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Ring Energy Releases Third Quarter and Nine Month 2018 Financial and Operational Results

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MIDLAND, Texas--(BUSINESS WIRE (1))--Ring Energy, Inc. (NYSE American: REI) ("Ring") ("Company") announced today financial results for the three months and nine months ended September 30, 2018. For the three month period ended September 30, 2018, the Company reported oil and gas revenues of \$32,687,179, compared to revenues of \$16,643,930 for the quarter ended September 30, 2017. For the nine months ended September 30, 2018, the Company reported oil and gas revenues of \$92,503,453, compared to \$43,391,032 for the nine months ended September 30, 2017.

For the three months ended September 30, 2018, Ring reported net income of \$5,693,628, or \$0.09 per diluted share, compared to net income of \$3,073,760, or \$0.06 per fully diluted share for the three months ended September 30, 2017. For the nine months ended September 30, 2018, the Company reported net income of \$16,079,068, or \$0.27 per diluted share, compared to net income of \$6,263,804, or \$0.12 per fully diluted share for the nine month period ended September 30, 2017.

For the three months ended September 30, 2018, the net income included a pre-tax "Realized Loss on Derivatives" of \$2,722,774, an "Unrealized Loss on Derivatives" of \$566,649, and a non-cash charge for stock-based compensation of \$1,007,789. Excluding these items, the net income per diluted share would have been \$0.15. For the nine months ended September 30, 2018, the net income included a pre-tax "Realized Loss on Derivatives" of \$6,600,226, an "Unrealized Loss on Derivatives" of \$2,456,623, and a non-cash charge for stock-based compensation of \$3,091,336. Excluding these items, the net income per diluted share would have been \$0.42.

The Company believes results excluding these items are more comparable to estimates provided by security analysts and, therefore, are useful in evaluating operational trends of the Company and its performance, compared to other similarly situated oil and gas producing companies.

For the three months ended September 30, 2018, oil sales volume increased to 555,020 barrels, compared to 346,900 barrels for the same period in 2017, a 59.9% increase, and gas sales volume increased to 280,200 MCF (thousand cubic feet), compared to 201,158 MCF for the same period in 2017, a 39.2% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended September 30, 2018, production sales increased to 601,720 BOEs, compared to 380,426 BOEs for the same period in 2017, a 58.1% increase, and 522,622 BOEs for the second quarter of 2018, a 15% increase. For the nine months ended September 30, 2018, oil sales volume increased to 1,504,330 barrels, compared to 893,562 barrels for the same period in 2017, a 68.3% increase, and gas sales volume increased to 809,287 MCF, compared to 559,551 MCF for the same period in 2017, a 44.6% increase. On a BOE basis for the nine months ended September 30, 2018, production sales increased to 1,639,211 BOEs, compared to 986,820 BOEs for the same period in 2017, a 66.1% increase.

The average commodity prices received by the Company were \$57.00 per barrel of oil and \$3.76 per MCF of natural gas for the quarter ended September 30, 2018, compared to \$46.17 per barrel of oil and \$3.13 per MCF of natural gas for the quarter ended September 30, 2017. On a BOE basis for the three month period ended September 30, 2018, the average price received was \$54.32. The average prices received for the nine months ended September 30, 2018 were \$59.65 per barrel of oil and \$3.42 per MCF of natural gas, compared to \$46.56 per barrel of oil and \$3.19 per MCF of natural gas for the nine month period ended September 30, 2017. On a BOE basis for the nine month period ended September 30, 2018, the average price received was \$56.43.

Lease operating expenses, including production taxes, for the three months ended September 30, 2018 were \$14.57 per BOE, a 9.7% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 42% to \$18.44 per BOE. General and administrative costs, which included a \$1,007,789 charge for stock-based compensation, were \$5.33 per BOE, a 14% decrease. For the nine months ended September 30, 2018, lease operating expenses, including production taxes, were \$14.67 per BOE, a 15.4% increase. Depreciation, depletion and amortization costs, including accretion, were \$17.73 per BOE, a 26.2% increase, and general and administrative costs, which included a \$3,091,336 charge for stock-based compensation, were \$5.76 per BOE, a 25% decrease.

Cash provided by operating activities, before changes in working capital, for the three and nine months ended September 30, 2018 was \$18,963,008, or \$0.31 per fully diluted share, and \$55,520,527, or \$0.92 per fully diluted share, compared to \$10,270,367 and \$26,283,307, or \$0.19 and \$0.51 per fully diluted share for the same periods in 2017. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and nine months ended September 30, 2018 was \$18,998,041, or \$0.31 per fully diluted share, and \$55,508,099, or \$0.92 per fully diluted share, compared to \$10,184,814 and \$26,033,764, or \$0.19 and \$0.50 in 2017. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

As of September 30, 2018, \$17,000,000 was outstanding on the Company's \$500 million senior secured credit facility.

Mr. Kelly Hoffman, the Company's Chief Executive Officer, commented, "The third quarter production results confirmed we are back on track to show steady, low double-digit production growth quarter over quarter. Our third quarter production showed an increase of close to 13% over the second quarter, and our average daily production exceeded 7,200 BOEs in September, an increase of over 10% from our average production in June. We are very encouraged by the results we continue to see on all our properties. Based on the amended 2018 CAPEX budget we announced in September, we are on budget. We continue to drill and complete our one-mile laterals in the CBP for our stated cost of \$2.2 million, which includes the associated tank battery, and closely monitor all other costs associated with equipment purchases and infrastructure improvements. On October 2, 2018, a research report was written citing several issues that we believe were in error. In response, the Company issued a press release announcing a conference call to be held on October 3, 2018, inviting all shareholders the opportunity to hear the Company address those issues. In our opinion, we addressed each issue we disputed with documented history, and in some cases third party verification. For those investors unable to participate on the call, the Company has posted the transcript of the call on the Company website, www.ringenergy.com [2]. We recognize that we have not been as transparent and visible as we should. To that end, management has scheduled several trips to meet with both current and potential investors, as well as participating at two energy conferences between now and year end. This will be an ongoing process with the goal of better communication with our shareholders and analysts that have issued research coverage on the Company."

About Ring Energy, Inc.

Ring Energy, Inc. is an oil and gas exploration, development and production company with current operations in Texas. www.ringenergy.com [2]

Safe Harbor Statement

This release contains forward-looking statements within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995 that involve a wide variety of risks and uncertainties, including, without limitations, statements with respect to the Company's strategy and prospects. Such statements are subject to certain risks and uncertainties which are disclosed in the Company's reports filed with the SEC, including its Form 10-K for the fiscal year ended December 31, 2017, its Form 10-Q for the quarter ended September 30, 2018 and its other filings with the SEC. Readers and investors are cautioned that the Company's actual results may differ materially from those described in the forward-looking statements due to a number of factors, including, but not limited to, the Company's ability to acquire productive oil and/or gas properties or to successfully drill and complete oil and/or gas wells on such properties, general economic conditions both domestically and abroad, and the conduct of business by the Company, and other factors that may be more fully described in additional documents set forth by the Company.

RING ENERGY, INC. STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Oil and Gas Revenues	\$32,687,179	\$16,643,930	\$92,503,453	\$43,391,032
Costs and Operating Expenses				
Oil and gas production costs	7,217,940	4,261,923	19,638,163	10,481,669
Oil and gas production taxes	1,551,097	787,777	4,405,974	2,062,215
Depreciation, depletion and amortization	10,930,563	4,823,044	28,576,057	13,433,489
Asset retirement obligation accretion	167,433	109,974	493,223	420,723
General and administrative expense	3,205,116	2,369,131	9,442,327	7,576,391
Total Costs and Operating Expenses	23,072,149	12,351,849	62,555,744	33,974,487
Income from Operations	9,615,030	4,292,081	29,947,709	9,416,545
Other Income (Expense)				
Interest income	5,911	85,553	97,855	249,543
Interest expense	(40,944)	-	(85,427)	-

Realized loss on derivatives	(2,722,774)	-	(6,600,226)	-
Unrealized gain (loss) on change in fair value of derivatives	(566,649)	65,828	(2,456,623)	65,828
Net Other Income (Expense)	(3,324,456)	151,381	(9,044,421)	315,371
Income before Tax Provision	6,290,574	4,443,462	20,903,288	9,731,916
Provision for Income Taxes	(596,946)	(1,369,702)	(4,824,220)	(3,468,112)
Net Income	\$ 5,693,628	\$ 3,073,760	\$16,079,068	\$ 6,263,804
Basic Earnings Per Common Share	\$ 0.09	\$ 0.06	\$ 0.27	\$ 0.12
Diluted Earnings Per Common Share	\$ 0.09	\$ 0.06	\$ 0.27	\$ 0.12
Basic Weighted-Average Common Shares Outstanding	60,405,355	53,009,696	59,084,300	50,441,375
Diluted Weighted-Average Common Shares Outstanding	61,830,381	54,367,648	60,567,232	51,760,109

COMPARATIVE OPERATING STATISTICS

	Three Months Ended September 30,		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Net Sales - BOE per day	6,540	4,135	58%
Per BOE:			
Average Sales Price	\$ 54.32	\$43.75	24%
Lease Operating Expenses	11.99	11.20	7%
Production Taxes	2.58	2.07	25%
DD&A	18.17	12.68	43%
Accretion	0.28	0.29	0%
General & Administrative Expenses	5.33	6.23	-14%
	Nine Months Ended September 30,		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Net Sales - BOE per day	6,004	3,615	66%
Per BOE:			
Average Sales price	\$56.43	\$43.97	28%
Lease Operating Expenses	11.98	10.62	13%
Production Taxes	2.69	2.09	29%

DD&A	17.43	13.61	28%
Accretion	0.30	0.43	-30%
General & Administrative Expenses	5.76	7.68	-25%

RING ENERGY, INC.
BALANCE SHEET

	September 30, 2018	December 31, 2017
	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 3,770,844	\$ 15,006,581
Accounts receivable	11,575,024	12,833,883
Joint interest billing receivable	1,877,833	1,054,022
Prepaid expenses	379,158	229,438
Total Current Assets	<u>17,602,859</u>	<u>29,123,924</u>
Property and Equipment		
Oil and natural gas properties subject to amortization	597,810,538	433,591,134
Fixed assets subject to depreciation	1,465,551	1,884,818
Total Property and Equipment	<u>599,276,089</u>	<u>435,475,952</u>
Accumulated depreciation, depletion and amortization	(90,127,258)	(61,864,932)
Net Property and Equipment	<u>509,148,831</u>	<u>373,611,020</u>
Deferred Income Taxes	6,407,980	11,232,200
Deferred Financing Costs	494,738	135,342
Total Assets	<u>\$ 533,654,408</u>	<u>\$ 414,102,486</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 42,485,518	\$ 44,475,163
Derivative liabilities	6,424,909	3,968,286
Total Current Liabilities	<u>48,910,427</u>	<u>48,443,449</u>
Revolving line of credit	17,000,000	-
Asset retirement obligations	10,155,215	9,055,697
Total Liabilities	<u>76,065,642</u>	<u>57,499,146</u>
Stockholders' Equity		
Preferred stock - \$0.001 par value; 50,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - \$0.001 par value; 150,000,000 shares authorized; 60,491,142 shares and 54,224,029 shares issued and outstanding, respectively	60,491	54,224
Additional paid-in capital	482,804,860	397,904,769
Accumulated deficit	(25,276,585)	(41,355,653)
Total Stockholders' Equity	<u>457,588,766</u>	<u>356,603,340</u>

Total Liabilities and Stockholders' Equity	<u>\$ 533,654,408</u>	<u>\$ 414,102,486</u>
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RING ENERGY, INC.

STATEMENTS OF CASH FLOW

	Nine Months Ended	
	September 30, 2018	September 30, 2017
	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ 16,079,068	\$ 6,263,804
Adjustments to reconcile net income (loss) to net cash Provided by operating activities:		
Depreciation, depletion and amortization	28,576,057	13,433,489
Accretion of asset retirement obligation	493,223	420,723
Share-based compensation	3,091,336	2,763,007
Deferred income tax provision	4,389,690	3,383,131
Excess tax deficiency related to share-based compensation	434,530	84,981
Change in fair value of derivative instruments	2,456,623	(65,828)
Changes in assets and liabilities:		
Accounts receivable	435,048	(4,604,534)
Prepaid expenses	(509,116)	102,735
Accounts payable	(2,989,645)	7,126,520
Settlement of asset retirement obligation	(452,468)	(605,432)
Net Cash Provided by Operating Activities	<u>52,004,346</u>	<u>28,302,596</u>
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(4,090,642)	(26,915,783)
Payments to develop oil and natural gas properties	(158,069,999)	(87,576,052)
Proceeds from disposal of fixed assets subject to depreciation	105,536	-
Purchase of inventory for development	-	(2,816,165)
Purchase of equipment, vehicles and leasehold improvements	-	(309,217)
Net Cash Used in Investing Activities	<u>(162,055,105)</u>	<u>(117,617,217)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of common stock, net of offering costs	81,815,022	59,104,393
Proceeds from revolving line of credit	17,000,000	-
Net Cash Provided by (Used in) Financing Activities	<u>98,815,022</u>	<u>59,104,393</u>
Net Decrease in Cash	(11,235,737)	(30,210,228)
Cash at Beginning of Period	15,006,581	71,086,381
Cash at End of Period	<u>\$ 3,770,844</u>	<u>\$ 40,876,153</u>
Supplemental Cash flow Information		
Cash paid for interest	\$ 54,652	-
Noncash Investing and Financing Activities		
Asset retirement obligation incurred during development	1,058,763	846,868

Use of inventory in property development	-	3,364,786
Capitalized expenditures attributable to drilling projects financed through current liabilities	24,000,000	5,000,000

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	\$ 52,004,346	\$ 28,302,596
Change in operating assets and liabilities	3,516,181	(2,019,289)
Cash flow from operations	<u>\$ 55,520,527</u>	<u>\$ 26,283,307</u>

Management believes that the non-GAAP measure of cash flow from operations is useful information for investors because it is used internally and is accepted by the investment community as a means of measuring the Company's ability to fund its capital program. It is also used by professional research analysts in providing investment recommendations pertaining to companies in the oil and gas exploration and production industry.

RING ENERGY, INC. NON-GAAP DISCLOSURE RECONCILIATION ADJUSTED EBITDA

	Nine Months Ended	
	September 30, 2018	September 30, 2017
NET INCOME	\$ 16,079,068	\$ 6,263,804
Net other (income) expense	9,044,421	(315,371)
Realized loss on derivatives	(6,600,226)	0
Income tax expense	4,824,220	3,468,112
Depreciation, depletion and amortization	28,576,057	13,433,489
Accretion of discounted liabilities	493,223	420,723
Stock-based compensation	3,091,336	2,763,007
ADJUSTED EBITDA	<u>\$ 55,508,099</u>	<u>\$ 26,033,764</u>

Language:

English

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[1] <http://www.businesswire.com>
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