

Edgar Filing: Diamondback Energy, Inc. - Form 10-Q

Diamondback Energy, Inc.
Form 10-Q
November 07, 2018

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

FORM 10-Q

✓ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 30, 2018

OR
o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934
Commission File Number 001-35700

Diamondback Energy, Inc.
(Exact Name of Registrant As Specified in Its Charter)

Delaware	45-4502447
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

500 West Texas, Suite 1200	79701
Midland, Texas	
(Address of Principal Executive Offices)	(Zip Code)
(432) 221-7400	
(Registrant Telephone Number, Including Area Code)	

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

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

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

Large Accelerated Filer ☒ Accelerated Filer ☐

Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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Emerging Growth Company ☐

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

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

As of November 2, 2018, 101,257,911 shares of the registrant's common stock were outstanding.

DIAMONDBACK ENERGY, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2018
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GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a glossary of certain oil and gas terms that are used in this Quarterly Report on Form 10-Q (this “report”):

Basin	A large depression on the earth’s surface in which sediments accumulate.
Bbl	Stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons.
BOE	Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.
BOE/d	BOE per day.
British Thermal Unit or Btu	The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.
Completion	The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.
Crude oil	Liquid hydrocarbons retrieved from geological structures underground to be refined into fuel sources.
Finding and development costs	Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves divided by proved reserve additions and revisions to proved reserves.
Gross acres or gross wells	The total acres or wells, as the case may be, in which a working interest is owned.
Horizontal drilling	A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle with a specified interval.
Horizontal wells	Wells drilled directionally horizontal to allow for development of structures not reachable through traditional vertical drilling mechanisms.
Mb/d	Thousand barrels per day.
Mcf	Thousand cubic feet of natural gas.
Mineral interests	The interests in ownership of the resource and mineral rights, giving an owner the right to profit from the extracted resources.
MMBtu	Million British Thermal Units.
Net acres or net wells	The sum of the fractional working interest owned in gross acres.
Oil and natural gas properties	Tracts of land consisting of properties to be developed for oil and natural gas resource extraction.
Plugging and abandonment	Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.
Prospect	A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.
Proved reserves	The estimated quantities of oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.
Reserves	The estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to the market and all permits and financing required to implement the project. Reserves are not assigned to adjacent reservoirs isolated by major, potentially

sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

Reservoir A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Royalty interest An interest that gives an owner the right to receive a portion of the resources or revenues without having to carry any costs of development.

Spacing The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres (e.g., 40-acre spacing) and is often established by regulatory agencies.

Working interest	An operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.
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GLOSSARY OF CERTAIN OTHER TERMS

The following is a glossary of certain other terms that are used in this report.

Company	Diamondback Energy, Inc., a Delaware corporation.
Equity Plan	The Company's Equity Incentive Plan.
Exchange Act	The Securities Exchange Act of 1934, as amended.
GAAP	Accounting principles generally accepted in the United States.
General Partner	Viper Energy Partners GP LLC, a Delaware limited liability company and the General Partner of the Partnership.
NYMEX	New York Mercantile Exchange.
Partnership	Viper Energy Partners LP, a Delaware limited partnership.
Partnership Agreement	The first amended and restated agreement of limited partnership, dated June 23, 2014, entered into by the General Partner and Diamondback in connection with the closing of the Viper Offering.
Operating Company	Viper Energy Partners LLC, a Delaware limited liability company and a subsidiary of the Partnership.
SEC	United States Securities and Exchange Commission.
Securities Act	The Securities Act of 1933, as amended.
2024 Senior Notes	The Company's 4.750% senior unsecured notes due 2024 in the aggregate principal amount of \$500 million.
2025 Senior Notes	The Company's 5.375% senior unsecured notes due 2025 in the aggregate principal amount of \$500 million.
Senior Notes	The 2024 Senior Notes and the 2025 Senior Notes.
Viper LTIP	Viper Energy Partners LP Long Term Incentive Plan.
Viper Offering	The Partnerships' initial public offering.
Wells Fargo	Wells Fargo Bank, National Association.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “may,” “continue,” “predict,” “potential,” “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. In particular, the factors discussed in this report and detailed under Part II, Item 1A. Risk Factors in this report and our Annual Report on Form 10-K for the year ended December 31, 2017 could affect our actual results and cause our actual results to differ materially from expectations, estimates or assumptions expressed, forecasted or implied in such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- exploration and development drilling prospects, inventories, projects and programs;
- oil and natural gas reserves;
- acquisitions, including our recent acquisition of certain leasehold acres and other assets from Ajax Resources, LLC and our pending acquisition of Energen Corporation discussed elsewhere in this report;
- identified drilling locations;
- ability to obtain permits and governmental approvals;
- technology;
- financial strategy;
- realized oil and natural gas prices;
- production;
- lease operating expenses, general and administrative costs and finding and development costs;
- future operating results; and
- plans, objectives, expectations and intentions.

All forward-looking statements speak only as of the date of this report or, if earlier, as of the date they were made. We do not intend to, and disclaim any obligation to, update or revise any forward-looking statements unless required by securities laws. You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, we operate in a very

competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Table of ContentsDiamondback Energy, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	September 30, 2018	December 31, 2017
	(In thousands, except par values and share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 508,446	\$ 112,446
Accounts receivable:		
Joint interest and other	81,955	73,038
Oil and natural gas sales	182,362	158,575
Inventories	14,815	9,108
Derivative instruments	—	531
Prepaid expenses and other	8,111	4,903
Total current assets	795,689	358,601
Property and equipment:		
Oil and natural gas properties, full cost method of accounting (\$4,283,629 and \$4,105,865 excluded from amortization at September 30, 2018 and December 31, 2017, respectively)	10,818,378	9,232,694
Midstream assets	355,758	191,519
Other property, equipment and land	85,882	80,776
Accumulated depletion, depreciation, amortization and impairment	(2,545,412)	(2,161,372)
Net property and equipment	8,714,606	7,343,617
Funds held in escrow	62,034	6,304
Deferred tax asset	95,551	—
Investment in real estate, net	106,834	—
Other assets	31,859	62,463
Total assets	\$ 9,806,573	\$ 7,770,985
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable-trade	\$ 85,869	\$ 94,590
Accrued capital expenditures	292,700	221,256
Other accrued liabilities	143,792	92,512
Revenues and royalties payable	75,600	68,703
Derivative instruments	123,826	100,367
Total current liabilities	721,787	577,428
Long-term debt	2,332,359	1,477,347
Derivative instruments	5,931	6,303
Asset retirement obligations	23,897	20,122
Deferred income taxes	292,795	108,048
Other long-term liabilities	7	—
Total liabilities	3,376,776	2,189,248
Commitments and contingencies (Note 16)		
Stockholders' equity:	987	982

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Common stock, \$0.01 par value, 200,000,000 shares authorized, 98,673,563 issued and outstanding at September 30, 2018; 98,167,289 issued and outstanding at December 31, 2017

Additional paid-in capital	5,464,542	5,291,011
Retained earnings (accumulated deficit)	467,830	(37,133)
Total Diamondback Energy, Inc. stockholders' equity	5,933,359	5,254,860
Non-controlling interest	496,438	326,877
Total equity	6,429,797	5,581,737
Total liabilities and equity	\$9,806,573	\$7,770,985

See accompanying notes to consolidated financial statements.

Table of ContentsDiamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018	
	2017		2017	
	(In thousands, except per share amounts)			
Revenues:				
Oil sales	\$454,644	\$259,049	\$1,334,349	\$704,007
Natural gas sales	14,814	14,922	40,557	37,537
Natural gas liquid sales	57,610	25,266	133,858	57,625
Lease bonus	1,322	322	2,250	2,507
Midstream services	7,280	1,694	26,658	4,241
Other operating income	2,359	—	6,825	—
Total revenues	538,029	301,253	1,544,497	805,917
Costs and expenses:				
Lease operating expenses	49,111	32,498	129,103	88,113
Production and ad valorem taxes	33,536	18,371	93,042	49,975
Gathering and transportation	6,976	3,476	18,074	9,110
Midstream services	19,725	4,445	48,515	7,127
Depreciation, depletion and amortization	146,318	87,579	391,401	221,681
General and administrative expenses (including non-cash equity-based compensation, net of capitalized amounts, of \$5,350 and \$6,187 for the three months ended September 30, 2018 and 2017, respectively, and \$18,451 and \$19,418 for the nine months ended September 30, 2018 and 2017, respectively)	14,185	11,888	45,039	37,524
Asset retirement obligation accretion	387	357	1,107	1,030
Other operating expense	940	—	2,416	—
Total costs and expenses	271,178	158,614	728,697	414,560
Income from operations	266,851	142,639	815,800	391,357
Other income (expense):				
Interest expense, net	(18,548)	(9,192)	(49,345)	(29,662)
Other income, net	1,962	3	89,170	9,472
Gain (loss) on derivative instruments, net	(48,373)	(50,645)	(139,305)	20,376
Gain (loss) on revaluation of investment	(199)	—	5,165	—
Total other income (expense), net	(65,158)	(59,834)	(94,315)	186
Income before income taxes	201,693	82,805	721,485	391,543
Provision for income taxes	42,276	857	82,750	4,393
Net income	159,417	81,948	638,735	387,150
Net income attributable to non-controlling interest	2,363	8,924	99,723	19,448
Net income attributable to Diamondback Energy, Inc.	\$157,054	\$73,024	\$539,012	\$367,702
Earnings per common share:				
Basic	\$1.59	\$0.74	\$5.47	\$3.81
Diluted	\$1.59	\$0.74	\$5.45	\$3.80
Weighted average common shares outstanding:				
Basic	98,638	98,144	98,603	96,491
Diluted	98,818	98,369	98,820	96,752

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Dividends declared per share	\$0.125	\$—	\$0.375	\$—
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See accompanying notes to consolidated financial statements.

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Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Non-Controlling Interest	Total
	(In thousands)					
Balance December 31, 2016	90,144	\$ 901	\$4,215,955	\$ (519,394	) \$ 320,830	\$4,018,292
Net proceeds from issuance of common units - Viper Energy Partners LP	—	—	—	—	369,896	369,896
Unit-based compensation	—	—	—	—	2,039	2,039
Common units issued for acquisition	—	—	—	—	3,050	3,050
Stock-based compensation	—	—	23,790	—	—	23,790
Distribution to non-controlling interest	—	—	—	—	(27,640	) (27,640)
Common shares issued in public offering, net of offering costs	—	—	14	—	—	14
Common shares issued for acquisition	7,686	77	809,096	—	—	809,173
Exercise of stock options and vesting of restricted stock units	337	4	355	—	—	359
Net income	—	—	—	367,702	19,448	387,150
Balance September 30, 2017	98,167	\$ 982	\$5,049,210	\$ (151,692	) \$ 687,623	\$5,586,123
Balance December 31, 2017	98,167	\$ 982	\$5,291,011	\$ (37,133	) \$ 326,877	\$5,581,737
Impact of adoption of ASU 2016-01, net of tax	—	—	—	(9,393	) (6,671	) (16,064)
Net proceeds from issuance of common units - Viper Energy Partners LP	—	—	—	—	303,137	303,137
Unit-based compensation	—	—	—	—	2,166	2,166
Stock-based compensation	—	—	23,613	—	—	23,613
Distribution to non-controlling interest	—	—	—	—	(68,801	) (68,801)
Dividend paid	—	—	—	(24,656	) —	(24,656)
Exercise of stock options and vesting of restricted stock units	506	5	(5	) —	140	140
Change in ownership of consolidated subsidiaries, net	—	—	149,923	—	(160,133	) (10,210)
Net income	—	—	—	539,012	99,723	638,735
Balance September 30, 2018	98,674	\$ 987	\$5,464,542	\$ 467,830	\$ 496,438	\$6,429,797

See accompanying notes to consolidated financial statements.

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Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
(In thousands)		
Cash flows from operating activities:		
Net income	\$ 638,735	\$ 387,150
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for deferred income taxes	81,573	3,313
Asset retirement obligation accretion	1,107	1,030
Depreciation, depletion and amortization	391,401	221,681
Amortization of debt issuance costs	2,291	2,828
Change in fair value of derivative instruments	23,618	(9,365)
Income from equity investment	—	(309)
Gain on revaluation of investment	(5,165)	—
Equity-based compensation expense	18,451	19,418
Loss (gain) on sale of assets, net	3,071	(386)
Changes in operating assets and liabilities:		
Accounts receivable	(21,611)	(23,422)
Accounts receivable-related party	—	283
Restricted cash	—	500
Inventories	(14,196)	(2,700)
Prepaid expenses and other	(5,813)	(9,242)
Accounts payable and accrued liabilities	18,383	18,305
Accounts payable and accrued liabilities-related party	—	(2)
Accrued interest	12,663	(1,738)
Income tax payable	311	1,017
Revenues and royalties payable	6,897	29,657

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Net cash provided by operating activities	1,151,716		638,018	
Cash flows from investing activities:				
Additions to oil and natural gas properties	(1,010,325	)	(531,489)
Additions to midstream assets	(129,820	)	(22,491)
Purchase of other property, equipment and land	(2,049	)	(21,534)
Acquisition of leasehold interests	(185,658	)	(1,892,864)
Acquisition of mineral interests	(335,574	)	(370,855)
Acquisition of midstream assets	—		(50,279)
Proceeds from sale of assets	6,771		3,584	
Investment in real estate	(110,654)	—	
Funds held in escrow	(51,045	)	121,391	
Equity investments	(604	)	(188)
Net cash used in investing activities	(1,818,958	)	(2,764,725)
Cash flows from financing activities:				
Proceeds from borrowings under credit facility	1,027,500		533,000	
Repayment under credit facility	(1,221,500	)	(383,500)
Proceeds from senior notes	1,062,000		—	
Debt issuance costs	(14,578	)	(1,714)
Public offering costs	(2,636	)	(510)
Proceeds from public offerings	305,773		370,344	
Proceeds from exercise of unit options	140		—	
Proceeds from exercise of stock options	—		358	
Dividends to stockholders	(24,656)	—	

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Diamondback Energy, Inc. and Subsidiaries
Consolidated Statements of Cash Flows - Continued
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Distributions to non-controlling interest	(68,801)	(27,640)
Net cash provided by financing activities	1,063,242	490,338
Net increase (decrease) in cash and cash equivalents	396,000	(1,636,369)
Cash and cash equivalents at beginning of period	112,446	1,666,574
Cash and cash equivalents at end of period	\$508,446	\$30,205
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest	\$51,658	\$28,702
Supplemental disclosure of non-cash transactions:		
Change in accrued capital expenditures	\$71,444	\$129,105
Capitalized stock-based compensation	\$7,328	\$6,411
Common stock issued for oil and natural gas properties	\$—	\$809,173
Asset retirement obligations acquired	\$270	\$2,411

See accompanying notes to consolidated financial statements.

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Diamondback Energy, Inc. and Subsidiaries
Condensed Notes to Consolidated Financial Statements
(Unaudited)

1. DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION

Organization and Description of the Business

Diamondback Energy, Inc. (“Diamondback” or the “Company”), together with its subsidiaries, is an independent oil and gas company currently focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. Diamondback was incorporated in Delaware on December 30, 2011.

The wholly-owned subsidiaries of Diamondback, as of September 30, 2018, include Diamondback E&P LLC, a Delaware limited liability company, Diamondback O&G LLC, a Delaware limited liability company, Viper Energy Partners GP LLC, a Delaware limited liability company, Rattler Midstream LLC (formerly known as White Fang Energy LLC), a Delaware limited liability company, and Tall City Towers LLC, a Delaware limited liability company. The consolidated subsidiaries include these wholly-owned subsidiaries as well as Viper Energy Partners LP, a Delaware limited partnership (the “Partnership”), and the Partnership’s wholly-owned subsidiary Viper Energy Partners LLC, a Delaware limited liability company (the “Operating Company”).

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries after all significant intercompany balances and transactions have been eliminated upon consolidation.

The Partnership is consolidated in the financial statements of the Company. As of September 30, 2018, the Company owned approximately 59% of the Partnership’s total units outstanding. The Company’s wholly-owned subsidiary, Viper Energy Partners GP LLC, is the General Partner of the Partnership.

These financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the SEC. They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations, although the Company believes the disclosures are adequate to make the information presented not misleading. This Quarterly Report on Form 10-Q should be read in conjunction with the Company’s most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which contains a summary of the Company’s significant accounting policies and other disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved oil and natural gas reserves and related present value estimates of future net cash flows therefrom, the carrying value of oil and natural gas properties, asset retirement obligations, the fair value determination of acquired assets and liabilities assumed, equity-based compensation, fair value estimates of commodity derivatives and estimates of income taxes.

Diamondback Energy, Inc. and Subsidiaries
Condensed Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

Investments

The Partnership has an equity interest in a limited partnership that is so minor that the Partnership has no influence over the limited partnership's operating and financial policies. This interest was acquired during the year ended December 31, 2014 and is accounted for under the cost method. Effective January 1, 2018, the Partnership adopted Accounting Standards Update 2016-01 which requires the Partnership to measure this investment at fair value which resulted in a downward adjustment of \$18.7 million to record the impact of this adoption. For the three months and nine months ended September 30, 2018, the Partnership recorded a gain (loss) of \$(0.2) million and \$5.2 million, respectively. The Partnership's investment balance as of September 30, 2018 was \$20.2 million, which is included in other assets in the accompanying consolidated balance sheets.

Funds Held in Escrow

The funds held in escrow represent amounts in deposit to fund acquisitions. During the nine months ended September 30, 2018, there was \$62.0 million in deposit to be applied to the purchase price for the acquisition of leasehold interests and related assets from Ajax Resources, LLC that closed on October 31, 2018. See Note 4— Acquisitions for information relating to this acquisition. During the nine months ended September 30, 2017, there was \$6.3 million in deposit to fund other acquisitions which closed in the first quarter of 2018