Diamondback Energy, Inc.
Form S-1/A
October 10, 2012
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As filed with the Securities and Exchange Commission on October 10, 2012

Registration No. 333-179502

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 6

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Diamondback Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**1311**	**45-4502447**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

500 West Texas

Suite 1225

Midland, Texas 79701

(432) 221-7400

(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Teresa Dick

Chief Financial Officer

Diamondback Energy, Inc.

14301 Caliber Drive

Suite 300

Oklahoma City, Oklahoma 73134

(405) 463-6900

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

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(214) 969-4780	**(713) 546-7416**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Amendment No. 6 is being filed for the purposes of:

1. Revising the first paragraph of Use of Proceeds page 46 to present the specified uses of proceeds in tabular form; and

2. Inserting certain share numbers and clarifying certain disclosure on page 129 in the description of our Equity Incentive Plan.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 10, 2012.

PROSPECTUS

12,500,000 Shares

Diamondback Energy, Inc.

Common Stock

This is the initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between $17.00 and $19.00 per share. We have applied to list our common stock on The NASDAQ Global Market under the symbol FANG.

We have granted the underwriters an option to purchase up to 1,875,000 additional shares of our common stock to cover the underwriters option to purchase additional shares.

Wexford Capital LP, or Wexford, our equity sponsor, has indicated that it or one or more of its affiliates may purchase in this offering up to $30.0 million, or up to approximately 1,666,667 shares (based on the midpoint of the price range set forth on the cover page of this prospectus), of our common stock at the same price as the price to the public. The underwriters will not receive any underwriting discounts or commissions on any shares sold to Wexford or its affiliates. The number of shares available for sale to the general public will be reduced to the extent Wexford or its affiliates purchase such shares. See Underwriting (Conflicts of Interest) beginning on page 151.

We are an emerging growth company under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements. Investing in our common stock involves risks. See Risk Factors beginning on page 18.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Diamondback
Per Share	$	$	$
Total(1)	$	$	$

(1) Assumes Wexford or its affiliates have not purchased shares of our common stock in this offering, for which the underwriters would not receive any underwriting discounts or commissions.

Delivery of the shares of common stock will be made on or about , 2012.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

Raymond James **Tudor, Pickering, Holt & Co.** **Wells Fargo Securities**

Capital One Southcoast
Scotiabank / Howard Weil
Simmons & Company International
Sterne Agee
SunTrust Robinson Humphrey
Wunderlich Securities

The date of this prospectus is , 2012.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are only offering to sell, and only seeking offers to buy, our common stock in jurisdictions where offers and sales are permitted.

The information contained in this prospectus is accurate and complete only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock by us or the underwriters. Our business, financial condition, results of operations and prospects may have changed since that date.

Dealer Prospectus Delivery Obligation

Until (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Industry and Market Data

This prospectus includes industry data and forecasts that we obtained from internal company surveys, publicly available information and industry publications and surveys. Our internal research and forecasts are based on management s understanding of industry conditions, and such information has not been verified by independent sources. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable.

Unless the context otherwise requires, the information in this prospectus (other than in the historical financial statements) assumes that the underwriters will not exercise their option to purchase additional shares.

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PROSPECTUS SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all the information that you should consider before investing in our common stock. Except as expressly noted otherwise, the historical assets, operations and results described in this prospectus are those of Windsor Permian LLC, or Windsor Permian. Windsor Permian is a wholly-owned subsidiary of Diamondback Energy LLC, an entity controlled by Wexford Capital LP, or Wexford. Prior to the effectiveness of the registration statement of which this prospectus is a part, Diamondback Energy LLC will be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving entity. As a result of this merger, Windsor Permian will become our wholly-owned subsidiary. In addition, Wexford has agreed to cause all of the outstanding equity interests in Windsor UT LLC, or Windsor UT, to be contributed to Windsor Permian prior to the merger in a transaction we refer to as the Windsor UT contribution. Windsor UT owns oil and natural gas interests in the Permian Basin. On May 7, 2012, we entered into an agreement with Gulfport Energy Corporation, or Gulfport, in which Gulfport agreed to sell to us, subject to certain conditions, all of its oil and natural gas interests in the Permian Basin in exchange for shares of our common stock and a promissory note in a transaction we refer to as the Gulfport transaction. The Gulfport transaction would be completed prior to the effectiveness of the registration statement of which this prospectus is a part and immediately after the merger described above. In this prospectus, we refer to the Gulfport transaction and the Windsor UT contribution together as the Transactions. See Prospectus Summary The Transactions beginning on page 7 of this prospectus for more information regarding the Transactions. Except as expressly noted otherwise, references to our operations and assets as of June 30, 2012 and thereafter give effect to the Transactions. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the heading Risk Factors and our financial statements and the accompanying notes included elsewhere in this prospectus, as well as the other documents to which we refer you. We have provided definitions for some of the oil and natural gas industry terms used in this prospectus in the Glossary of Oil and Natural Gas Terms.

DIAMONDBACK ENERGY, INC.

Overview

We are an independent oil and natural 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. This basin, which is one of the major producing basins in the United States, is characterized by an extensive production history, a favorable operating environment, mature infrastructure, long reserve life, multiple producing horizons, enhanced recovery potential and a large number of operators.

We began operations in December 2007 with our acquisition of 4,174 net acres with production at the time of acquisition of approximately 800 net barrels of oil equivalent, or BOE, per day from 34 gross (16.8 net) wells in the Permian Basin. Subsequently, we acquired approximately 26,878 additional net acres, which brought our total net acreage position in the Permian Basin to 31,052 net acres at August 31, 2012 and, after giving effect to the Transactions, we had 51,709 net acres. We are the operator of approximately 99% of this acreage. As of August 31, 2012, after giving effect to the Transactions, we had drilled 167 gross (155 net) wells, and participated in an additional 16 gross (seven net) non-operated wells, in the Permian Basin. Of these 183 gross wells, 171 were completed as producing wells and 12 are in various stages of completion. In the aggregate, as of August 31, 2012, we held interests in 205 gross (185 net) producing wells in the Permian Basin.

Our activities are primarily focused on the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations, which we refer to collectively as the Wolfberry play. The Wolfberry play is characterized by high oil and liquids rich natural gas, multiple vertical and horizontal target horizons, extensive production history, longlived reserves and high drilling success rates. The Wolfberry play is a modification and extension of the Spraberry play, the majority of which is designated in the Spraberry trend area field. According to the U.S. Energy Information Administration, the Spraberry trend area ranks as the second largest oilfield in the United States, based on 2009 reserves.

As of December 31, 2011, our estimated proved oil and natural gas reserves, pro forma for the Transactions, were 39,460 MBOE based on reserve reports prepared by Ryder Scott Company L.P., or Ryder Scott, our independent reserve engineers. Of these reserves, approximately 21.7% are classified as proved developed producing, or PDP. Proved undeveloped, or PUD, reserves included in this estimate are from 329 gross well locations on 40-acre spacing. As of December 31, 2011, these proved reserves were approximately 66% oil, 20% natural gas liquids and 14% natural gas.

We have 916 identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data as of August 31, 2012 and we have an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. We intend to grow our reserves and production through development drilling, exploitation and exploration activities on this multi-year project inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves. Our estimated ultimate recoveries, or EURs, from future PUD wells on 40-acre spacing, as estimated by Ryder Scott, range from 102 MBOE per well, consisting of 46 MBbls of oil, 143 MMcf of natural gas and 32 MBbls of natural gas liquids, to 158 MBOE per well, consisting of 112 MBbls of oil, 113 MMcf of natural gas and 27 MBbls of natural gas liquids, with an average EUR per well of 135 MBOE, consisting of 93 MBbls of oil, 102 MMcf of natural gas and 25 MBbls of natural gas liquids. We also intend to continue to refine our drilling pattern and completion techniques in an effort to increase our average EUR per well from vertical wells drilled on 40-acre spacing. We currently anticipate a reduction of approximately 20% in our EURs from vertical wells drilled on 20-acre spacing. Our 2012 drilling plan currently contemplates drilling 48 gross (43 net) vertical wells on 40-acre spacing and two gross (two net) horizontal wells in the Wolfberry play. As of August 31, 2012, we were using two drilling rigs and, upon completion of this offering, intend to increase our drilling program to six rigs.

We believe the experience gained from our historical drilling programs and the information obtained from the results of extensive industry drilling activity in the Permian Basin have helped us reduce the risk and uncertainity associated with drilling vertical wells on our Permian Basin acreage. We intend to supplement our vertical development drilling activity with horizontal wells targeting various intervals in the Wolfberry play. Our horizontal drilling program is intended to further capture the upside potential that may exist on our properties and increase our well performance and recoveries as compared to drilling vertical wells alone.

During 2011, we assembled a new executive team and, beginning with the fourth quarter of 2011, this team assumed management control of our operations and development activities in the Permian Basin. With an average of approximately 24 years of industry experience per person, this team has extensive experience in the Permian Basin as well as other resource plays in North America, including significant experience in drilling and completing horizontal wells. Under the direction of our new executive team, the average drilling time required to reach total depth, or TD, was shortened by 25% to 14 days during the period from April 2012 through August 2012 from 20 days during the second quarter of 2011. We also reduced the time from spud to production from an average of 68 days during the fourth quarter of 2011 to an average of 56 days during the second quarter of 2012. During the quarter ended June 30, 2012, our average daily production, pro forma for the Transactions, was 3,637 BOE/d, consisting of 2,579 Bbls/d of oil, 2,757 Mcf/d of natural gas and 599 Bbls/d of natural gas liquids, an increase of 13%, or 408 BOE/d, from 3,229 BOE/d, consisting of 2,365 Bbls/d of oil, 2,267 Mcf/d of natural gas and 486 Bbls/d of natural gas liquids, for the quarter ended March 31, 2012. This increase was due primarily to improved strategies and procedures introduced by our new executive team relating to wellbore configuration, completion, execution, fluid recovery and well pumping practices that significantly reduced the level of required well remediation and the associated loss of production. We anticipate further increases in efficiencies as our new executive team executes on our development strategies across our acreage base.

The following table provides a summary of selected operating information of our properties, pro forma for the Transactions. The information is as of August 31, 2012 except as otherwise noted.

			Identified Potential Drilling Locations[1]		2012 Budget			Estimated Net Proved Reserves at December 31, 2011		Average Daily
Basin	Net Acreage	Average Working Interest	Gross	Net	Gross Wells[2]	Net Wells[2]	Capex (In millions)	MBOE	% Developed	Production (BOE/d)[3]
Permian	51,709	87%	916	849	59	48	$ 150.0-$160.0	39,460	23.9	3,712

(1) Reflects identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data. We have an additional 1,122 gross (1,027 net) identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. The drilling locations on which we actually drill wells will ultimately depend on the availability of capital, regulatory approvals, oil and natural gas prices, costs, actual drilling results and other factors.

(2) Includes 50 gross (45 net) wells, of which two gross (two net) wells are horizontal, for which we are the operator and nine gross (three net) non-operated wells, of which three gross (one net) wells are horizontal wells.

(3) During August 2012.

We currently anticipate our 2012 capital budget for drilling and infrastructure will be approximately $150.0 million to $160.0 million after giving effect to the Transactions. Of this amount, we plan to spend approximately $126.0 million on the drilling and completion of 48 gross (43 net) operated vertical wells and two gross (two net) horizontal wells, $11.0 million for the drilling and completion of nine gross (three net) non-operated wells, $6.0 million for leasehold acquisitions and $12.0 million for the construction of infrastructure to support production, including investments in water disposal infrastructure and gathering line projects. During the six months ended June 30, 2012, our aggregate capital expenditures for drilling and infrastructure after giving effect to the Transactions were $70.7 million.

Our Business Strategy

Our business strategy is to increase stockholder value through the following:

- ***Grow production and reserves by developing our oil-rich resource base***. We intend to actively drill and develop our acreage base in an effort to maximize its value and resource potential. Through the conversion of our undeveloped reserves to developed reserves, we will seek to increase our production, reserves and cash flow while generating favorable returns on invested capital. As of August 31, 2012, after giving effect to the Transactions, we had 916 identified potential vertical drilling locations on our acreage in the Permian Basin based on 40-acre spacing and an additional 1,122 such locations based on 20-acre downspacing. We believe the drilling of these locations will provide us with the critical subsurface data necessary to target potential horizontal horizons. Our 2012 drilling plan currently contemplates drilling 48 gross (43 net) vertical wells and two gross (two net) horizontal wells in the Wolfberry play. We ended 2011 with a two rig drilling program which we increased to four drilling rigs in 2012. As of August 31, 2012, we were using two drilling rigs. Upon completion of this offering, we intend to increase our drilling program to six rigs. Subject to market conditions and rig availability, we expect to operate six rigs throughout 2013, which we expect will allow us to significantly increase our drilling program in 2013.

Focus on increasing hydrocarbon recovery through horizontal drilling and increased well density. We believe there are opportunities to target various intervals in the Wolfberry play with horizontal wells. In June 2012, we completed our first horizontal operated well, in which we have a 100% interest, in the Wolfcamp B interval in Upton County and currently plan to drill one additional gross (one net) horizontal operated well in 2012, also targeting the Wolfcamp B interval. Our first horizontal operated well had a 3,842 foot lateral, a 24-hour initial production rate of 618 BOE/d and a 30-day average initial production rate of 486 BOE/d, of which 86% was oil. Based on the decline curve analysis of the current production, we anticipate that the EUR for this well will be in the range of 400 to 500 MBOE, of which 67% is expected to be oil. Additionally, since June 2012, we have participated in three gross (one net) horizontal non-operated wells in Midland and Ector Counties. See *Prospectus Summary Recent Developments* on page 6. Our horizontal drilling program is designed to further capture the upside potential that may exist on our properties. We also believe our horizontal drilling program may significantly increase our recoveries per section as compared to drilling vertical wells alone. Horizontal drilling may also be economical in areas where vertical drilling is currently not economical or logistically viable. In addition, we believe increased well density opportunities may exist across our acreage base. We closely monitor industry trends with respect to higher well density, which could increase the recovery factor per section and enhance returns since infrastructure is typically in place.

Leverage our experience operating in the Permian Basin. Our executive team, which has an average of approximately 24 years of industry experience per person and significant experience in the Permian Basin, intends to continue to seek ways to maximize hydrocarbon recovery by refining and enhancing our drilling and completion techniques. The time to reach TD for our vertical Wolfberry wells decreased from an average of 20 days during the second quarter of 2011 to an average of 14 days during the period from April 2012 through August 2012, resulting in a lower total well cost. Our focus on efficient drilling and completion techniques, and the resulting reduction in time to reach TD, is an important part of the continuous drilling program we have planned for our significant inventory of identified potential drilling locations. In addition, we believe that the experience of our new executive team in deviated and horizontal drilling and completions should help reduce the execution risk normally associated with these complex well paths. Additionally, our completion techniques are continually evolving as we evaluate hydraulic fracturing practices that may potentially increase recovery and reduce completion costs. Our executive team regularly evaluates our operating results against those of other operators in the area in an effort to benchmark our performance against the best performing operators and evaluate and adopt best practices.

Enhance returns through our low cost development strategy of resource conversion, capital allocation and continued improvements in operational and cost efficiencies. In the current commodity price environment, our oil and liquids rich asset base provides attractive returns. Our acreage position in the Wolfberry play is generally in contiguous blocks which allows us to develop this acreage efficiently with a manufacturing strategy that takes advantage of economies of scale and uses centralized production and fluid handling facilities. We are the operator of approximately 99% of our acreage. This operational control allows us to more efficiently manage the pace of development activities and the gathering and marketing of our production and control operating costs and technical applications, including horizontal development. Our average 87% working interest in our acreage pro forma for the Transactions allows us to realize the majority of the benefits of these expected improvements and cost efficiencies.

Pursue strategic acquisitions with exceptional resource potential. We have a proven history of acquiring leasehold positions in the Permian Basin that have substantial oil-weighted resource potential and can achieve attractive returns on invested capital. Our executive team, with its extensive experience in the Permian Basin, has what we believe is a competitive advantage in identifying acquisition targets and a proven ability to evaluate resource potential. We intend to continue to pursue acquisitions that meet our strategic and financial targets.

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Maintain financial flexibility. We seek to maintain a conservative financial position. After giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we will have $90.0 million of available borrowing capacity under such facility.

Our Strengths

We believe that the following strengths will help us achieve our business goals:

Oil rich resource base in one of North America s leading resource plays. All of our leasehold acreage is located in one of the most prolific oil plays in North America, the Permian Basin in West Texas. As of September 21, 2012, the Baker Hughes Rig Count survey reported that there were 501 rigs drilling in the Permian Basin. The majority of our current properties are well positioned in the core of the Wolfberry play. We believe that our historical vertical development success will be complemented with horizontal drilling locations that could ultimately translate into an increased recovery factor on a per section basis. Our production was approximately 74% oil, 15% natural gas liquids and 11% natural gas for both the six months ended June 30, 2012 and the year ended December 31, 2011. As of December 31, 2011, after giving effect to the Transactions, our estimated net proved reserves were comprised of approximately 66% oil and 20% natural gas liquids. This oil and liquids exposure allows us to benefit from their currently more favorable prices as compared to natural gas.

Multi-year drilling inventory in one of North America s leading oil resource plays. We have identified a multi-year inventory of potential drilling locations for our oil-weighted reserves that we believe provides attractive growth and return opportunities. As of August 31, 2012, after giving effect to the Transactions, we had 916 identified potential vertical drilling locations based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. In 2012, after giving effect to the Transactions, we anticipate drilling 48 gross (43 net) vertical operated wells, which represent only approximately 5.1% of our identified potential vertical drilling locations on 40-acre spacing at August 31, 2012. We also believe that there are a significant number of horizontal locations that could be drilled on our acreage. In June 2012, we completed our first horizontal operated well, in which we have a 100% interest, in the Wolfcamp B interval in Upton County and currently expect to drill one additional gross (one net) horizontal operated well during 2012, also targeting the Wolfcamp B interval. Additionally, since June 2012, we have participated in three gross (one net) non-operated horizontal wells. Management currently estimates that EURs for our horizontal wells will be approximately 500 to 600 MBOE for lateral lengths averaging 7,500 feet. In addition, the liquids rich natural gas component of our inventory adds value with Btu content ranging from 1,225 MMBtu to 1,528 MMBtu and our June 2012 natural gas liquids yield was 118 Bbls/MMcf. In addition, we have approximately 117 square miles of proprietary 3-D seismic data covering our acreage. This data facilitates the evaluation of our existing drilling inventory and provides insight into future development activity, including horizontal drilling opportunities and strategic leasehold acquisitions.

Experienced, incentivized and proven management team. Our new executive team has an average of approximately 24 years of industry experience per person, most of which is focused on resource play development. This team has a proven track record of executing on multi-rig development drilling programs and extensive experience in the Permian Basin. In addition, our executive team has significant experience with both drilling and completing horizontal wells as well as horizontal well reservoir and geologic expertise, which will be of strategic importance as we expand our future development plans to include horizontal drilling. Prior to joining us, our Chief Executive Officer held management positions at Apache Corporation, Laredo Petroleum Holdings, Inc. and Burlington Resources.

Favorable and stable operating environment. We have focused our drilling and development operations in the Permian Basin, one of the oldest hydrocarbon basins in the United States, with a long and well-established production history and developed infrastructure. With approximately 380,000 wells drilled in the Permian Basin since the 1940s, we believe that the geological and regulatory environment is more stable and predictable, and that we are faced with less operational risks, in the Permian Basin as compared to emerging hydrocarbon basins.

High degree of operational control. We are the operator of approximately 99% of our Permian Basin acreage. This operating control allows us to better execute on our strategies of enhancing returns through operational and cost efficiencies and increasing ultimate hydrocarbon recovery by seeking to continually improve our drilling techniques, completion methodologies and reservoir evaluation processes. Additionally, as the operator of substantially all of our acreage, we retain the ability to adjust our capital expenditure program based on commodity price outlooks. This operating control also enables us to obtain data needed for efficient exploration of horizontal prospects.

Financial flexibility to fund expansion. Upon the completion of this offering, we will have a conservative balance sheet. We will seek to maintain financial flexibility to allow us to actively develop our drilling, exploitation and exploration activities in the Wolfberry play and maximize the present value of our oil-weighted resource potential. After giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we will have $90.0 million of available borrowing capacity under our revolving credit facility. We expect that our borrowing base will be increased as a result of the Transactions.

Recent Developments

In June 2012, we completed our first horizontal operated well, in which we have a 100% interest, in the Wolfcamp B interval in Upton County and currently plan to drill one additional gross (one net) horizontal well in 2012, also targeting the Wolfcamp B interval. Our first horizontal operated well had a 3,842 foot lateral, a 24-hour initial production rate of 618 BOE/d and a 30-day average initial production rate of 486 BOE/d, of which 86% was oil. Based on the decline curve analysis of the current production, we anticipate that the EUR for this well will be in the range of 400 to 500 MBOE, of which 67% is expected to be oil. Additionally, since June 2012, we have participated in three gross (one net) horizontal non-operated wells. One of these is in Midland County and was completed in the Wolfcamp B interval with a 3,733 foot lateral and a 7-day average initial production rate as reported to us by the operator of 477 BOE/d, of which 89% was oil. During its initial production period, the well showed a production rate and pressures similar to those of our first horizontal operated well. We also participated in a horizontal non-operated well in Ector County targeting the Cline interval, which was completed in September 2012 with a 3,968 foot lateral and an average production rate as reported to us by the operator of 240 BOE/d measured on artificial lift over the last nine days of its initial 19 producing dates, of which 86% was oil. Finally, we participated in a horizontal non-operated well in Ector County, which was completed in August 2012 in the Clearfork interval with a 4,635 foot lateral and a 30-day initial production rate as reported to us by the operator of 58 BOE/d, of which 79% was oil.

Risk Factors

Investing in our common stock involves risks that include the speculative nature of oil and natural gas exploration, competition, volatile oil and natural gas prices and other material factors. You should read carefully the section of this prospectus entitled *Risk Factors* beginning on page 18 for an explanation of these risks before investing in our common stock. In particular, the following considerations may offset our competitive strengths or have a negative effect on our strategy or operating activities, which could cause a decrease in the price of our common stock and a loss of all or part of your investment:

- Our business is difficult to evaluate because of our limited operating history.

Difficulties managing the growth of our business may adversely affect our financial condition and results of operations.

Failure to develop our undeveloped acreage could adversely affect our future cash flow and income.

Our exploration and development operations require substantial capital that we may be unable to obtain, which could lead to a loss of properties and a decline in our reserves.

Our future success depends on our ability to find, develop or acquire additional oil and natural gas reserves.

The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.

Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present values of our reserves.

Our producing properties are located in the Permian Basin of West Texas, making us vulnerable to risks associated with a concentration of operations in a single geographic area. In addition, we have a large amount of proved reserves attributable to a small number of producing horizons within this area.

We depend upon several significant purchasers for the sale of most of our oil and natural gas production. The loss of one or more of these purchasers could limit our access to suitable markets for the oil and natural gas we produce.

Our operations are subject to various governmental regulations which require compliance that can be burdensome and expensive.

Any failure by us to comply with applicable environmental laws and regulations, including those relating to hydraulic fracturing, could result in governmental authorities taking actions that adversely affect our operations and financial condition.

Our operations are subject to operational hazards for which we may not be adequately insured.

Our failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce our earnings and slow our growth.

Our largest stockholder controls a significant percentage of our common stock and its interests may conflict with yours.

For a discussion of other considerations that could negatively affect us, see *Risk Factors* beginning on page 18 and *Cautionary Note Regarding Forward-Looking Statements* on page 45 of this prospectus.

The Transactions

On May 7, 2012, we entered into an agreement with Gulfport in which Gulfport agreed to sell to us all of its oil and natural gas properties in the Permian Basin in exchange for (i) 7,914,036 shares of our common stock, which will represent 35% of our outstanding common stock immediately prior to the closing of this offering and (ii) approximately $63.6 million in the form of a non-interest bearing promissory note, which we refer to as the Gulfport transaction note, that will be repaid in full upon the closing of this offering with a portion of the net proceeds from this offering. We are the operator of the acreage to be acquired by us from Gulfport. The aggregate consideration payable to Gulfport is subject to a post-closing cash adjustment and will be increased or decreased by an amount equal to the difference between $118.1 million and the final capital amount, divided by 65% and then multiplied by 35%. For purposes of our agreement with Gulfport, final capital amount means Windsor Permian s (a) total current assets, consisting of cash, trade accounts receivable (net of an allowance for doubtful accounts), inventory, prepaid expenses, other current assets and other assets, less (b) total current liabilities, consisting of trade accounts payable, accounts payable to related parties, accrued capital and other expenses, long-term debt and asset retirement

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obligations, in each case as of the closing date of the transaction. If the closing date for the transaction had been September 30, 2012, based on preliminary estimates we believe that we would have owed Gulfport approximately $16.0 million for this post-closing adjustment. Gulfport s obligation to complete this transaction is contingent upon, among other things, the contribution to us of all the outstanding equity interests in Windsor Permian and Gulfport s satisfaction with the terms of this offering. In connection with this transaction, we will grant Gulfport the right, for so long as Gulfport beneficially owns more than 10% of our outstanding common stock, to designate one individual as a nominee to serve on our board of directors. We will also grant Gulfport certain demand and piggyback registration rights obligating us to register with the SEC the shares of our common stock owned by Gulfport. For more information regarding the Gulfport transaction, see *Management Our Board of Directors and Committees*, *Related Party Transactions Gulfport Transaction and Investor Rights Agreement* and *Shares Eligible for Future Sale Registration Rights* beginning on pages 118, 134 and 146, respectively, of this prospectus.

In addition, our equity sponsor, Wexford, has agreed to cause all of the outstanding equity interests in Windsor UT LLC, or Windsor UT, to be contributed to Windsor Permian before the completion of the Gulfport transaction described above. Windsor UT was formed in April 2010 and acquired 4,978 gross (2,489 net) acres in the Permian Basin, of which we are the operator. The other 2,489 net acres are owned by Gulfport and will be transferred to us in the Gulfport transaction. Six wells have been drilled on this acreage as of August 31, 2012, which acreage contains 118 of our identified potential vertical drilling locations based on 40-acre spacing.

We refer to Gulfport s sale of properties to us as the Gulfport transaction and we refer to the Gulfport transaction together with the contribution to Windsor Permian of all the equity interests in Windsor UT as the Transactions.

Our Equity Sponsor

We were formed by our equity sponsor, Wexford Capital LP, or Wexford, which is a Greenwich, Connecticut-based SEC-registered investment advisor with over $5.5 billion under management as of December 31, 2011. Wexford has made public and private equity investments in many different sectors and has particular expertise in the energy and natural resources sector. Upon completion of this offering, assuming Wexford or its affiliates make no additional purchases of our common stock, Wexford will beneficially own approximately 41.9% of our common stock (approximately 39.7% if the underwriters option to purchase additional shares is exercised in full). In addition, Wexford has indicated that it or one or more of its affiliates may purchase in this offering up to $30.0 million, or up to approximately 1,666,667 shares (based on the midpoint of the price range set forth on the cover page of this prospectus), of our common stock at the same price as the price to the public, in which case Wexford or its affiliates will beneficially own, upon completion of the offering, approximately 46.6% of our common stock (or approximately 44.2% if the underwriters option to purchase additional shares is exercised in full). The underwriters will not receive any underwriting discounts or commissions on any shares sold to Wexford or its affiliates. As a result, Wexford will continue to be able to exercise significant control over all matters requiring stockholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. Prior to the closing of this offering, we will enter into an advisory services agreement with Wexford under which Wexford will provide us with financial and strategic advisory services related to our business. We are also party to certain other agreements with Wexford and its affiliates. For a description of the advisory services agreement and other agreements with Wexford and its affiliates, see *Related Party Transactions* beginning on page 134. Although our management believes that the terms of these related party agreements are reasonable, it is possible that we could have negotiated more favorable terms for such transactions with unrelated third parties. The existence of these related party agreements may give Wexford the ability to further influence and maintain control over many matters affecting us.

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Our History

Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the transaction described below. All of our historical assets, operations and results described in this prospectus are those of Windsor Permian LLC, or Windsor Permian. Windsor Permian is a wholly-owned subsidiary of Diamondback Energy LLC, which is an entity controlled by our equity sponsor, Wexford. Prior to the effectiveness of the registration statement of which this prospectus is a part, Wexford will cause Diamondback Energy LLC to be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving entity. Immediately after the merger and prior to the effectiveness of the registration statement of which this prospectus is a part, Gulfport will complete the Gulfport transaction. Upon completion of these Transactions, Wexford and Gulfport will beneficially own 65% and 35%, respectively, of our outstanding common stock. Upon completion of the offering, assuming Wexford or its affiliates make no additional purchases of our common stock, Wexford and Gulfport will beneficially own approximately 41.9% and 22.5%, respectively, of our common stock (approximately 39.7% and 21.4%, respectively, if the underwriters option to purchase additional shares is exercised in full). Assuming Wexford or its affiliates purchase $30.0 million, or 1,666,667 shares (based on the midpoint of the price range set forth on the cover page of this prospectus), of our common stock in the offering, Wexford will beneficially own, upon completion of the offering, approximately 46.6% of our common stock (or approximately 44.2% if the underwriters option to purchase additional shares is exercised in full).

As of April 30, 2012, Windsor Permian held a 22% interest in Bison Drilling and Field Services LLC, or Bison, and a 33% interest in Muskie Holdings LLC, or Muskie. Bison owns drilling rigs and various oil and natural gas well servicing equipment and performs drilling and field services for us. Muskie owns certain assets, real estate and rights in a lease for land that is prospective for oil and natural gas fracture grade sand. Windsor Permian s interests in Bison and Muskie were distributed to Windsor Permian s sole member in June 2012 so we may focus our activities on our oil and natural gas exploration and development activities. We recorded revenues of $0.8 million and $1.5 million attributable to Bison in our consolidated statements of operations during 2010 and the first quarter of 2011, respectively. Muskie was formed in 2011, and we recorded a loss from equity method investments of $7,017 for 2011. The interests in Bison and Muskie are reflected in Investments-equity method on our consolidated balance sheets. For additional information regarding Bison and Muskie, see *Unaudited Pro Forma Condensed Consolidated Financial Statements* and *Related Party Transactions* beginning on pages 54 and 134, respectively, of this prospectus and Note 5 to our consolidated financial statements appearing elsewhere in this prospectus.

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The following organizational charts illustrate (a) our pre-offering organizational structure and (b) our organizational structure after giving effect to the Transactions and the offering:

Emerging Growth Company

We are an emerging growth company within the meaning of the federal securities laws. For as long as we are an emerging growth company, we will not be required to comply with the requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and the exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an emerging growth company. For a description of the qualifications and other requirements applicable to emerging growth companies and certain elections that we have made due to our status as an emerging growth company, see *Risk Factors Risks Related to this Offering and our Common Stock We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors* on page 41 of this prospectus.

Our Offices

Our principal executive offices are located at 500 West Texas, Suite 1225, Midland, Texas, and our telephone number at that address is (432) 221-7400. We also lease additional office space in Midland and in Oklahoma City, Oklahoma. Our website address is www.diamondbackenergy.com. Information contained on our website does not constitute part of this prospectus. Except as otherwise indicated or required by the context, all references in this prospectus to Diamondback, the Company, we, us or our relate to Diamondback Energy, Inc Windsor Permian LLC and its consolidated subsidiaries.

The Offering

Common stock offered by us	12,500,000 shares (14,375,000 shares if the underwriters option to purchase additional shares is exercised in full)
Common stock to be outstanding immediately after completion of this offering	35,111,532 shares (36,986,532 shares if the underwriters option to purchase additional shares is exercised in full)
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to an aggregate of 1,875,000 additional shares of our common stock.
Use of proceeds	We expect to receive approximately $208.5 million of net proceeds from the sale of the common stock offered by us, based upon the assumed initial public offering price of $18.00 per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and estimated offering expenses (or approximately $240.1 million if the underwriters option to purchase additional shares is exercised in full). Following the closing of this offering, we will use $100.0 million of the net proceeds to repay the outstanding borrowings under our revolving credit facility, approximately $63.6 million to repay the Gulfport transaction note, $30.0 million to repay outstanding borrowings under our subordinated note with an affiliate of Wexford and approximately $8.4 million to settle the existing crude oil swaps. The remaining net proceeds of approximately $6.5 million (or approximately $38.1 million if the underwriters option to purchase additional shares is exercised in full), will be used to fund a portion of our exploration and development activities and for general corporate purposes, which may include leasehold interest and property acquisitions, working capital and the settlement of the post-closing cash adjustment payable to Gulfport under the terms of the Gulfport transaction. In the event that Wexford or its affiliates purchase $30.0 million of shares of common stock in this offering, then our net proceeds will increase by approximately $2.0 million. See *Use of Proceeds* on page 46 of this prospectus.
Conflicts of interest	Affiliates of Wells Fargo Securities, LLC are lenders under our revolving credit facility and, accordingly, will receive a substantial portion of the net proceeds from this offering as a result of the repayment of the outstanding borrowings under our revolving credit facility.
	Because affiliates of Wells Fargo Securities, LLC are lenders under our revolving credit facility and will receive more than 5% of the net proceeds of this offering due to the repayment of a portion of the revolving credit facility, this offering will be conducted in accordance with Rule 5121 of the Financial Industry Regulatory Authority, Inc., which requires, among other things, that a qualified independent underwriter has participated in the preparation of, and has exercised the usual standards of due diligence with respect to, the registration

	statement and this prospectus. Credit Suisse Securities (USA) LLC has agreed to act as qualified independent underwriter for this offering. Please read *Use of Proceeds* and *Underwriting (Conflicts of Interest)* beginning on pages 46 and 151, respectively.
Dividend policy	We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future.
Directed Share Program	The underwriters have reserved for sale at the initial public offering price up to 5% of the common stock being offered by this prospectus for sale to our employees, executive officers, directors, business associates and related persons who have expressed an interest in purchasing common stock in the offering. We do not know if these persons will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available to the general public. Please read *Underwriting (Conflicts of Interest)* beginning on page 151.
NASDAQ Global Market symbol	FANG
Risk Factors	You should carefully read and consider the information beginning on page 18 of this prospectus set forth under the heading *Risk Factors* and all other information set forth in this prospectus before deciding to invest in our common stock.

Except as otherwise indicated, all information contained in this prospectus:

- assumes the underwriters do not exercise their over-allotment option; and
- excludes 2,500,000 shares of common stock reserved for issuance under our equity incentive plan, including, based on an assumed public offering price of $18.00 per share (which is the midpoint of the range set forth on the cover of this prospectus):
  - 272,219 restricted stock units to be issued to certain employees following the closing of this offering under the terms of their employment agreements, of which 66,666 will be vested on the closing date of this offering;
  - 33,330 restricted stock units to be issued to our non-employee directors following the closing of this offering as part of their director compensation, of which 11,110 will be vested on the closing date of this offering; and
  - options to purchase 850,000 shares of our common stock to be granted to certain employees following the closing of this offering under the terms of their employment agreements, of which options to purchase 200,000 shares will be vested on the closing date of this offering.

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Summary Consolidated Historical and Pro Forma Financial Data

The following table sets forth our summary historical consolidated financial data as of and for each of the periods indicated. The summary historical consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 are derived from our historical audited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated balance sheet data as of December 31, 2009 are derived from our audited consolidated balance sheet as of that date, which is not included in this prospectus. The summary historical consolidated financial data as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 are derived from our historical unaudited consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated balance sheet data as of June 30, 2011 are derived from our unaudited consolidated balance sheet as of such date, which is not included in this prospectus. The unaudited pro forma financial data give effect to (a) the Transactions and (b) the distribution by Windsor Permian to its equity holder of its minority equity interests in Bison and Muskie. The unaudited pro forma statement of operations data for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that these transactions occurred on January 1, 2011. The unaudited pro forma balance sheet data assume that the Transactions occurred on June 30, 2012. The unaudited pro forma C Corporation financial data presented give effect to income taxes assuming we operated as a taxable corporation since inception for historical columns and since January 1, 2011 for pro forma columns. Operating results for the years ended December 31, 2011, 2010 and 2009 and the six months ended June 30, 2012 and 2011 are not necessarily indicative of results that may be expected for any future periods. You should review this information together with *Management s Discussion and Analysis of Financial Condition and Results of Operations,* *Selected Historical Consolidated Financial Data* and *Unaudited Pro Forma Condensed Consolidated Financial Statements* beginning on pages 61, 51 and 54, respectively, of this prospectus as well as our consolidated historical financial statements, the historical financial statements of Windsor UT and the statements of revenues and direct operating expenses of certain property interests of Gulfport and their respective related notes included elsewhere in this prospectus.

	Pro Forma		Historical				
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30, 2012	2011	Year Ended December 31, 2011	2010	2009
Statement of Operations Data:							
Oil and natural gas revenues	$ 46,572,620	$ 70,927,468	$ 31,757,923	$ 22,038,729	$ 47,180,802	$ 26,441,927	$ 12,716,011
Other revenues				1,490,910	1,490,910	811,247	
Expenses:							
Lease operating expense	10,232,157	16,081,179	6,134,714	4,283,671	10,345,355	4,588,559	2,366,623
Production taxes	2,313,853	3,641,869	1,550,154	1,093,899	2,333,853	1,346,879	663,068
Gathering and transportation	146,320	201,828	146,320	85,944	201,828	105,870	42,091
Oil and natural gas services				1,732,892	1,732,892	811,247	
Depreciation, depletion and amortization	15,287,686	23,661,538	10,235,730	7,441,366	15,402,826	8,145,143	3,215,891
General and administrative	2,884,277	3,522,231	2,815,051	1,421,313	3,603,479	3,051,627	5,062,618
Asset retirement obligation accretion expense	65,269	103,407	40,195	28,736	63,259	37,856	27,934
Total expenses	30,929,562	47,212,052	20,922,164	16,087,821	33,683,492	18,087,181	11,378,225
Income from operations	15,643,058	23,715,416	10,835,759	7,441,818	14,988,220	9,165,993	1,337,786
Other income (expense):							
Interest income	2,004	11,197	2,004	6,988	11,197	34,474	35,075
Interest expense	(2,053,706)	(2,528,058)	(2,053,706)	(1,097,053)	(2,528,058)	(836,265)	(10,938)
Other income	1,058,043		1,058,043				
Gain (loss) on derivative contracts	5,164,987	(13,009,393)	5,164,987	(28,181)	(13,009,393)	(147,983)	(4,068,005)
Loss from equity investment			(66,654)		(7,017)		
Total other income (expense), net	4,171,328	(15,526,254)	4,104,674	(1,118,246)	(15,533,271)	(949,774)	(4,043,868)
Net income (loss)	$ 19,814,386	$ 8,189,162	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)

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	Pro Forma		Historical				
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Pro Forma C Corporation Data:(1)							
Net income (loss) before income taxes	$ 19,814,386	$ 8,189,162	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma for income taxes	7,063,829	2,919,436					
Pro forma net income (loss)	$ 12,750,557	$ 5,269,726	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma income (loss) per common share basic and diluted(2)	$ 0.56	$ 0.23	$ 1.07		$ (0.04)		
Weighted average pro forma shares outstanding basic and diluted(2)	22,611,532	22,611,532	14,000,000		14,000,000		
Selected Cash Flow and Other Financial Data:							
Net income (loss)			$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Depreciation, depletion and amortization			10,235,730	7,943,855	15,905,315	8,145,143	3,215,891
Other non-cash items			(4,273,541)	177,309	13,844,010	344,461	4,108,464
Change in operating assets and liabilities			1,406,699	(925,350)	1,179,920	(11,529,999)	(1,916,707)
Net cash provided by operating activities			$ 22,309,321	$ 13,519,386	$ 30,384,194	$ 5,175,824	$ 2,701,566
Net cash used in investing activities			$ (59,382,142)	$ (38,363,561)	$ (76,314,042)	$ (53,134,641)	$ (32,149,617)
Net cash provided by financing activities			$ 32,337,149	$ 23,292,499	$ 48,642,492	$ 49,618,254	$ 23,849,250

	Pro Forma	Historical				
	As of June 30, 2012	As of June 30, 2012	As of June 30, 2011	As of December 31, 2011	As of December 31, 2010	As of December 31, 2009
Balance sheet data:						
Cash and cash equivalents	$ 2,341,466	$ 2,066,717	$ 2,538,068	$ 6,802,389	$ 4,089,745	$ 2,430,308
Other current assets	23,267,333	23,197,048	23,855,341	24,130,450	20,947,659	2,263,097
Oil and gas properties, net using full cost method of accounting	500,287,366	254,189,321	164,635,560	206,342,604	135,782,510	89,777,517
Well equipment to be used in development of oil and gas properties						5,413,310
Other property and equipment, net	1,540,452	1,540,452	3,435,130	684,015	11,059,220	105,564
Other assets	1,997,772	1,997,772	12,286,037	11,524,427	637,562	82,813
Total assets	$ 529,434,389	$ 282,991,310	$ 206,750,136	$ 249,483,885	$ 172,516,696	$ 100,072,609
Current liabilities	$ 124,014,934	$ 51,806,938	$ 23,996,533	$ 42,418,305	$ 20,010,276	$ 13,972,080
Note payable-long term	338,560	338,560				
Note payable-credit facility-long term	90,000,000	90,000,000	68,400,000	85,000,000	44,766,687	
Note payable-related party-long term	14,109,782	14,109,782				
Derivative contracts-long term	1,666,639	1,666,639	1,498,517	6,138,573	1,373,864	1,416,431
Asset retirement obligations	1,899,835	1,195,662	893,471	1,079,725	727,826	481,887
Deferred income taxes	56,269,454					
Member s/stockholders equity	241,135,185	123,873,729	111,961,615	114,847,282	105,638,043	84,202,211
Total liabilities and member s/stockholders equity	$ 529,434,389	$ 282,991,310	$ 206,750,136	$ 249,483,885	$ 172,516,696	$ 100,072,609

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	Pro Forma		Historical				
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30,		Year Ended December 31,		
			2012	2011	2011	2010	2009
Other financial data:							
Adjusted EBITDA(3)	$ 32,638,281	$ 48,538,337	$ 22,687,298	$ 15,421,397	$ 31,505,264	$ 17,383,466	$ 4,616,686

(1) Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the transaction described below. Our historical consolidated financial statements and other financial information included in this prospectus pertain to assets, liabilities, revenues and expenses of Windsor Permian LLC, which is an entity controlled by our equity sponsor, Wexford. Windsor Permian LLC was treated as a partnership for federal income tax purposes. As a result, essentially all of Windsor Permian LLC s taxable earnings and losses were passed through to Wexford, and Windsor Permian LLC did not pay federal income taxes at the entity level. Prior to the completion of this offering, Windsor Permian LLC will become our wholly-owned subsidiary and, because we are a subchapter C corporation under the Internal Revenue Code, the earnings at Windsor Permian LLC will become subject to federal income tax. For comparative purposes, we have included pro forma financial data for the historical periods to give effect to income taxes assuming the earnings at Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation since inception. If the earnings at Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation since inception, we would have incurred net operating losses for income tax purposes in each period. We would have been in a net deferred tax asset, or DTA, position as a result of such tax losses and would have recorded a valuation allowance to reduce each period s DTA balance to zero. A valuation allowance to reduce each period s DTA would have resulted in an equal and offsetting credit for the respective expenses or an equal and offsetting debit for the respective benefits for income taxes, with the resulting tax expenses for each of the above periods of zero. The unaudited pro forma data is presented for informational purposes only, and does not purport to project our results of operations for any future period or our financial position as of any future date.

(2) Unaudited historical pro forma basic and diluted income (loss) per share has been presented for the latest fiscal year and interim period on the basis of the aggregate number of shares attributable to Windsor Permian LLC to be issued to DB Holdings in connection with the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc.

(3) Adjusted EBITDA is a non-GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income (loss), see *Selected Historical Consolidated Financial Data* beginning on page 51 of this prospectus.

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Summary Historical and Pro Forma Reserve Data

The following table sets forth estimates of our net proved oil and natural gas reserves as of December 31, 2011 on a historical basis and on a pro forma basis after giving effect to the Transactions as if they had occurred as of December 31, 2011. Our historical reserves and the historical reserves attributable to the Windsor UT properties and the properties subject to the Gulfport transaction have been prepared in each case as of December 31, 2011 by Ryder Scott, an independent petroleum engineering firm, in accordance with SEC rules and regulations. Copies of these reserve reports are attached to this prospectus as Appendices B, C and D. You should also refer to *Risk Factors,* *Management s Discussion and Analysis of Financial Condition and Results of Operations,* *Business Oil and Gas Data Proved Reserves,* *Business Oil and Gas Production Prices and Production Costs Production and Price History* beginning on pages 18, 61, 98 and 102, respectively, of this prospectus, our audited consolidated financial statements and notes thereto and our unaudited pro forma financial statements and notes thereto included in this prospectus in evaluating the material presented below.

	Pro Forma December 31, 2011	Historical December 31, 2011
Estimated proved developed reserves:		
Oil (Bbls)	6,046,099	3,805,291
Natural gas (Mcf)	8,335,945	5,186,941
Natural gas liquids (Bbls)	1,969,710	1,233,318
Total (BOE)	9,405,133	5,903,099
Estimated proved undeveloped reserves:		
Oil (Bbls)	20,140,377	12,911,578
Natural gas (Mcf)	24,261,522	14,431,926
Natural gas liquids (Bbls)	5,870,849	3,529,955
Total (BOE)	30,054,813	18,846,854
Estimated Net Proved Reserves:		
Oil (Bbls)	26,186,476	16,716,869
Natural gas (Mcf)	32,597,467	19,618,867
Natural gas liquids (Bbls)	7,840,559	4,763,273
Total (BOE)(1)	39,459,946	24,749,953
Percent proved developed	23.8%	23.9%

(1) Estimates of reserves as of December 31, 2011 were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month period ended December 31, 2011, in accordance with revised SEC guidelines applicable to reserves estimates as of the end of 2011. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. The reserve estimates represent our net revenue interest in our properties. Although we believe these estimates are reasonable, actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from these estimates.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risks and all of the other information contained in this prospectus before deciding to invest in our common stock. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The risks described below are not the only ones facing us. Additional risks not presently known to us or which we currently consider immaterial also may adversely affect us.

Risks Related to the Oil and Natural Gas Industry and Our Business

Our business is difficult to evaluate because we have a limited operating history.

We were incorporated in Delaware on December 30, 2011. All of our historical oil and natural gas assets, operations and results described in this prospectus are currently those of Windsor Permian, which is an entity controlled by our equity sponsor, Wexford. Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, Windsor Permian will become our wholly-owned subsidiary and we will acquire the oil and gas assets of Gulfport located in the Permian Basin in the Gulfport transaction. The oil and natural gas properties of Windsor Permian, Gulfport and Windsor UT described in this prospectus have been acquired by Windsor Permian, Gulfport and Windsor UT since December 2007. As a result, there is only limited historical financial and operating information available upon which to base your evaluation of our performance.

We may have difficulty managing growth in our business, which could adversely affect our financial condition and results of operations.

As a recently-formed company, growth in accordance with our business plan, if achieved, could place a significant strain on our financial, technical, operational and management resources. As we expand our activities and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrences of unexpected expansion difficulties, including the failure to recruit and retain experienced managers, geologists, engineers and other professionals in the oil and natural gas industry, could have a material adverse effect on our business, financial condition and results of operations and our ability to timely execute our business plan.

Approximately 86% of our net leasehold acreage is undeveloped, and that acreage may not ultimately be developed or become commercially productive, which could cause us to lose rights under our leases as well as have a material adverse effect on our oil and natural gas reserves and future production and, therefore, our future cash flow and income.

Approximately 86% of our net leasehold acreage is undeveloped, or acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves. In addition, many of our oil and natural gas leases require us to drill wells that are commercially productive, and if we are unsuccessful in drilling such wells, we could lose our rights under such leases. Our future oil and natural gas reserves and production and, therefore, our future cash flow and income are highly dependent on successfully developing our undeveloped leasehold acreage.

Our development and exploration operations require substantial capital and we may be unable to obtain needed capital or financing on satisfactory terms or at all, which could lead to a loss of properties and a decline in our oil and natural gas reserves.

The oil and natural gas industry is capital intensive. We make and expect to continue to make substantial capital expenditures in our business and operations for the exploration for and development, production and acquisition of oil and natural gas reserves. In 2011, our total capital expenditures, including expenditures for

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leasehold interest and property acquisitions, drilling, seismic and infrastructure, were approximately $75.4 million. Our 2012 capital budget for drilling, completion and infrastructure, including investments in water disposal infrastructure and gathering line projects, is estimated to be approximately $150.0 million to $160.0 million after giving effect to the Transactions. To date, we have financed capital expenditures primarily with funding from Wexford, our equity sponsor, borrowings under our revolving credit facility and cash generated by operations. However, neither Wexford nor any of its affiliates has made any commitment to provide us additional funding. Notwithstanding prior contributions and loans to us by Wexford or its affiliates, you should not assume that any of them will provide any debt or equity funding to us in the future.

In the near term, we intend to finance our capital expenditures with cash flow from operations, proceeds from this offering and borrowings under our revolving credit facility. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the volume of oil and natural gas we are able to produce from existing wells;
- the prices at which oil and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

We cannot assure you that our operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, our actual capital expenditures in 2012 could exceed our capital expenditure budget. In the event our capital expenditure requirements at any time are greater than the amount of capital we have available, we could be required to seek additional sources of capital, which may include traditional reserve base borrowings, debt financing, joint venture partnerships, production payment financings, sales of assets, offerings of debt or equity securities or other means. We cannot assure you that we will be able to obtain debt or equity financing on terms favorable to us, or at all.

If we are unable to fund our capital requirements, we may be required to curtail our operations relating to the exploration and development of our prospects, which in turn could lead to a possible loss of properties and a decline in our oil and natural gas reserves, or may be otherwise unable to implement our development plan, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our production, revenues and results of operations. In addition, a delay in or the failure to complete proposed or future infrastructure projects could delay or eliminate potential efficiencies and related cost savings.

Our success depends on finding, developing or acquiring additional reserves.

Our future success depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we undertake development, exploration and other replacement activities or use third parties to accomplish these activities. We have made and expect to make in the future substantial capital expenditures in our business and operations for the development, production, exploration and acquisition of oil and natural gas reserves. We may not have sufficient resources to undertake our exploration, development and production activities or the acquisition of oil and natural gas reserves, our exploratory projects or other replacement activities may not result in significant additional reserves and we may not have success drilling productive wells at low finding and development costs. Furthermore, although our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

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Our project areas, which are in various stages of development, may not yield oil or natural gas in commercially viable quantities.

Our project areas are in various stages of development, ranging from project areas with current drilling or production activity to project areas that consist of recently acquired leasehold acreage or that have limited drilling or production history. From inception through August 31, 2012, after giving effect to the Transactions, we drilled a total of 167 gross wells and participated in an additional 16 gross non-operated wells, of which 171 wells were completed as producing wells and 12 wells were in various stages of completion. If the wells in the process of being completed do not produce sufficient revenues to return a profit or if we drill dry holes in the future, our business may be materially affected.

Our identified potential drilling locations, which are part of our anticipated future drilling plans, are susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

As of August 31, 2012, after giving effect to the Transactions, we had 916 identified potential vertical drilling locations on our existing acreage based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. Only 303 of these identified potential vertical drilling locations were attributed to proved reserves. These drilling locations, including those without proved undeveloped reserves, represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including the availability of capital, construction of infrastructure, inclement weather, regulatory changes and approvals, oil and natural gas prices, costs and drilling results. Further, our identified potential drilling locations are in various stages of evaluation, ranging from locations that are ready to drill to locations that will require substantial additional interpretation. We cannot predict in advance of drilling and testing whether any particular drilling location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable or whether wells drilled on 20-acre downspacing will produce at the same rates as those on 40-acre spacing. The use of technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, possibly resulting in a reduction in production from the well or abandonment of the well. If we drill additional wells that we identify as dry holes in our current and future drilling locations, our drilling success rate may decline and materially harm our business. We cannot assure you that the analogies we draw from available data from other wells, more fully explored locations or producing fields will be applicable to our drilling locations. Further, initial production rates reported by us or other operators in the Permian Basin may not be indicative of future or long-term production rates. Because of these uncertainties, we do not know if the potential drilling locations we have identified will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from those presently identified, which could adversely affect our business.

Our acreage must be drilled before lease expiration, generally within three to five years, in order to hold the acreage by production. In a highly competitive market for acreage, failure to drill sufficient wells to hold acreage may result in a substantial lease renewal cost, or if renewal is not feasible, loss of our lease and prospective drilling opportunities.

Leases on oil and natural gas properties typically have a term of three to five years, after which they expire unless, prior to expiration, production is established within the spacing units covering the undeveloped acres. As of June 30, 2012 after giving effect to the Transactions, we had leases representing 201 net acres expiring in 2012, 222 net acres expiring in 2013, 2,065 net acres expiring in 2014, 17,766 net acres expiring in 2015 and 6,893 net acres expiring in 2016. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. Any reduction in our current drilling program, either through a reduction in capital expenditures or the unavailability of drilling rigs, could result in the loss of acreage through lease expirations. In addition, in order to hold our current leases expiring in 2014 and 2015, we will need to operate at least a four-rig program. We cannot assure you that we will have the liquidity to deploy these rigs in this time frame, or that commodity prices will warrant operating such a drilling program. Any such losses of leases could materially and adversely affect the growth of our asset basis, cash flows and results of operations.

The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and natural gas properties depend primarily upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, including:

- the domestic and foreign supply of oil and natural gas;
- the level of prices and expectations about future prices of oil and natural gas;
- the level of global oil and natural gas exploration and production;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the price of foreign imports;
- political and economic conditions in oil producing countries, including the Middle East, Africa, South America and Russia;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- speculative trading in crude oil and natural gas derivative contracts;
- the level of consumer product demand;
- weather conditions and other natural disasters;
- risks associated with operating drilling rigs;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations and taxes;

the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;

proximity and capacity of oil and natural gas pipelines and other transportation facilities;

the price and availability of alternative fuels; and

overall domestic and global economic conditions.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. For example, during the past five years, the posted price for West Texas intermediate light sweet crude oil, which we refer to as West Texas Intermediate or WTI, has ranged from a low of $30.28 per barrel, or Bbl, in December 2008 to a high of $145.31 per Bbl in July 2008. The Henry Hub spot market price of natural gas has ranged from a low of $1.82 per million British thermal units, or MMBtu, in April 2012 to a high of $13.31 per MMBtu in July 2008. During 2011, West Texas Intermediate prices ranged from $75.40 to $113.39 per Bbl and the Henry Hub spot market price of natural gas ranged from $2.84 to $4.92 per MMBtu. On August 31, 2012, the West Texas Intermediate posted price for crude oil was $96.47 per Bbl and the Henry Hub spot market price of natural gas was $2.72 per MMBtu. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our operations, financial

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condition and level of expenditures for the development of our oil and natural gas reserves. In addition, lower oil and natural gas prices may reduce the amount of oil and natural gas that we can produce economically. This may result in our having to make substantial downward adjustments to our estimated proved reserves. If this occurs or if our production estimates change or our exploration or development results deteriorate, full cost accounting rules may require us to write down, as a non-cash charge to earnings, the carrying value of our oil and natural gas properties.

We have entered into price swap derivatives and may in the future enter into forward sale contracts or additional price swap derivatives for a portion of our production, which may result in our making cash payments or prevent us from receiving the full benefit of increases in prices for oil and gas.

We use price swap derivatives to reduce price volatility associated with certain of our oil sales. Under these swap contracts, we receive a fixed price per barrel of oil and pay a floating market price per barrel of oil to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. For the purpose of locking-in the value of a swap, we enter into counter-swaps from time to time. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we placed a swap contract covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps. Locking in the value of our swaps with counter-swaps, without entering into new swaps, exposes us to commodity price risks on the originally swapped position. As of December 31, 2010 and 2009, all of our swap contracts were locked-in with counter swaps. In October 2011, we placed a swap contract covering 1,000 Bbls per day of crude oil for the period from January 1, 2012 through December 31, 2013 at a fixed price of $78.50 per barrel for 2012 and $80.55 per barrel for 2013. Such contracts and any future hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. In addition, these arrangements may limit the benefit to us of increases in the price of oil. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Our hedging transactions expose us to counterparty credit risk.

Our hedging transactions expose us to risk of financial loss if a counterparty fails to perform under a derivative contract. Disruptions in the financial markets could lead to sudden decreases in a counterparty s liquidity, which could make them unable to perform under the terms of the derivative contract and we may not be able to realize the benefit of the derivative contract.

The inability of one or more of our customers to meet their obligations may adversely affect our financial results.

In addition to credit risk related to receivables from commodity derivative contracts, our principal exposure to credit risk is through receivables from joint interest owners on properties we operate (approximately $10.4 million at June 30, 2012) and receivables from purchasers of our oil and natural gas production (approximately $4.8 million at June 30, 2012). Joint interest receivables arise from billing entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we wish to drill. We are generally unable to control which co-owners participate in our wells.

We are also subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (15%). No other customer accounted for more than 10% of our revenue during these periods. This concentration of customers may impact our overall credit risk in that these entities may be similarly affected by changes in economic and other conditions. Current economic circumstances may further increase these risks. We do not require our customers to post collateral. The inability or failure of our significant customers or joint working interest owners to meet their obligations to us or their insolvency or liquidation may materially adversely affect our financial results.

Our method of accounting for investments in oil and natural gas properties may result in impairment of asset value.

We account for our oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs and annual lease rentals are capitalized. We also capitalize direct operating costs for services performed with internally owned drilling and well servicing equipment. All general and administrative corporate costs unrelated to drilling activities are expensed as incurred. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Income from services provided to working interest owners of properties in which we also own an interest, to the extent they exceed related costs incurred, are accounted for as reductions of capitalized costs of oil and natural gas properties. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $24.22 and $26.72 for the six months ended June 30, 2012 and 2011, respectively, and $25.40, $17.78 and $11.21 for the years ended December 31, 2011, 2010 and 2009, respectively. Depreciation, depletion and amortization expense for oil and natural gas properties for the six months ended June 30, 2012 and 2011 was $10.0 million and $7.3 million, respectively, and for the years ended December 31, 2011, 2010 and 2009 was $15.2 million, $7.4 million and $3.2 million, respectively.

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. Beginning December 31, 2009, we have used the unweighted arithmetic average first day of the month price for oil and natural gas for the 12-month period preceding the calculation date in estimating discounted future net revenues.

No impairment on proved oil and natural gas properties was recorded for the years ended December 31, 2011, 2010 and 2009 or for the six months ended June 30, 2012 and 2011. We may experience additional ceiling test write downs in the future. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Method of accounting for oil and natural gas properties* beginning of page 83 of this prospectus for a more detailed description of our method of accounting.

Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

Oil and natural gas reserve engineering is not an exact science and requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, ultimate recoveries and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates and the timing of development expenditures may be incorrect. Our historical estimates of proved reserves and related valuations are based on reports prepared by Ryder Scott as of December 31, 2011 and by Pinnacle as of December 31, 2010 and 2009, each an independent petroleum engineering firm. The estimates of proved reserves and related valuations attributable to the Windsor UT properties and the properties subject to the Gulfport transaction are based, in each case, on reports prepared by Ryder Scott as of December 31, 2011. Ryder Scott and Pinnacle, as applicable, conducted a well-by-well review of all our properties for the periods covered by their respective reserve reports using information provided by us. Over time, we may make material changes to reserve estimates taking into account the results of actual drilling, testing and production. Also, certain assumptions regarding future oil and natural gas prices, production levels and operating and development costs may prove incorrect. Any significant variance from these assumptions to actual figures could greatly affect our estimates of reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows. A substantial portion of our reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil and natural gas we ultimately recover being different from our reserve estimates.

The estimates of reserves as of December 31, 2011, 2010 and 2009 included in this prospectus were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month periods ended December 31, 2011, 2010 and 2009, respectively, in accordance with the revised SEC guidelines applicable to reserves estimates for such periods. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. The reserve estimates represent our net revenue interest in our properties.

The timing of both our production and our incurrence of costs in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves.

SEC rules that went into effect for fiscal years ending on or after December 31, 2009 could limit our ability to book additional proved undeveloped reserves in the future.

SEC rules that went into effect for fiscal years ending on or after December 31, 2009 require that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement has limited and may continue to limit our ability to book additional proved undeveloped reserves as we pursue our drilling program. Moreover, we may be required to write down our proved undeveloped reserves if we do not drill those wells within the required five-year timeframe.

The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we currently anticipate.

Approximately 76% of our total estimated proved reserves at December 31, 2011 were proved undeveloped reserves and may not be ultimately developed or produced. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data included in the reserve engineer reports assumes that substantial capital expenditures are required to develop such reserves. We cannot be certain that the estimated costs of the development of these reserves are accurate, that development will occur as scheduled or that the results of such development will be as estimated. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce future net revenues of our estimated proved undeveloped reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved reserves as unproved reserves.

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Our producing properties are located in the Permian Basin of West Texas, making us vulnerable to risks associated with operating in one major geographic area. In addition, we have a large amount of proved reserves attributable to a small number of producing horizons within this area.

All of our producing properties are geographically concentrated in the Permian Basin of West Texas. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, availability of equipment, facilities, personnel or services market limitations or interruption of the processing or transportation of crude oil, natural gas or natural gas liquids. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the Permian Basin, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

In addition to the geographic concentration of our producing properties described above, at December 31, 2011, all of our proved reserves were attributable to the Wolfberry play. This concentration of assets within a small number of producing horizons exposes us to additional risks, such as changes in field-wide rules and regulations that could cause us to permanently or temporarily shut-in all of our wells within a field.

We depend upon several significant purchasers for the sale of most of our oil and natural gas production. The loss of one or more of these purchasers could, among other factors, limit our access to suitable markets for the oil and natural gas we produce.

The availability of a ready market for any oil and/or natural gas we produce depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. In addition, we depend upon several significant purchasers for the sale of most of our oil and natural gas production. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (15%). No other customer accounted for more than 10% of our revenue during these periods. We cannot assure you that we will continue to have ready access to suitable markets for our future oil and natural gas production.