



Published on *Ring Energy Investor Center* (<https://investor.ringenergy.com>) on 8/8/18 3:15 pm CDT

Ring Energy Announces Second Quarter and Six Month 2018 Financial and Operational Results

Release Date:

Wednesday, August 8, 2018 3:15 pm CDT

Terms:

Dateline City:

MIDLAND, Texas

MIDLAND, Texas--(BUSINESS WIRE ⁽¹⁾)--Ring Energy, Inc. (NYSE American: REI) ("Ring") ("Company") announced today financial results for the three months and six months ended June 30, 2018. For the three month period ended June 30, 2018, Ring reported oil and gas revenues of \$29,924,883, compared to revenues of \$14,503,309 for the quarter ended June 30, 2017. For the six months ended June 30, 2018, the Company reported oil and gas revenues of \$59,816,274, compared to \$26,747,102 for the six months ended June 30, 2017.

For the three months ended June 30, 2018, Ring reported net income of \$4,719,806, or \$0.08 per diluted share. For the six months ended June 30, 2018, the Company reported net income of \$10,385,440, or \$0.17 per diluted share. This compares to net income of \$1,910,763, or \$0.04 per fully diluted share for the three months ended June 30, 2017, and net income of \$3,190,044, or \$0.06 per fully diluted share for the six month period ended June 30, 2017.

For the three months ended June 30, 2018, the net income included a pre-tax "Unrealized Loss on Derivatives" of \$1,099,273. Excluding this item, the net income per diluted share would have been \$0.09. For the six months ended June 30, 2018, the net income included a pre-tax "Unrealized Loss on Derivatives" of \$1,889,974. Excluding this item, the net income per diluted share would have been \$0.20.

For the three months ended June 30, 2018, oil sales volume increased to 469,446 barrels, compared to 306,402 barrels for the same period in 2017, a 53.2% increase, and gas sales volume increased to 319,056 MCF (thousand cubic feet), compared to 190,044 MCF for the same period in 2017, a 67.8% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended June 30, 2018, production sales increased to 522,622 BOEs, compared to 338,076 BOEs for the same period in 2017, a 54.5% increase, and 514,869 BOEs for the first quarter of 2018, a 1.5% increase. For the six months ended June 30, 2018, oil sales volume increased to 949,310 barrels, compared to 546,662 barrels for the same period in 2017, a 73.6% increase, and gas sales volume increased to 529,087 MCF, compared to 358,393 MCF for the same period in 2017, a 47.6% increase. On a BOE basis for the six months ended June 30, 2018, production sales increased to 1,037,491 BOEs, compared to 606,394 BOEs for the same period in 2017, a 71.1% increase.

The average commodity prices received by the Company were \$61.70 per barrel of oil and \$3.02 per MCF of natural gas for the quarter ended June 30, 2018, compared to \$45.34 per barrel of oil and \$3.22 per MCF of natural gas for the quarter ended June 30, 2017. The average prices received for the six months ended June 30, 2018 were \$61.21 per barrel of oil and \$3.24 per MCF of natural gas, compared to \$46.81 per barrel of oil and \$3.23 per MCF of natural gas for the six month period ended June 30, 2017.

Lease operating expenses, including production taxes, for the three months ended June 30, 2018 were \$15.43 per BOE, a 24% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 13.5% to \$17.82 per BOE. General and administrative costs, which included a \$1,002,348 charge for stock based compensation, were \$6.03 per BOE, a 14% decrease. For the six months ended June 30, 2018, lease operating expenses, including production taxes, were \$14.72 per BOE, a 19% increase. Depreciation, depletion and amortization costs, including accretion, were \$17.32 per BOE, a 17.7% increase, and general and administrative costs, which included a \$2,083,547 charge for stock based compensation, were \$6.01 per BOE, a 30% decrease.

Cash provided by operating activities, before changes in working capital, for the three and six months ended June 30, 2018 was \$17,389,257, or \$0.28 per fully diluted share, and \$36,557,519, or \$0.61 per fully diluted share, compared to \$8,791,004 and \$16,012,940, or \$0.17 and \$0.32 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 six months ended June 30, 2018 was \$17,306,266, or \$0.28 per fully diluted share, and \$36,510,058, or \$0.61 per fully diluted share, compared to \$8,743,693 and \$15,848,950, or \$0.17 and \$0.31 in 2017. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

On June 20, 2018, the Company announced it had increased the borrowing base on its \$500 million senior secured credit facility from \$60 million to \$175 million. There was no outstanding debt on the Company's \$500 million senior secured credit facility at June 30, 2018.

Mr. Kelly Hoffman, the Company's Chief Executive Officer, commented, "We resolved a couple of minor drilling and production delays early in the quarter and have seen our production continue to grow, exceeding 6,600 BOEs per day by the end of June. With the continued success of our horizontal drilling and development program and the positive results from both the North Gaines and Brushy Canyon wells, that growth will not only continue but accelerate, moving us closer to our goal of cash flow positive by the end of the year. We continue to see many acquisition opportunities in both the Central Basin Platform and Delaware Basin. We have increased our borrowing base to \$175 million on our senior secured credit facility and will continue to look for opportunities that will be immediately accretive to the Company and its shareholders."

Non-GAAP Financial Measures:

Net income for the three months ended June 30, 2018 includes a non-cash charge for stock based compensation of \$1,002,348. Net income for the six months ended June 30, 2018 includes a non-cash charge for stock based compensation of \$2,083,547. Excluding such items, the Company's net loss would have been \$0.09 per diluted share for the three months ended June 30, 2018, and net earnings of \$0.20 for the six months ended June 30, 2018. 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.

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 June 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		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Oil and Gas Revenues	\$ 29,924,883	\$14,503,309	\$59,816,274	\$26,747,102
Costs and Operating Expenses				
Oil and gas production costs	6,638,313	3,514,375	12,420,223	6,219,746
Oil and gas production taxes	1,428,995	691,174	2,854,877	1,274,438
Depreciation, depletion and amortization	9,144,115	5,136,426	17,645,494	8,610,445
Asset retirement obligation accretion	164,670	173,573	325,790	310,749
General and administrative expense	3,151,231	2,366,149	6,237,211	5,207,260
Total Costs and Operating Expenses	20,527,324	11,881,697	39,483,595	21,622,638
Income from Operations	9,397,559	2,621,612	20,332,679	5,124,464
Other Income (Expense)				
Interest Income	82,991	47,311	91,944	163,990
Interest Expense	-	-	(44,483)	-
Realized loss on derivatives	(2,402,426)	-	(3,877,452)	-
Unrealized loss on change in fair value of derivatives	(1,099,273)	-	(1,889,974)	-
Net Other Income (Expense)	(3,418,708)	47,311	(5,719,965)	163,990
Income before Tax Provision	5,978,851	2,668,923	14,612,714	5,288,454
Provision for Income Taxes	(1,259,045)	(758,160)	(4,227,274)	(2,098,410)

Net Income	\$ 4,719,806	\$ 1,910,763	\$ 10,385,440	\$ 3,190,044
Basic Earnings Per Common Share	\$ 0.08	\$ 0.04	\$ 0.18	\$ 0.06
Diluted Earnings Per Common Share	\$ 0.08	\$ 0.04	\$ 0.17	\$ 0.06
Basic Weighted-Average Common Shares Outstanding	60,388,029	49,156,895	58,412,825	49,135,929
Diluted Weighted-Average Common Shares Outstanding	61,964,010	50,474,397	59,967,309	50,434,490

COMPARATIVE OPERATING STATISTICS

	Three Months Ended June 30,		
	2018	2017	Change
Net Sales - BOE per day	5,743	3,715	55%
Per BOE:			
Average Sales Price	\$57.26	\$42.90	33%
Lease Operating Expenses	12.70	10.40	22%
Production Taxes	2.73	2.04	34%
DD&A	17.50	15.19	15%
Accretion	0.32	0.51	-37%
General & Administrative Expenses	6.03	7.00	-14%

	Six Months Ended June 30,		
	2018	2017	Change
Net Sales - BOE per day	5,732	3,350	71%
Per BOE:			
Average Sales price	\$57.65	\$44.11	31%
Lease Operating Expenses	11.97	10.26	17%
Production Taxes	2.75	2.10	31%
DD&A	17.01	14.20	20%
Accretion	0.31	0.51	-39%
General & Administrative Expenses	6.01	8.59	-30%

RING ENERGY, INC. BALANCE SHEET

June 30, December 31,
2018 2017

ASSETS

Current Assets

Cash	\$ 13,431,146	\$ 15,006,581
Accounts receivable	11,344,504	12,833,883
Joint interest billing receivable	1,331,682	1,054,022
Prepaid expenses	437,733	229,438
Total Current Assets	26,545,065	29,123,924
Property and Equipment		
Oil and natural gas properties subject to amortization	547,069,209	433,591,134
Fixed assets subject to depreciation	1,465,551	1,884,818
Total Property and Equipment	548,534,760	435,475,952
Accumulated depreciation, depletion and amortization	(79,196,695)	(61,864,932)
Net Property and Equipment	469,338,065	373,611,020
Deferred Income Taxes	7,004,926	11,232,200
Deferred Financing Costs	565,415	135,342
Total Assets	\$ 503,453,471	\$ 414,102,486
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 36,887,834	\$ 44,475,163
Derivative liabilities	5,858,260	3,968,286
Total Current Liabilities	42,746,094	48,443,449
Asset retirement obligations	9,815,977	9,055,697
Total Liabilities	52,562,071	57,499,146
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; 60,388,029 shares and 54,224,029 shares issued and outstanding, respectively	60,388	54,224
Additional paid-in capital	481,801,225	397,904,769
Accumulated deficit	(30,970,213)	(41,355,653)
Total Stockholders' Equity	450,891,400	356,603,340
Total Liabilities and Stockholders' Equity	\$ 503,453,471	\$ 414,102,486

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	Six Months Ended	
	June 30, <u>2018</u>	June 30, <u>2017</u>
Cash Flows From Operating Activities		
Net income	\$ 10,385,440	\$ 3,190,044
Adjustments to reconcile net income to net cash Provided by operating activities:		
Depreciation, depletion and amortization	17,645,494	8,610,445
Asset retirement obligation accretion	325,790	310,749
Share-based compensation	2,083,547	1,803,292
Deferred income tax provision	3,068,670	1,787,513

Excess tax deficiency related to share-based compensation	1,158,604	310,897
Change in fair value of derivative instruments	1,889,974	-
Changes in assets and liabilities:		
Accounts receivable	1,211,719	(4,948,634)
Prepaid expenses and retainers	(638,368)	(57,620)
Accounts payable	(3,587,329)	7,424,473
Settlement of asset retirement obligation	(265,728)	(309,511)
Net Cash Provided by Operating Activities	33,277,813	18,121,648
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(3,270,000)	(24,727,390)
Payments to develop oil and natural gas properties	(113,507,857)	(49,184,297)
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	-	(186,599)
Net Cash Used in Investing Activities	(116,672,321)	(76,914,451)
Cash Flows From Financing Activities		
Amounts paid for registration statement for future offerings	-	(157,200)
Proceeds from issuance of common stock, net of offering costs	81,819,073	-
Net Cash Provided by Financing Activities	81,819,073	(157,200)
Net Decrease in Cash	(1,575,435)	(58,950,003)
Cash at Beginning of Period	15,006,581	71,086,381
Cash at End of Period	\$ 13,431,146	\$ 12,136,378

Supplemental Cash flow Information

Cash paid for interest	\$ 44,483	-
------------------------	-----------	---

Noncash Investing and Financing Activities

Asset retirement obligation incurred during development	700,218	476,437
Use of inventory in property development	-	\$ 2,521,265
Capitalized expenditures attributable to drilling projects financed through current liabilities	19,000,000	8,000,000

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	\$ 33,277,813	\$ 18,121,648
Change in operating assets and liabilities	3,279,706	(2,108,708)
Cash flow from operations	<u>\$ 36,557,519</u>	<u>\$ 16,012,940</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

Six Months Ended

	June 30, <u>2018</u>	June 30, <u>2017</u>
NET INCOME	\$ 10,385,440	\$ 3,190,044
Net other income expense	5,719,965	(163,990)
Realized loss on derivatives	(3,877,452)	-
Income tax expense (benefit)	4,227,274	2,098,410
Depreciation, depletion and amortization	17,645,494	8,610,445
Accretion of discounted liabilities	325,790	310,749
Stock based compensation	2,083,547	1,803,292
ADJUSTED EBITDA	<u>\$36,510,058</u>	<u>\$15,848,950</u>

Language:

English

Contact:

K M Financial, Inc.
Bill Parsons, 702-489-4447

Ticker Slug:

Ticker: REI
Exchange: NYSEAM

Source URL: <https://investor.ringenergy.com/press-release/ring-energy-announces-second-quarter-and-six-month-2018-financial-and-operational>

Links:

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

[2] <http://cts.businesswire.com/ct/CT?id=smartlink&url=http%3A%2F%2Fwww.ringenergy.com&esheet=51850190&newsitemid=20180808005784&lan=en-US&anchor=www.ringenergy.com&index=1&md5=6b2d613ded5af02a4a6bd41835dc46c7>