposal. Although this vote demonstrates substantial support of our executive compensation programs, our management undertakes stockholder engagement efforts to solicit stockholder input on our executive compensation structure and ensure on-going stockholder support of our executive compensation programs.

Following our 2017 Annual Meeting of Stockholders, we reached out to institutional or private equity firms holding an aggregate of approximately 61% of our outstanding common stock, soliciting their feedback on our executive compensation programs, corporate governance, corporate responsibility and other important issues. As a result of these efforts, we engaged in substantive discussions with stockholders holding approximately 35% of our outstanding common stock. We also had discussions of certain of these matters with other investors during investor presentation events and earnings and other investor calls. Our management, board of directors and appropriate committees discussed this constructive feedback and it was used to further strengthen our compensation programs, improve our disclosure practices and address other governance matters.

#### Actions Taken in Response to Our Stockholder Outreach Efforts

In response to feedback obtained during our stockholder outreach efforts following our 2017 Annual Meeting of Stockholders, the following actions, some of which had already been independently considered for implementation by our board of directors or its committees, were undertaken:

our board of directors amended our bylaws to provide, effective with this Annual Meeting, for the majority vote requirement to elect directors to our board of directors, which replaced the prior plurality voting standard applicable to our director election;

- our board of directors and the nominating and corporate governance committee approved enhancements to the nominating committee charter and director nomination process, focusing on increasing the size of the board and its independence, with a supermajority of the board currently being independent, and enhancing the board's diversity, adding a female director to our board in April 2018;

the compensation committee fully transitioned to three-year performance-based equity awards, with no two-year performance-based equity awards granted during 2018 and no two-year performance-based awards contemplated in the future, and implemented double-trigger change of control provisions in equity awards granted beginning with 2018; and

the compensation committee enhanced disclosure of targets and goals for performance-based awards granted during 2017 and discussion of equity award process for our named executive officers and the underlying rationale for such awards.

#### 2017 Executive Compensation Analysis

In the fall of 2016, the compensation committee retained Aon Hewitt to conduct a competitive review of compensation practices for certain executive officers, including our named executive officers, and to establish marketplace compensation levels for such executives. The compensation committee considered any potential conflicts of interest with the compensation consultant and determined that there were no such conflicts of interest. The compensation committee considered changes to the companies to be included in the peer group that would serve as reference for making compensation decisions for 2017, primarily based on industry segment, annual revenue and market capitalization considerations provided by management to the compensation consultant and discussed such considerations with management. Aon Hewitt prepared its executive compensation analysis, dated January 26, 2017, which we refer to as the January 2017 Hewitt study, based on the information available to it from its Oil & Gas Industry compensation surveys of oil and gas companies of similar size (measured by annual revenue) and market capitalization, which we refer to herein as the survey peer group companies, and the review of compensation practices in our peer group companies determined in consultation with the compensation committee and management, based on such companies' proxy statements filed in 2016, which we refer to herein as our proxy peer group companies. Our proxy peer group used in the January 2017 Hewitt study consisted of the following 18 companies:

Callon Petroleum Company	Newfield Exploration Company
Carizzo Oil & Gas Inc.	Parsley Energy, Inc.

Cimarex Energy Company	PDC Energy, Inc.
Clayton Williams Energy Inc.	QEP Resources, Inc.
Concho Resources Inc.	Range Resources Corporation
Energen Corporation	Rice Energy Inc.
Gulfport Energy Corporation	RSP Permian, Inc.
Laredo Petroleum, Inc.	SM Energy Company
Matador Resources Company	WPX Energy, Inc.

In the January 2017 Hewitt study, the compensation consultant provided competitive data for similarly situated executives at both the survey peer group and the proxy peer group companies, focusing on the following elements of compensation: (i) the annual base

salary; (ii) the target annual cash incentive bonus, assuming target performance is achieved; (iii) the total target annual cash compensation consisting of the two elements referenced above; (iv) the value of long-term incentive awards as of the date of grant; and (v) the total direct compensation, consisting of the total target annual cash compensation and the value of long-term incentive awards as of the date of grant. The compensation consultant also analyzed how these elements of compensation compare to elements of compensation afforded to our executive officers, including the named executive officers.

In the January 2017 Hewitt study, the compensation consultant determined that (i) the 2016 target total direct compensation for our named executive officers was generally above the 75<sup>th</sup> percentile of both our survey peer group and our proxy peer group, (ii) the 2016 annual base salary was generally competitive with the median of the survey peer group and the 75<sup>th</sup> percentile of the proxy peer group and (iii) the 2016 target total annual compensation was generally competitive with the median of the survey peer group and the 75<sup>th</sup> percentile of the proxy peer group. The compensation consultant also determined that the 2016 long-term incentive awards granted to each of our named executive officers were generally above the 75<sup>th</sup> percentile of both our survey peer group and our proxy peer group.

At the end of January 2017, the compensation committee met to consider, among other things, the January 2017 Hewitt study, the Company's 2016 and multi-year performance, our executives' individual contributions to such performance, executive promotions, aspects of executive compensation in general and, with respect to our named executive officers other than our Chief Executive Officer, our Chief Executive Officer's recommendations. Our Chief Executive Officer's recommendations to the compensation committee related to such other named executive officers' promotions, annual base salaries for 2017, annual incentive compensation plan target award percentages and long-term incentive awards under the 2016 Amended and Restated Equity Incentive Plan, which we refer to as the Equity Incentive Plan. The compensation committee and our Chief Executive Officer discussed compensation alignment with future performance and stockholder value creation, individual performance of our named executive officers (other than our Chief Executive Officer), retention considerations in light of recruitment efforts by peer and private equity companies, our focus on performance-qualified equity awards, and market data and competitive analysis provided by the compensation consultant in the January 2017 Hewitt study. The compensation committee also discussed, in his absence, our Chief Executive Officer's individual performance and compensation. At the January 2017 meeting, the compensation committee took this information under advisement and did not make any changes to the executive compensation at that time.

In mid-February 2017, following the issuance of our earnings release reporting our financial and operational results for the fourth quarter and full-year ended December 31, 2016, the compensation committee again reviewed our Company's 2016 and multi-year performance and the performance of each of our executive officers, including our named executive officers, and reviewed elements of their compensation in light of these factors and the January 2017 Hewitt study.

The following charts reflect key financial metrics and our performance relative to such metrics considered by the compensation committee when analyzing our Company performance for 2016 (as compared to 2015) and making compensation decisions for 2017.

30% Increase in Production	31% Increase in Proved Reserves	24% Decrease in LOE per BOE	18% Decrease in Cash Operating Costs per BOE	Zero Drawn on Diamondback's Revolver at Year-End 2016	>\$3.0 billion in Accretive Acquisitions Financed
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Further, based on the considerations discussed above with respect to our Company performance, our named executive officers' individual contributions to such performance and input received from our Chief Executive Officer with respect to named executive officers other than the Chief Executive Officer, the compensation committee recommended to our board of directors, and acting upon such recommendation, our board of directors promoted Michael L. Hollis as our President and Chief Operating Officer and promoted our other named executive officers to Executive Vice Presidents, while retaining their other then-current titles. The compensation committee then set the compensation of our named executive officers for 2017. In setting compensation for 2017, the compensation committee was guided by the goal that, consistent with our prior practices, a material amount of executive compensation in 2017 should be tied to performance, and a significant portion of the total prospective compensation of each named executive officer should be tied to measurable financial and operational objectives. These include performance criteria relative to our peer group. During periods when performance meets or exceeds established objectives, our named executive officers should be paid at or above targeted levels, respectively. When our performance does not meet key objectives and falls below the threshold, no qualified performance-based payments should be made to such executive officers.

Based on the foregoing considerations, during the February 2017 meeting, the compensation committee increased annual base salaries for Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar to \$850,000, \$410,000, \$590,000, \$560,000 and \$475,000,



respectively, effective January 1, 2017. During the meeting, the compensation committee also set the annual incentive bonus targets for 2017 for Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar at 100%, 80%, 90%, 80% and 80% of their annual base salary, respectively, leaving such targets for these named executive officers at prior levels. Further, the compensation committee determined to grant both performance-based and time-vesting restricted stock unit awards to our named executive officers, giving more weight to performance-based awards. In setting 2017 performance-based and time-vesting restricted stock unit awards, the compensation committee determined to grant such awards at lower levels than the awards granted to such named executive officers in 2016, taking into account, among other considerations discussed above, the fact that the 2016 awards were granted at increased levels as part of the implementation of the plan to transition a larger portion of our named executive officers' compensation to qualified performance-based compensation, driven by pre-established Company performance goals and, therefore, at risk. Consistent with the compensation committee's focus on enhancing the performance component of our executive compensation, the 2017 performance-based awards granted to each named executive officer represented two thirds of the total 2017 equity award, with the time-vesting component of such award representing only one third of the total 2017 equity award.

#### Looking Ahead: Compensation Changes for 2018

In the fall of 2017, the compensation committee again retained Aon Hewitt, its independent compensation consultant, to conduct a competitive review of compensation practices for certain executive officers, including our named executive officers, and to establish marketplace compensation levels for such executives for 2018. The compensation committee considered and made changes to the companies to be included in the peer group that would serve as reference for making compensation decisions for 2018, primarily based on industry segment, annual revenue and market capitalization, following its discussion of such considerations with management and the compensation consultant. Aon Hewitt prepared its executive compensation analysis, dated January 8, 2018, which we refer to as the January 2018 Hewitt study, based on the information available to it from its Oil & Gas Industry compensation surveys of oil and gas companies of similar size (measured by annual revenue) and market capitalization, which we refer to herein as the survey peer group companies, and the review of compensation practices in our peer group companies determined in consultation with the compensation committee and management, based on such companies' market capitalization, annualized third quarter 2017 revenue and annualized total stockholder return as of November 7, 2017, which we refer to herein as our proxy peer group companies. Our proxy peer group used in the January 2018 Hewitt study consisted of the following 17 companies:

Cimarex Energy Company	Newfield Exploration Company
Continental Resources, Inc.	Parsley Energy, Inc.
Concho Resources Inc.	Pioneer Natural Resources
Encana Corp.	QEP Resources, Inc.
Energen Corporation	RSP Permian, Inc.
Laredo Petroleum, Inc.	SM Energy Company
Marathon Oil Corporation	Whiting Petroleum Corporation
Murphy Oil Corporation	WPX Energy, Inc.
Noble Energy, Inc.	

In the January 2018 Hewitt study, the compensation consultant provided competitive data for similarly situated executives at both the survey peer group and the proxy peer group companies, focusing on the same compensation elements as those considered for purposes of evaluating the 2017 executive compensation packages, and analyzing how these elements of compensation correlate to the elements of compensation afforded to our executive officers, including the named executive officers.

In the January 2018 Hewitt study, the compensation consultant determined that (i) the 2017 target total direct compensation for our named executive officers was generally competitive with the 75th percentile of both our survey

peer group and our proxy peer group, (ii) the 2017 annual base salary was generally competitive with the median of the survey peer group and the 75th percentile of the proxy peer group and (iii) the 2017 target total annual compensation was generally competitive with the median of both our survey peer group and the proxy peer group. The compensation consultant also determined that the 2017 long-term incentive awards granted to each of our named executive officers were generally above the 75th percentile of both our survey peer group and our proxy peer group.

In considering changes to the 2018 executive compensation packages, the compensation committee evaluated, among other things, aspects of executive compensation in general, market data and competitive analysis provided by the compensation consultant in the January 2018 Hewitt study, the Company's 2017 and multi-year performance, our executives' individual contributions to such performance, compensation alignment with future performance and stockholder value creation, our focus on performance-qualified equity awards, retention considerations in light of recruitment efforts by peer and private equity companies, input obtained from our stockholder outreach efforts and, with respect to our named executive officers other than our Chief Executive Officer, our Chief Executive Officer's recommendations. Our Chief Executive Officer's recommendations to the compensation committee related to such other executive

officers' annual base salaries for 2018, annual incentive compensation plan target award percentages and long-term incentive awards under the Equity Incentive Plan. The compensation committee also evaluated, in his absence, our Chief Executive Officer's individual performance and compensation.

In mid-February 2018, following the issuance of our earnings release reporting our financial and operational results for the fourth quarter and full-year ended December 31, 2017, the compensation committee set the compensation of our named executive officers for 2018.

The following charts reflect key financial metrics and our performance relative to such metrics considered by the compensation committee when analyzing our Company performance for 2017 (as compared to 2016) and making compensation decisions for 2018.

84%	63%	392%	16%	11%	
Increase in Production Volumes	Increase in Total Proved Reserves and 75% Increase in Proved Developed Reserves	Increase in Net Income and 152% Increase in Consolidated Adjusted EBITDA	Decrease in LOE per BOE	Decrease in Cash Operating Costs per BOE	\$3.2 billion in Accretive Acquisitions Closed

In setting compensation for 2018, the compensation committee was guided by the goal that, consistent with our prior practices, a material amount of executive compensation in 2018 should be tied to performance, and a significant portion of the total prospective compensation of each named executive officer should be tied to measurable financial and operational objectives, including performance criteria relative to our peer group. Based on the recommendations from our Chief Executive Officer with respect to the compensation of other named executive officers for 2018 and the compensation committee's assessment of the 2018 compensation package for our Chief Executive Officer, peer group data and considerations discussed above, the compensation committee set our named executive officers' base salary and total compensation (consisting of the value of their long-term equity awards, annual cash incentive bonus and base salary) for 2018, as discussed below.

Based on the foregoing considerations, during the February 2018 meeting, the compensation committee increased annual base salaries for Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar to \$990,000, \$430,000, \$625,000, \$590,000 and \$500,000, respectively, effective January 1, 2018. During the meeting, the compensation committee also set the annual incentive bonus targets for 2018 for Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar at 125%, 80%, 90%, 80% and 80% of their annual base salary, respectively, increasing the annual incentive bonus target for our Chief Executive Officer to 125% from 100% and leaving such targets for the other named executive officers at prior levels. Further, the compensation committee determined to grant both performance-based and time-vesting restricted stock unit awards to our named executive officers, giving more weight to performance-based awards. In setting 2018 performance-based and time-vesting restricted stock unit awards, the compensation committee determined to grant such awards at lower levels than the awards granted to such named executive officers in 2017. Consistent with the compensation committee's focus on giving more weight to the performance component of our executive compensation, the 2018 performance-based equity award granted to each named executive officer represented approximately two thirds of the total 2018 equity award, with the time-vesting component of such award representing only approximately one third of the total 2018 equity award. The 2018 performance-based awards represent our complete transition to the three-year performance-based awards, vesting of which will depend on achieving a specified total stockholder return measured against our peer group during the three-year performance period beginning with the year of grant and satisfaction of continuous services requirements. No two-year performance-based awards were granted in 2018 or contemplated in the future.

## Executive Compensation Program Elements

Subject to the terms of the employment agreements with our named executive officers, our compensation committee determines the mix of compensation, both among short-term and long-term compensation and cash and non-cash compensation, to establish structures that it believes are appropriate for each of our named executive officers. While emphasizing pay for performance, the compensation committee believes that the mix of base salary, annual incentive bonus awards based on pre-established financial and operational performance targets, performance-weighted equity awards, existing equity awards under their employment agreements, and the other benefits that are or will be available to our named executive officers will accomplish our overall compensation objectives. We believe that these elements of compensation create competitive compensation opportunities to align and drive executive performance in support of our business strategies and to attract, motivate and retain high quality talent with the skills and competencies required by us.

### Pay for Performance Driven Compensation Structure

As illustrated below, the total direct compensation of our named executive officers is heavily weighted towards variable, at-risk compensation that is tied to performance. Our Chief Executive Officer pay mix in 2017 was 92% aligned with our stockholders and our other named executive officers' average pay mix was 90% aligned with our stockholders. The performance component of our Chief Executive Officer's and our other named executive officers' pay mix represented 68% and 67%, respectively, of such executive officers total direct compensation.

The following describes each element of our executive compensation program, which we use to meet our compensation objectives discussed above.

#### Base Salary

Our named executive officers' base salaries are established in their respective employment agreements. Subject to the terms of the applicable employment agreements, as they may be amended or amended and restated from time to time, the compensation committee may increase base salaries to align such salaries with market levels for comparable positions in other companies in our industry if we identify significant market changes. Additionally, the compensation committee may increase base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive's role or responsibilities. The compensation committee may also evaluate our named executive officers' salaries together with other components of their compensation to ensure that the executive's total compensation is in line with our overall compensation philosophy and market practices in our peer group or our industry in general. Pursuant to the employment agreements with the named executive officers, the base salaries of such named executive officers can be increased from time to time by the compensation committee, but cannot be decreased. See "Compensation Decisions for 2017 and Changes in Compensation for 2018" for a discussion of considerations involved in the determination of our named executive's base salaries.

#### Performance-Based Annual Incentive Bonus

2017 Performance Bonus. Performance bonuses to our named executive officers are granted under our 2014 Annual Incentive Plan, referred to herein as the Annual Incentive Plan or the 2014 Plan. The Annual Incentive Plan was approved by our board of directors on April 2, 2014, which was then approved by our stockholders at the 2014 Annual Meeting. The Annual Incentive Plan is designed to provide an incentive to executive officers and other selected employees of the Company to contribute to the growth, profitability and increased value of the Company by providing cash incentive compensation that qualifies as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code, as in effect prior to January 1, 2018. The Annual Incentive Plan focuses on achievement of certain annual objectives and goals, as determined by the compensation committee at the beginning of each calendar

year, and provides that the participants may earn a pre-determined percentage of their respective base salaries for the achievement of such specified goals. Under the Annual Incentive Plan, the payout opportunity may be contingent upon meeting the threshold performance levels (with no award payable unless the threshold is reached), and thereafter varies for performance above and below the pre-established target performance levels, subject to a maximum award level, which is generally capped at 300% of the base salary of the participant at the time the award is established. With respect to each of our named executive officers, the target award opportunity was initially established for each such named executive officer in his or her employment agreement, and adjusted subsequently by the compensation committee for each year in connection with setting the annual performance goals and targets for such year, which cannot exceed a maximum payment limit specified by the compensation committee.

The Annual Incentive Plan also provides that the awards granted to executive officers and covered employees under the Annual Incentive Plan will be forfeited if their respective employment does not continue through the date that the compensation committee certifies attainment of the applicable performance targets. In the event of a change in control, each named executive officer will be paid the target award amount (mid-point of any specified range of potential award payment amount) based on the assumption that the performance target was attained at the target level (generally a mid-point of any specified range of performance targets) for the entire performance period. The target award amount will be paid within ten days following the consummation of the change in control transaction. For a more detailed description of the Annual Incentive Plan, see “2014 Executive Annual Incentive Compensation Plan” on page 36.

For 2017, the performance goals and targets listed in the table below were established by the compensation committee in March 2017, based on, among other things, a review of our prior year’s performance, benchmarking considerations relative to our peers’ performance, execution challenges ahead, acquisition integration considerations, service and commodity markets and capital requirements. We identify goals that align with how management views our success and how stockholders evaluate our performance, both on a standalone basis and relative to our peers and the broader energy industry. For example, the goals given the highest weight on our pre-established 2017 performance metrics measure our capital discipline and efficiency, which directly impact our corporate return on average capital employed and return on stockholder equity. We set goals that we believe are rigorous based on our capital budget and business plan and are competitive with the metrics of the best operators in our peer group in each respective category.

In February 2018, the compensation committee certified to the attainment of the pre-established performance goals and targets for 2017. Of the target performances set by the compensation committee for 2017, the compensation committee certified that the performance measures were attained at the following levels against the pre-established goals and targets for 2017:

Pre-Established Performance Goals	Performance Levels <sup>(1)</sup>	Annual Results as of December 31, 2017 Achieved	Percentage of Performance Target Achieved	Weighted % of Bonus Target	Weighted % of Bonus Target Earned
Capital Efficiency (\$/Lateral Foot) - Midland Basin	Threshold \$675 Target \$625 Maximum \$585	\$602	158%	20%	32%
Capital Efficiency (\$/Lateral Foot) - Delaware Basin	Threshold \$1,100 Target \$1,000 Maximum \$867	\$1,072	64%	10%	6%
Capital Efficiency - (PDP F&D) (per BOE) - Midland Basin	Threshold \$8.39 Target \$9.76		200%	20%	40%

	Maximum				
	\$8.65				
	Threshold				
Capital Efficiency - (PDP	\$13.73				
F&D) (per BOE) -	Target \$11.85	\$11.95	97%	10%	10%
Delaware Basin	Maximum				
	\$9.83				
	Threshold				
	\$6.10				
Lease Operating Expense	Target \$5.75	\$4.38	200%	15%	30%
(per BOE)	Maximum				
	\$5.20				
	Threshold				
	\$2.14				
General and Administrative	Target \$1.91	\$1.21	200%	10%	20%
Cost - Cash (per BOE)	Maximum				
	\$1.72				
	Threshold				
	\$580				
EBITDA (in millions)	Target \$720	\$928	200%	15%	30%
	Maximum				
	\$800				
Total				100%	168%

(1) No payouts are made under the Annual Incentive Plan unless the threshold performance levels are achieved.

In 2017, we (i) exceeded our target performance level for capital efficiency in the Midland Basin by 158%, achieving an average cost of \$602 per lateral foot, (ii) as a recent entrant into the Delaware Basin, exceeded our threshold performance level for capital efficiency in such basin by 64%, achieving an average cost of drilling of \$1,072 per lateral foot, (iii) exceeded both target and maximum capital

efficiency levels for proved developed finding and development, or PD F&D, costs per BOE, in the Midland Basin by 200%, achieving \$8.39 per BOE, (iv) exceeded the threshold level and came close to achieving our target performance level for capital efficiency for PDP F&D per BOE in the Delaware Basin as a recent entrant into such basin, achieving \$11.95 per BOE, (v) exceeded both our target and maximum performance levels for reducing lease operating expense per BOE, achieving a peer-leading average lease operating expense of \$4.38 per BOE, (vi) exceeded both our target and maximum performance levels for reducing general and administrative cost-cash per BOE, achieving an average general and administrative cost-cash of \$1.21 per BOE, and (vii) exceeded both the target and maximum performance levels for our annual EBITDA, achieving adjusted EBITDA attributable to Diamondback of \$928.0 million in 2017. After applying the weighting established by the compensation committee to each category, the achievement of these performances resulted in an award of approximately 168% of the applicable targeted bonus to each named executive officer. In connection with reaching these goals, the compensation committee approved awards to Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar in the amounts of \$1,428,000, \$551,040, \$892,080, \$752,640 and \$638,400, respectively.

In March 2018, the compensation committee established the performance criteria and targets for 2018 for the named executive officers and other covered employees under the Annual Incentive Plan and specified the weighting attributable to such performance metrics. For 2018, the performance levels require achieving certain financial and operational metrics (with no award payable unless the threshold performance levels are achieved) with respect to:

- well costs per lateral foot in the Midland Basin weighted at 20%;
- well costs per lateral foot in the Delaware Basin weighted at 10%;
- total PD F&D costs per BOE weighted at 20%;
- lease operating expense per BOE weighted at 15%;
- general and administrative cost-cash per BOE weighted at 15%; and
- return on average capital employed calculated by dividing our consolidated earnings before income taxes, or EBIT, by the average total assets less the average current liabilities for 2017 and 2018 weighted at 20%.

The compensation committee determined that these metrics are principal drivers of profitability and growth for the Company for 2018. The compensation committee determined that these performance levels, as well as bonus targets set forth in our named executive officers' employment agreements, as amended and restated to date, would further motivate our named executive officers to contribute to the Company's performance and growth, align our named executive officers' interests with those of our stockholders and put a larger portion of our named executives' compensation at risk.

#### Long Term Equity Incentive Compensation

We seek to promote an ownership culture among our executive officers in an effort to enhance our long-term performance. We believe the use of stock and stock-based awards offers the best approach to achieving our compensation goals and to align the interests of our executive officers with those of our stockholders. To achieve this purpose, our board of directors adopted and our stockholders approved our 2016 Amended and Restated Equity Incentive Plan, which is referred to herein as the Equity Incentive Plan. The purpose of the Equity Incentive Plan is to enable us, and our affiliates, to attract and retain the services of the types of employees, consultants and directors who will contribute to our long term success and to provide incentives that will be linked directly to increases in share value that will inure to the benefit of our stockholders. The Equity Incentive Plan provides a means by which eligible recipients of awards may be given an opportunity to benefit from increases in value of our common stock through the granting of equity awards. The terms of the Equity Incentive Plan are described in more detail below. Under the employment agreements with each of our named executive officers, each such executive is eligible to participate in the Equity Incentive Plan or such other equity incentive plan or plans then in existence for the benefit of employees, and may in the discretion of the compensation committee receive an equity award in accordance with the terms of such



plan or plans. The timing and amount of such equity awards, any target performance goals and the vesting terms of such awards will be determined by the compensation committee in its sole discretion. If any of such executive's employment terminates prior to any scheduled vesting date then, except as expressly provided in any existing or future equity award, the applicable executive shall forfeit all rights and interests in and to such unvested equity awards.

#### 2017 Performance-Based and Time-Vesting Awards

In February 2017, the compensation committee granted Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar time vesting restricted stock units, two-year performance-based restricted stock units and three-year performance based restricted stock units in each case under the Equity Incentive Plan.

	Time-Vested Restricted Stock Units <sup>(1)</sup>	Performance-Based Restricted Stock Units	
		Two-Year <sup>(2)</sup>	Three-Year <sup>(3)</sup>
Travis D. Stice	22,230	11,115	22,230
Teresa L. Dick	5,850	2,925	5,850
Michael L. Hollis	13,650	6,825	13,650
Russell Pantermuehl	11,700	5,850	11,700
Paul Molnar	11,700	5,850	11,700

(1) Time-vested restricted stock units of which one-third of the award vested in each of February 2017 and February 2018, with the remaining one-third of the award vesting in February 2019.

(2) The two-year performance-based restricted stock units are for the performance period from January 1, 2017 through December 31, 2018.

(3) The three-year performance-based restricted stock units are for the performance period from January 1, 2017 through December 31, 2019.

The performance-based restricted stock units are subject to the satisfaction of the total stockholder return performance conditions relative for our peer group set forth in a table below for the applicable performance period, and continuous service requirements, with no awards vesting if the relative total stockholder return falls below the threshold percentile.

Total Stockholder Return Percentile	Grant Vesting Percentage
<25th Percentile of Peer Group	0% of Target
25 <sup>th</sup> Percentile of Peer Group	50% of Target (Threshold)
50 <sup>th</sup> Percentile of Peer Group	100% of Target (Target)
75 <sup>th</sup> Percentile of Peer Group	Up to a maximum of 200% of Target (Maximum)

These awards were designed to incentivize our named executive officers to continue to contribute to the Company's performance at the top of its peer group, similar to the Company's performance in prior periods, as well as to promote retention of our named executive officers who have been pursued not only by industry competitors but also by private equity groups. The two-year performance-based awards granted by the compensation committee in 2017 were designed to facilitate our full transition by the beginning of 2018 to the three-year performance-based grants for the performance period beginning with the year of the grant, as well as to address the possibility that our total stockholder return in future periods may not increase to the same degree as the total stockholder return generated by peer group companies, since our stock performance continued to be strong year over year and did not experience the same level of downward volatility as stock of peer group companies.

#### 2018 Performance-Based and Time-Vesting Awards

In February 2018, the compensation committee granted Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar time vesting restricted stock units and three-year performance based restricted stock units in each case under the Equity Incentive Plan.

	Time-Vested Restricted Stock Units <sup>(1)</sup>	Performance-Based Restricted Stock Units <sup>(2)</sup>
Travis D. Stice	20,391	30,585
Teresa L. Dick	5,598	8,396
Michael L. Hollis	11,835	17,751
Russell Pantermuehl	10,236	15,353
Paul Molnar	9,597	14,393

(1) Time-vested restricted stock units of which one-third of the award vested in February 2018, with the remaining restricted stock units vesting in two substantially equal annual installments beginning in February 2019.

(2)

These three-year performance-based restricted stock units are for the performance period from January 1, 2018 through December 31, 2020.

The performance-based restricted stock units are subject to the satisfaction of the total stockholder return performance conditions relative for our peer group for the applicable performance period, and continuous service requirements. These awards were designed to

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incentivize our named executive officers to continue to contribute to the Company's performance at the top of its peer group, similar to the Company's performance in prior periods. As discussed above, the 2018 performance-based awards represent our complete transition to the three-year performance-based awards, with no two-year performance-based awards granted in 2018 or intended in future periods. In addition, the time vesting awards were designed to promote retention of our named executive officers who have been pursued not only by industry competitors but also by private equity groups. Consistent with our compensation committee's commitment to emphasize performance-based compensation to motivate our executive officers, while maintaining a balanced approach to executive compensation, the 2018 performance-based awards were granted at higher levels than the 2018 time-vesting awards.

In the event of a change in control, the time-vesting restricted stock units granted to each of our named executive officers in 2017 and 2018 will vest immediately upon the occurrence of such event and will be settled upon the consummation of such event. In the event of the executive's death or disability during a period of continuous service, the deceased or disabled executive's restricted stock units will vest immediately and will be settled in full on the payment date coincident with or next following the date of vesting. In the event of our change in control, the performance period for performance-based restricted stock units granted to each named executive officer in 2017 and 2018 will be accelerated to the last trading day of the month preceding the date of the consummation of our change in control, and the number of shares subject to performance-based restricted stock units will be determined based on meeting the total stockholder return percentile for such accelerated performance period, which shares will vest immediately following such determination and will be settled upon the consummation of the change in control. In the event of the named executive's death or disability during a period of continuous service, the deceased or disabled executive's vesting percentage will be determined at the end of the performance period and settled at the same payment date as if the participant remained in continuous service through the end of the performance period.

#### Satisfaction of Performance Targets for 2016 Performance-Based Awards for the Performance Period ended December 31, 2017

In February 2018, the compensation committee certified to the attainment of the pre-established performance goals with respect to performance-based restricted stock units granted to our named executive officers in January 2016, which awards were subject to the satisfaction of certain total stockholder return performance conditions relative to our peer group for the performance period commencing on January 1, 2016 and ending on December 31, 2017, and continuous service requirements. The compensation committee certified that, based on publicly available information, (i) our total stockholder return of 88.7% for the above-referenced performance period is in the 92<sup>nd</sup> percentile of the peer group total stockholder return, which is above the 75<sup>th</sup> percentile of the total stockholder return for the peer group, (ii) the total stockholder return percentile equates to a total target grant vesting percent of 200% of the target number of restricted stock units granted to the named executive officers and (iii) the applicable performance target and other material terms of such performance-based restricted stock unit awards were achieved at such levels for the above-referenced performance period. In connection with reaching these performance goals, the 2016 performance-based restricted stock unit awards received by Mr. Stice, Ms. Dick, Mr. Hollis, Mr. Pantermuehl and Mr. Molnar have vested at 200% of the target, resulting in the issuance of 180,338, 12,022, 60,112, 48,090 and 24,044 shares underlying these performance-based restricted stock units to these named executive officers, respectively, in February 2018.

The compensation committee believes that the awards made to our named executive officers under the Equity Incentive Plan will provide incentive to these executive officers to enhance our long-term success and encourage performance, and will continue to align the interests of our named executive officers with those of our stockholders.

#### Other Compensation and Perquisites

Consistent with our compensation philosophy, our compensation committee provides benefits to our executives that are substantially the same as those currently being offered to our other employees, including health insurance, life and disability insurance and a 401(k) plan. A description of the 401(k) plan is below.

#### Clawback Provisions

Under the Sarbanes-Oxley Act of 2002, our Chief Executive Officer and Chief Financial Officer may be subject to clawbacks in the event of a restatement. Under our Equity Incentive Plan, each award pursuant to that plan is conditioned on repayment or forfeiture in accordance with applicable laws, our Company policies and any relevant provisions in the related award agreements.

#### Anti-Hedging Policy

We have a policy prohibiting directors, executive officers and certain other designated employees from speculative trading in our securities, including hedging transactions, short selling, and trading in put options, call options, swaps or collars. In addition, we prohibit our directors and executive officers from holding our common stock in a margin account. To our knowledge, all such individuals are in compliance with the policy. Our policy is to also strongly encourage all other employees from engaging in hedging activities in

our stock and any such transaction requires notice and pre-approval, and will only be considered with a valid justification. Since the adoption of the policy in 2012, we are not aware of any hedging activities by our employees.

#### Stock Ownership and Retention Guidelines for Executive Officers

Effective April 25, 2016, the compensation committee adopted stock ownership and retention guidelines for executive officers who are classified as Vice President and above, which we refer to as the guidelines. The guidelines were adopted to encourage executives to have a meaningful stake in the company, which encourages a focus on our long-term success, aligns executives' interests with the interests of our stockholders and further promotes our commitment to sound corporate governance.

Under the stock ownership and retention guidelines, each of our executive officers must own an amount of our common stock equal to a multiple of his or her annual base salary. The Chief Executive Officer must own an amount equal to at least five times his base salary, each of the executive vice presidents must own an amount at least equal to three times his or her base salary and each of the other vice presidents must own an amount at least equal to two times his or her base salary.

	2018 Base Salary	Multiple of Annual Base Salary Required	Minimum Value of Stock Required to Retain
Travis D. Stice	\$990,000	5x	\$4,950,000
Teresa L. Dick	\$430,000	3x	\$1,290,000
Michael L. Hollis	\$625,000	3x	\$1,875,000
Russell Pantermuehl	\$590,000	3x	\$1,770,000
Paul Molnar	\$500,000	3x	\$1,500,000

Until the earliest of: (i) 24 months following the applicable exercise date or vesting date of equity awards; (ii) the date such executive officer is determined to be in full compliance with the guidelines; and (iii) the date such executive officer ceases to be a participant subject to the guidelines, for awards granted after the effective date of the guidelines he or she is required to hold at least 50% of the net shares received upon the exercise of stock options and 50% of the net shares received upon vesting of restricted stock or performance shares. Once the ownership requirement is met, the executive officer must continue to hold that number of shares until leaving his or her position with us.

Any participant subject to the guidelines who is not in compliance with the applicable guideline (subject to any compliance transition period) may be required to retain up to 100% of the net shares of our common stock acquired via the exercise of options or the vesting of restricted awards granted under our equity incentive programs until the applicable guideline has been met.

Participants generally are given a five-year transition period to come into full compliance with the guidelines. Participants are expected to make steady progress towards meeting the ownership levels specified in the guidelines with any stock awards or stock purchases made on or after the effective date of the guidelines. There is an exception to the holding requirements for financial hardship and other unusual situations, subject to approval by the Chief Executive Officer and the compensation committee.

For stock options, "net" shares means the number of shares delivered upon exercise of the option, net of shares used to pay the exercise price and applicable taxes. For performance shares and restricted stock, "net" shares means the number of shares held upon vesting, net of shares used to pay applicable taxes.

In addition to shares held outright, shares held directly or indirectly in trust, shares held by immediate family members residing in the same household, shares held in qualified plans (e.g., in a 401(k) plan), vested shares held in non-qualified plans, vested stock options (other than options that are underwater at the time of measurement) and unvested restricted stock subject to time based (but not performance based) vesting are all counted toward satisfaction of the ownership requirement.

All of our named executive officers were in compliance with the guidelines as of the adoption of the guidelines.

Employment Agreements

The following summarizes the material terms of the employment agreements we have with our named executive officers.

Travis D. Stice. We are party to an employment agreement with Mr. Stice, our Chief Executive Officer, which employment agreement was originally entered into on April 18, 2011. The employment agreement, as amended and restated, has a three-year term

commencing as of April 18, 2014. His base salary can be increased from time to time by the compensation committee, but not decreased. Mr. Stice's annual base salary during 2017 was \$850,000, and was increased by the compensation committee to \$990,000 effective January 1, 2018. Mr. Stice is also entitled to receive a target annual bonus of 125% of his base salary upon achievement of performance goals established by the compensation committee, up to a maximum of 200% of base salary in the event performance exceeds the target level established by the compensation committee. Mr. Stice is entitled to participate in such life and medical insurance plans and other similar plans that we establish from time to time for our executive employees.

Mr. Stice has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. Stice's affiliation with us and for a period of six months thereafter. Mr. Stice's continued employment with us is terminable by either party. We may terminate Mr. Stice's employment at any time, with or without advance notice. Mr. Stice may terminate the employment relationship at any time and for any reason, and is required to give us 30 days' notice if he voluntarily resigns without good reason. However, if (i) we terminate Mr. Stice's employment without "cause" or due to non-renewal of the term of his employment agreement (together, a "no cause termination"), (ii) Mr. Stice resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement or a material diminution in Mr. Stice's position, duties or authority or relocation of principal office more than 25 miles outside of Midland, Texas, or (iii) Mr. Stice's employment is terminated due to death or disability, then (x) we will be obligated to pay, on a monthly basis, 200% of Mr. Stice's base annual salary until the later of 24 months or the expiration of the term of his employment agreement, provided, however, that if a no cause termination or a good reason resignation occurs within 24 months after the occurrence of a change in control (as defined in the 2012 Plan or any successor plan) and such change in control is a "change in control event" within the meaning of Internal Revenue Service's rules and regulations, Mr. Stice will be entitled to receive such severance in a lump sum payment, and (y) 100% of the premiums to continue Mr. Stice's or his surviving spouse's and eligible dependents' group health plan continuation coverage under COBRA (provided that such individuals are qualified beneficiaries who are eligible and timely elect COBRA continuation coverage), in addition to any obligations under the terms of any outstanding equity awards; provided, in each case, that Mr. Stice continues to comply with the restrictive covenants described above and Mr. Stice (or his estate or beneficiaries in the case of clause (iii) above) executes a full general release in our favor. Under the employment agreement with Mr. Stice, the terms of each equity award granted to Mr. Stice will provide that such equity award will become 100% vested upon (i) our termination of Mr. Stice without cause or non-renewal of his employment agreement, (ii) Mr. Stice's resignation for good reason, (iii) his death or disability or (iv) our change in control (as defined in the 2012 plan or any successor plan). In the event Mr. Stice's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses. For purposes of Mr. Stice's employment agreement, "cause" is generally defined as Mr. Stice's (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us or Company policy of Code of Conduct, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with his responsibilities as an employee or (h) failure to comply with directives of our board of directors. The benefits Mr. Stice is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "Potential Payments Upon Termination, Resignation or Change of Control for Fiscal Year 2017" included elsewhere in this proxy statement.

Teresa L. Dick. Effective September 2011, we entered into an employment agreement with Ms. Dick, currently our Executive Vice President and Chief Financial Officer. The employment agreement, as amended and restated, provides for an initial two-year term commencing on January 1, 2014, and thereafter continues for successive one-year periods unless we or the executive elects to not extend the term. Ms. Dick's annual base salary during 2017 was \$410,000. Her



base salary can be increased from time to time by the compensation committee, but not decreased. The compensation committee increased Ms. Dick's base salary to \$430,000 effective January 1, 2018. Subject to Ms. Dick's achievement of certain performance goals as determined by our board of directors or the compensation committee, Ms. Dick is eligible to receive a target annual bonus of 80% of her annual base salary, provided she remains employed by us on the payment date. Ms. Dick is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees.

Under her employment agreement, Ms. Dick is eligible to participate in the Equity Incentive Plan or such other equity incentive plan or plans then in existence for the benefit of employees, and may in the discretion of the compensation committee receive an equity award in accordance with the terms of such plan or plans. The timing and amount of such equity awards, any target performance goals and the vesting terms of such awards will be determined by the compensation committee in its sole discretion. If Ms. Dick's employment terminates prior to any scheduled vesting date, except as expressly provided in any existing or future equity award, then she will forfeit all rights and interests in and to such unvested equity awards.

Ms. Dick has agreed to certain restrictive covenants in her employment agreement, including, without limitation, her agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Ms. Dick's affiliation with us and for a period of six months thereafter. Ms. Dick's continued employment with us is terminable by either party. We may terminate Ms. Dick's employment agreement at any time, with or without advance notice. Ms. Dick

may terminate the employment relationship at any time and for any reason, and is required to give us 30 days' notice if she voluntarily resigns without good reason. However, if (i) we terminate Ms. Dick's employment without "cause" or due to non-renewal of the term of her employment agreement, (ii) Ms. Dick resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement, relocation of her principal office 25 miles outside of Oklahoma City, Oklahoma or a material diminution in Ms. Dick's position, duties or authority, or (iii) Ms. Dick's employment is terminated due to death or disability, then Ms. Dick will be entitled to severance pay in an amount equal to 12 months' base salary, provided, in each case, that the executive continues to comply with the restrictive covenants described above and the executive (or her estate or beneficiaries in the case of clause (iii) above) executes a full general release in our favor, except that the restriction on competition will not apply in the event the executive resigns for good reason within 12 months following our change of control. In the event Ms. Dick's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses as of the termination date. For purposes of Ms. Dick's employment agreement, "cause" is generally defined as Ms. Dick's (a) willful and knowing refusal or failure to perform her duties in any material respect, (b) willful misconduct or gross negligence in performing her duties, (c) material breach of her employment agreement or any other agreement with us or Company policy or Code of Conduct, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with her responsibilities as an employee or (h) failure to comply with directives of our board of directors. The benefits Ms. Dick is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "Potential Payments Upon Termination, Resignation or Change of Control for Fiscal Year 2017" included elsewhere in this proxy statement.

Michael Hollis. Effective September 2011, we entered into an employment agreement with Mr. Hollis, currently our President and Chief Operating Officer. The employment agreement, as amended and restated, provides for an initial two-year term commencing on January 1, 2014, and thereafter continues for successive one-year periods unless we or the executive elects to not extend the term. Mr. Hollis' annual base salary for 2017 was \$590,000. His base salary can be increased from time to time by the compensation committee, but not decreased. The compensation committee increased Mr. Hollis' base salary to \$625,000 effective January 1, 2018. Subject to Mr. Hollis' achievement of certain performance goals as determined by our board of directors, Mr. Hollis is entitled to a target annual bonus of 90% of his annual base salary, provided he remains employed by us on the payment date. Mr. Hollis is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees.

Under his employment agreement, Mr. Hollis is eligible to participate in the Equity Incentive Plan or such other equity incentive plan or plans then in existence for the benefit of employees, and may in the discretion of the compensation committee receive an equity award in accordance with the terms of such plan or plans. The timing and amount of such equity awards, any target performance goals and the vesting terms of such awards will be determined by the compensation committee in its sole discretion. If Mr. Hollis' employment terminates prior to any scheduled vesting date then, except as expressly provided in any existing or future equity award, then he will forfeit all rights and interests in and to such unvested equity awards.

Mr. Hollis has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. Hollis' affiliation with us and for a period of six months thereafter. Mr. Hollis' continued employment with us is terminable by either party. We may terminate Mr. Hollis' employment at any time, with or without advance notice. Mr. Hollis may terminate the employment relationship at any time and for any reason, and is required to give us 30 days' notice if he voluntarily resigns without good reason. However, if (i) we terminate Mr. Hollis' employment without "cause" or due to non-renewal of the term of his employment agreement (ii) Mr. Hollis resigns for good reason, meaning such resignation follows a material uncured

breach by us of the employment agreement, relocation of his principal office more than 25 miles outside of Midland, Texas, or a material diminution in Mr. Hollis' position, duties or authority, or (iii) Mr. Hollis' employment is terminated due to death or disability, then Mr. Hollis will be entitled to severance pay in an amount equal to 12 months' base salary; provided, in each case, that Mr. Hollis continues to comply with the restrictive covenants described above and the executive (or his estate or beneficiaries in the case of clause (iii) above) executes a full general release in our favor, except that the restriction on competition will not apply in the event the executive resigns for good reason within 12 months following our change of control. In the event Mr. Hollis' employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses effective as of the termination date. For purposes of Mr. Hollis' employment agreement, "cause" is generally defined as Mr. Hollis' (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us or Company policy or Code of Conduct, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with his responsibilities as an employee or (h) failure to comply with directives of our board of directors. The benefits Mr. Hollis is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "Potential Payments Upon Termination, Resignation or Change of Control for Fiscal Year 2017" included elsewhere in this proxy statement.

Russell Pantermuehl. Effective July 2011, we entered into an employment agreement with Mr. Pantermuehl, our Executive Vice President—Reservoir Engineering. The employment agreement, as amended and restated, provides for an initial two-year term commencing on January 1, 2014, and thereafter continues for successive one-year periods unless we or the executive elects to not extend the term. Mr. Pantermuehl's annual base salary for 2017 was \$560,000. His base salary can be increased from time to time by the compensation committee, but not decreased. The compensation committee increased Mr. Pantermuehl's base salary to \$590,000 effective January 1, 2018. Subject to Mr. Pantermuehl's achievement of certain performance goals as determined by our board of directors or the compensation committee for each fiscal year, Mr. Pantermuehl is eligible to receive a target annual bonus of 80% of his annual base salary, provided he remains employed by us on the payment date. Mr. Pantermuehl is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees.

Under his employment agreement, Mr. Pantermuehl is eligible to participate in the Equity Incentive Plan or such other equity incentive plan or plans then in existence for the benefit of employees, and may in the discretion of the compensation committee receive an equity award in accordance with the terms of such plan or plans. The timing and amount of such equity awards, any target performance goals and the vesting terms of such awards will be determined by the compensation committee in its sole discretion. If Mr. Pantermuehl's employment terminates prior to any scheduled vesting date then, except as expressly provided in any existing or future equity award, then he will forfeit all rights and interests in and to such unvested equity awards.

Mr. Pantermuehl has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. Pantermuehl's affiliation with us and for a period of six months thereafter. Mr. Pantermuehl's continued employment with us is terminable by either party. We may terminate Mr. Pantermuehl's employment at any time, with or without advance notice. Mr. Pantermuehl may terminate the employment relationship at any time and for any reason, and is required to give us 30 days' notice if he voluntarily resigns without good reason. However, if (i) we terminate Mr. Pantermuehl's employment without "cause" or due to non-renewal of the term of his employment agreement, (ii) Mr. Pantermuehl resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement, relocation of his principal office 25 miles outside of Midland, Texas or a material diminution in Mr. Pantermuehl's position, duties or authority, or (iii) Mr. Pantermuehl's employment is terminated due to death or disability, then Mr. Pantermuehl will be entitled to severance pay in an amount equal to 12 months' base salary; provided, in each case, that the executive continues to comply with the restrictive covenants described above and the executive (or his estate or beneficiaries in the case of clause (iii) above) executes a full general release in our favor, except that the restriction on competition will not apply in the event the executive resigns for good reason within 12 months following our change of control. In the event Mr. Pantermuehl's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses effective as of the termination date. For purposes of Mr. Pantermuehl's employment agreement, "cause" is generally defined as Mr. Pantermuehl's (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us or Company policy or Code of Conduct, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with his responsibilities as an employee or (h) failure to comply with directives of our board of directors. The benefits Mr. Pantermuehl is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "Potential Payments Upon Termination, Resignation or Change of Control for Fiscal Year 2017" included elsewhere in this proxy statement.

Paul Molnar. Effective January 1, 2014, we entered into an employment agreement with Mr. Molnar, our Executive Vice President—Exploration and Business Development. The employment agreement provides for an initial two-year

term commencing on January 1, 2014, and thereafter continues for successive one-year periods unless we or the executive elects to not extend the term. Mr. Molnar's annual base salary for 2017 was \$475,000. Mr. Molnar's base salary can be increased from time to time by the compensation committee, but not decreased. The compensation committee increased Mr. Molnar's annual base salary to \$500,000, effective January 1, 2018. Subject to Mr. Molnar's achievement of certain performance goals as determined by our board of directors or the compensation committee for each fiscal year, Mr. Molnar is eligible to receive a target annual bonus of 80% of his annual base salary, provided he remains employed by us on the payment date. Mr. Molnar is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees.

Under his employment agreement, Mr. Molnar is eligible to participate in the 2012 Plan or such other equity incentive plan or plans then in existence for the benefit of employees, and may in the discretion of the compensation committee receive an equity award in accordance with the terms of such plan or plans. The timing and amount of such equity awards, any target performance goals and the vesting terms of such awards will be determined by the compensation committee in its sole discretion. If Mr. Molnar's employment terminates prior to any scheduled vesting date then, except as expressly provided in any existing or future equity award, then he will forfeit all rights and interests in and to such unvested equity awards.

Mr. Molnar has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. Molnar's affiliation with us and for a period of six months thereafter. Mr. Molnar's continued employment with us is terminable by either party. We may terminate Mr. Molnar's employment at any time, with or without advance notice. Mr. Molnar may terminate the employment relationship at any time and for any reason, and is required to give us 30 days' notice if he voluntarily resigns without good reason. However, if (i) we terminate Mr. Molnar's employment without "cause" or due to non-renewal of the term of his employment agreement, (ii) Mr. Molnar resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement, relocation of his principal office 25 miles outside of Midland, Texas or a material diminution in Mr. Molnar's position, duties or authority, or (iii) Mr. Molnar's employment is terminated due to death or disability, then Mr. Molnar will be entitled to severance pay in an amount equal to 12 months' base salary; provided, in each case, that the executive continues to comply with the restrictive covenants described above and the executive (or his estate or beneficiaries in the case of clause (iii) above) executes a full general release in our favor, except that the restriction on competition will not apply in the event the executive resigns for good reason within 12 months following our change of control. In the event Mr. Molnar's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses. For purposes of Mr. Molnar's employment agreement, "cause" is generally defined as Mr. Molnar's (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us or Company policy or Code of Conduct, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with his responsibilities as an employee or (h) failure to comply with directives of our board of directors. The benefits Mr. Molnar is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "Potential Payments Upon Termination, Resignation or Change of Control for Fiscal Year 2017" included elsewhere in this proxy statement.

#### Equity Incentive Plan

On April 25, 2016, the compensation committee of our board of directors, acting upon authority delegated to it by our board of directors, unanimously approved, subject to stockholder approval, our 2016 Amended and Restated Equity Incentive Plan, amending and restating our 2012 Equity Incentive Plan, which, as so amended and restated, is referred to as the Equity Incentive Plan. On June 8, 2016, our stockholders approved the Equity Incentive Plan at our 2016 Annual Meeting of Stockholders. The following is a summary of the material terms of the Equity Incentive Plan.

**Eligible Participants.** Eligible award recipients under the Equity Incentive Plan are employees, consultants and directors of our company and its affiliates. Incentive stock options may be granted only to our employees. Awards other than incentive stock options may be granted to employees, consultants and directors.

**Share Reserve.** The aggregate number of shares of common stock initially authorized for issuance under awards, including incentive stock options, under the Equity Incentive Plan is 4,300,000 shares. However, shares covered by awards that expire or otherwise terminate without having been exercised in full and shares that are forfeited, or repurchased by us under the Equity Incentive Plan will be returned to the Equity Incentive Plan and available for issuance in connection with future awards. On and after the adoption of the amendment and restatement, awards settled in cash instead of shares will be counted against the maximum share reserve in the same manner as if they were settled in shares of the Company's common stock.

**Limitations on Awards.** No participant may receive awards under the Equity Incentive Plan covering more than 1,000,000 shares in the aggregate during any calendar year. In addition, each non-employee director's total annual

compensation, including awards under the Equity Incentive Plan and cash paid under the Equity Incentive Plan or otherwise, is limited to \$300,000.

Administration. Our board of directors (or our compensation committee or any other committee of the board of directors as may be appointed by our board of directors from time to time) administers the Equity Incentive Plan. The board of directors has appointed and delegated authority to our compensation committee to act as Plan administrator. Among other responsibilities, the Equity Incentive Plan administrator selects participants from among the eligible individuals, determines the number of shares that will be subject to each award and determines the terms and conditions of each award, including methods of payment, vesting schedules and limitations and restrictions on awards. The Equity Incentive Plan administrator may amend, suspend or terminate the Equity Incentive Plan at any time. Amendments will not be effective without stockholder approval if stockholder approval is required by applicable law or stock exchange requirements. Unless terminated earlier, the Equity Incentive Plan will terminate on April 25, 2026.

Stock Options. Incentive and nonstatutory stock options are granted pursuant to incentive and nonstatutory stock option agreements. Employees, directors and consultants may be granted nonstatutory stock options, but only employees may be granted incentive stock options. The Equity Incentive Plan administrator determines the exercise price of a stock option, which generally cannot be less than 100% (or 110% in the case of an incentive stock option granted to a more than 10% stockholder) of the fair market value of our

common stock on the date of grant, except when assuming or substituting options in limited situations such as an acquisition. Generally, options granted under the Equity Incentive Plan will vest ratably over a five-year period and have a term of ten years (or five years in the case of an incentive stock option granted to a 10% stockholder), unless otherwise specified by the Equity Incentive Plan administrator in the option agreement.

Acceptable consideration for the purchase of common stock issued on the exercise of a stock option is determined by the Equity Incentive Plan administrator and may include cash or check, a broker-assisted cashless exercise, tendering of previously owned stock, stock withholding and other approved legal consideration such as a full recourse promissory note (other than for directors and executive officers).

Unless the Equity Incentive Plan administrator provides otherwise (solely with respect to transfers to certain family members and estate planning vehicles), nonstatutory options generally are not transferable except by will or the laws of descent and distribution. However, an option holder may designate a beneficiary who may exercise the option following the option holder's death. Incentive stock options are not transferable except by will or the laws of descent and distribution.

**Restricted Awards.** Restricted awards may be in the form of restricted stock awards or restricted stock units. A restricted stock award consists of shares of our common stock that generally are non-transferable and subject to forfeiture or other restrictions imposed by the Equity Incentive Plan administrator. Any certificates representing shares of restricted stock that are registered in a participant's name will bear an appropriate legend referring to the applicable terms, conditions and restrictions, and may be retained in the company's possession until all applicable restrictions have lapsed. A restricted stock unit award represents the right to receive a specified number of shares of our common stock, or a cash payment equal to the fair market value of a specified number of shares of our common stock as of a specified date, subject to any vesting or other restrictions deemed appropriate by the Equity Incentive Plan administrator. Restrictions on restricted awards may lapse separately or in combination, at such times, in such circumstances, in installments or otherwise as determined by the Equity Incentive Plan administrator. If a participant terminates employment or services during the restricted period, then any unvested restricted award will be forfeited except as otherwise provided in the award agreement. The Equity Incentive Plan administrator may waive any restrictions or forfeiture conditions relating to a restricted award. Restricted stock units will be settled at the time designated by the Equity Incentive Plan administrator in the award agreement, in the form of cash or shares of common stock, or in a combination of both, as provided by the Equity Incentive Plan administrator in the award agreement.

**Performance Awards.** Performance awards entitle the recipient to vest in or acquire shares of common stock or in the right to receive a specified number of shares of common stock, a cash payment equal to the fair market value of a specified number of shares as of a specified date, or a combination of shares and cash, upon the attainment of specified performance goals. Performance awards may be granted independent of or in connection with the granting of any other award under the Equity Incentive Plan.

Performance goals are established by the Equity Incentive Plan administrator based on one or more of the following business criteria that apply to the participant, a business unit, or us and our affiliates:

- revenue;
- sales
- earnings before all or any of interest expense, taxes, depreciation and/or amortization ("EBIT," "EBITA" or "EBITDA");
- funds from operations;
- funds from operations per share;
- operating income;



- operating income per share;
- pre-tax or after-tax income;
- net cash provided by operating activities;
-