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Ring Energy Announces Financial and Operational Results for Fourth Quarter and Year End 2017

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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 twelve months ended December 31, 2017. For the three month period ended December 31, 2017, Ring reported oil and gas revenues of \$23,308,668, compared to revenues of \$9,830,708 for the quarter ended December 31, 2016. For the twelve months ended December 31, 2017, the Company reported oil and gas revenues of \$66,699,700, compared to \$30,850,248 for the twelve months ended December 31, 2016.

For the three months ended December 31, 2017, Ring reported a net loss of \$4,509,935, or \$0.08 per diluted share. For the twelve months ended December 31, 2017, the Company reported net income of \$1,753,869, or \$0.03 per diluted share. This information compares to a net loss of \$477,006, or \$0.01 per fully diluted share for the three months ended December 31, 2016. For the twelve month period ended December 31, 2016, the Company reported a net loss of \$37,637,687, or \$0.97 per fully diluted share, which included a pre-tax non-cash impairment of \$56,513,016. Excluding the impairment, the net loss per diluted share would have been \$0.02.

For the three months ended December 31, 2017, the net loss included a pre-tax "Unrealized Loss on Derivatives" of \$4,034,115 and an additional income tax provision of \$6,953,299 as a result of revaluing the Company's deferred tax assets to account for a reduction in its future income tax rate under the Tax Cuts and Jobs Act of 2017. Excluding these two items, the net income per diluted share would have been \$0.09. For the twelve months ended December 31, 2017, the net income included a pre-tax "Unrealized Loss on Derivatives" of \$3,968,287 and an additional income tax provision of \$6,953,299 as a result of revaluing the Company's deferred tax assets to account for a reduction in its future income tax rate under the Tax Cuts and Jobs Act of 2017. Excluding these two items, the net income per diluted share would have been \$0.21.

For the three months ended December 31, 2017, oil sales volume increased to 418,165 barrels, compared to 201,041 barrels for the same period in 2016, an 108% increase, and gas sales volume decreased to 201,966 MCF (thousand cubic feet), compared to 211,893 MCF for the same period in 2016, a 5% decrease. On a barrel of oil equivalent ("BOE") basis for the three months ended December 31, 2017, production sales increased to 451,826 BOEs, compared to 236,357 BOEs for the same period in 2016, a 91% increase, and 380,426 BOEs for the third quarter of 2017, a 19% increase. For the twelve months ended December 31, 2017, oil sales volume increased to 1,311,727 barrels, compared to 728,051 barrels for the same period in 2016, an 80% increase, and gas sales volume decreased to 761,517 MCF, compared to 900,089 MCF for the same period in 2016, a 15% decrease. On a BOE basis for the twelve months ended December 31, 2017, production sales increased to 1,438,647 BOEs, compared to 878,066 BOEs for the same period in 2016, a 64% increase.

The average commodity prices received by the Company were \$53.16 per barrel of oil and \$3.35 per MCF of natural gas for the quarter ended December 31, 2017, compared to \$45.99 per barrel of oil and \$2.76 per MCF of natural gas for the quarter ended December 31, 2016. The average prices received for the twelve months ended December 31, 2017 were \$48.97 per barrel of oil and \$3.23 per MCF of natural gas, compared to \$39.28 per barrel of oil and \$2.50 per MCF of natural gas for the twelve month period ended December 31, 2016.

Lease operating expenses, including production taxes, for the three months ended December 31, 2017 were \$14.58 per BOE, a 4% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 23% to \$16.01 per BOE. General and administrative costs, which included a \$922,072 charge for stock based compensation, were \$6.51 per BOE, a 23% decrease. For the twelve months ended December 30, 2017, lease operating expenses, including production taxes, were \$13.30 per BOE, a 3% increase. Depreciation, depletion and amortization costs, including accretion, were \$14.65 per BOE, a 7% increase, and general and administrative costs, which included a \$3,685,079 charge for stock based compensation, were \$7.31 per BOE, a 20% decrease.

Cash provided by operating activities, before changes in working capital, for the three and twelve months ended December 31, 2017 was \$14,625,846, or \$0.26 per fully diluted share, and \$40,909,153, or \$0.77 per fully diluted share, compared to \$5,047,782 and \$13,125,293, or \$0.12 and \$0.34 per fully diluted share for the same periods in 2016. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and twelve months ended December 31, 2017 was \$14,584,307, or \$0.26 per fully diluted share, and \$40,618,071, or \$0.77 per fully diluted share, compared to \$5,125,854 and \$13,717,804, or \$0.12 and \$0.35 in 2016. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

There was no outstanding debt on the Company's \$500 million senior secured credit facility at December 31, 2017.

Proved reserves, as determined by Cawley, Gillespie and Associates, Inc., and Williamson Petroleum Consultants, Inc., totaled 31,949,990 barrel of oil equivalents (BOE), a 15% increase over the 27,741,575 BOE for the previous year. Future net revenues before income taxes, discounted at 10% ("PV-10"), based on \$47.93 per barrel of oil and \$3.61 per MCF of gas, were \$382.1

million at year-end 2017. This compared to \$217.3 million, using average prices of \$39.17 per barrel of oil and \$2.43 per MCF of gas, for year-end 2016. Approximately 45% of the proved reserves are classified as proved developed producing (“PDP”), 10% proved developed non-producing (“PDNP”), and 45% proved undeveloped (“PUD”). The proved reserves consist of approximately 91% oil and 9% natural gas. Internal engineering has estimated an additional 15.95 million BOE of probable reserves with a PV-10 of \$126.06 million using average prices of \$47.93 per barrel of oil and \$3.61 per MCF of natural gas. The estimated combined totals for proved and probable reserves (2P) are 47.899 million BOE and \$508.16 million PV-10.

Mr. Kelly Hoffman, the Company’s Chief Executive Officer, commented, “2017 was a year of transition and growth for our Company. Based on the results of our pilot three well horizontal drilling program in late 2016, we began 2017 with great anticipation and excitement. In the first quarter of 2017 we drilled seven new horizontal wells on our Central Basin Platform (“CBP”) property. The results far exceeded our initial expectations. In the second quarter of 2017 we drilled eight more new horizontal wells on our CBP. Again, the results were exceptional. We extended the contract on the first rig through the end of the year, completed a public stock offering in July, and added a second horizontal drilling rig on our CBP in mid-August. As a result, we drilled 47 new horizontal wells on our CBP in 2017. Our net production grew quarter over quarter resulting in an aggregate increase of 59% for the year. Our quarterly revenues, thanks to the increased production and much improved commodity prices, grew over 90% for the year, and our quarterly cash flow grew over 100% for the year. In 2017, our land staff did a fantastic job of increasing our Company’s total acreage, and more importantly, adding to our “horizontal” footprint on our CBP property. We began 2017 with over 53,000 gross acres (32,600 net) and finished the year with approximately 102,000 gross acres (70,600 net) on our CBP. Our staff has continued to not only add, but fill in areas where we have identified horizontal potential. They continue to work extremely hard to increase both the working and net revenue interests on our existing properties, while at the same time continuing to look for and evaluate new leasing and acquisition opportunities that complement our existing assets. We estimate over 70,000 net acres represents our “horizontal” footprint on our CBP asset, with over 800 potential horizontal drilling locations. We continued to upgrade and improve our infrastructures on both our CBP and Delaware Basin assets in preparation for the ongoing and future development. We have a strong foundation with a proven management team, clean balance sheet and excellent properties. We look forward to the challenges 2018 may bring and are committed to continuing the growth we experienced in 2017.”

Non-GAAP Financial Measures:

Net loss for the three months ended December 31, 2017 includes a non-cash charge for stock based compensation of \$922,072. Net income for the twelve months ended December 31, 2017 includes a non-cash charge for stock based compensation of \$3,685,079. Excluding such items, the Company’s net loss would have been \$0.07 per diluted share for the three months ended December 31, 2017, and net earnings of \$0.08 for the twelve months ended December 31, 2017. 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. 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		Twelve Months Ended	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Oil and Gas Revenues	\$ 23,308,668	\$ 9,830,708	\$ 66,699,700	\$ 30,850,248
Costs and Operating Expenses				
Oil and gas production costs	5,496,693	2,848,029	15,978,362	9,867,800
Oil and gas production taxes	1,090,347	472,285	3,152,562	1,504,620
Depreciation, depletion and amortization	7,084,291	2,941,333	20,517,780	11,483,314
Ceiling test impairment	-	-	-	56,513,016
Accretion expense	147,245	127,015	567,968	487,182

General and administrative expense	2,939,496	2,004,039	10,515,887	8,027,077
Total Costs and Operating Expenses	16,758,072	8,392,701	50,732,559	87,883,009
Income (Loss) from Operations	6,550,596	1,438,007	15,967,141	(57,032,761)
Other Income (Expense)				
Interest Income	41,540	-	291,083	56,498
Interest Expense	-	(78,071)	-	(649,009)
Realized loss on derivatives	(119,897)	-	(119,897)	-
Unrealized loss on change in fair value of derivatives	(4,034,115)	-	(3,968,287)	-
Net Other Income (Expense)	(4,112,472)	(78,071)	(3,797,101)	(592,511)
Income (Loss) Before Provision for Income Taxes	2,438,124	1,359,936	12,170,040	(57,625,272)
(Provision for) Benefit From Income Taxes	(6,948,059)	(1,836,942)	(10,416,171)	19,987,585
Net Income (Loss)	(\$4,509,935)	(\$477,006)	\$ 1,753,869	(\$37,637,687)
Basic Earnings (Loss) Per Common Share	(\$0.08)	(\$0.01)	\$ 0.03	(\$0.97)
Diluted Earnings (Loss) Per Common Share	(\$0.08)	(\$0.01)	\$ 0.03	(\$0.97)
Basic Weighted-Average Common Shares Outstanding	54,177,202	43,814,351	51,383,008	38,710,626
Diluted Weighted-Average Common Shares Outstanding	55,647,451	43,814,351	52,806,712	38,710,626

COMPARATIVE OPERATING STATISTICS

	Three Months Ended December 31,		
	2017	2016	Change
Net Sales - BOE per day	4,911	2,569	91%
Per BOE:			
Average Sales Price	\$ 51.59	\$ 41.59	24%
Lease Operating Expenses	12.17	12.05	1%
Production Taxes	2.41	2.00	21%
DD&A	15.68	12.44	26%
Accretion	0.33	0.54	-39%
General & Administrative Expenses	6.51	8.48	-23%
	Twelve Months Ended December 31,		
	2017	2016	Change

Net Sales - BOE per day	3,941	2,399	64%
Per BOE:			
Average Sales price	\$ 46.36	\$ 35.13	32%
Lease Operating Expenses	11.11	11.24	-1%
Production Taxes	2.19	1.71	28%
DD&A	14.26	13.08	9%
Accretion	0.39	0.55	-29%
General & Administrative Expenses	7.31	9.14	-20%

RING ENERGY, INC.
BALANCE SHEET

	December 31, <u>2017</u>	December 31, <u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 15,006,581	\$ 71,086,381
Accounts receivable	12,833,883	3,453,238
Joint interest billing receivable	1,054,022	454,461
Prepaid expenses and retainers	229,438	226,835
Total Current Assets	<u>29,123,924</u>	<u>75,220,915</u>
Property and Equipment		
Oil and natural gas properties subject to amortization	433,591,134	250,133,965
Inventory for property development	-	1,582,427
Fixed assets subject to depreciation	1,884,818	1,549,311
Total Property and Equipment	<u>435,475,952</u>	<u>253,265,703</u>
Accumulated depreciation, depletion and amortization	(61,864,932)	(41,347,152)
Net Property and Equipment	<u>373,611,020</u>	<u>211,918,551</u>
Deferred Income Taxes	11,232,200	20,051,908
Deferred Financing Costs	135,342	406,025
Total Assets	<u>\$ 414,102,486</u>	<u>\$ 307,597,399</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 44,475,163	\$ 9,099,391
Derivative liabilities	3,968,286	-
Total Current Liabilities	<u>48,443,449</u>	<u>9,099,391</u>
Asset retirement obligations	9,055,697	7,957,035
Total Liabilities	<u>57,499,146</u>	<u>17,056,426</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; 54,224,029 shares and 49,113,063 shares issued and outstanding, respectively	54,224	49,113

Additional paid-in capital	397,904,769	335,197,845
Retained earnings (accumulated deficit)	(41,355,653)	(44,705,985)
Total Stockholders' Equity	<u>356,603,340</u>	<u>290,540,973</u>
Total Liabilities and Stockholders' Equity	<u>\$ 414,102,486</u>	<u>\$307,597,399</u>

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	December 31, <u>2017</u>	December 31, <u>2016</u>
Cash Flows From Operating Activities		
Net income (loss)	\$ 1,753,869	(\$37,637,687)
Adjustments to reconcile net income (loss) to net cash Provided by operating activities:		
Depreciation, depletion and amortization	20,517,780	11,483,314
Ceiling test impairment	-	56,513,016
Accretion expense	567,968	487,182
Share-based compensation	3,685,079	2,267,053
Deferred income tax expense (benefit)	3,862,827	(19,987,585)
Excess tax benefit related to share-based compensation	(49,896)	-
Adjustment to deferred tax asset for change in effective tax rate	6,603,240	-
Change in fair value of derivative instruments	3,968,286	-
Changes in assets and liabilities:		
Accounts receivable	(9,980,206)	229,324
Prepaid expenses	268,080	334,162
Accounts payable	12,375,772	(2,233,776)
Settlement of asset retirement obligation	(766,595)	(240,606)
Net Cash Provided by Operating Activities	<u>42,806,204</u>	<u>11,214,397</u>
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(28,682,298)	(10,193,927)
Payments to develop oil and natural gas properties	(124,680,469)	(26,554,171)
Purchase of inventory for development	(4,214,686)	(1,582,427)
Purchase of equipment, vehicles and leasehold improvements	(335,507)	(9,320)
Net Cash Used in Investing Activities	<u>(157,912,960)</u>	<u>(38,339,845)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of notes payable	-	7,000,000
Proceeds from issuance of common stock	59,026,956	139,567,980
Principal payments on revolving line of credit	-	(52,900,000)
Proceeds from option exercise	-	112,500
Net Cash Provided by Financing Activities	<u>59,026,956</u>	<u>93,780,480</u>
Net Increase (Decrease) in Cash	<u>(56,079,800)</u>	<u>66,655,031</u>
Cash at Beginning of Period	<u>71,086,381</u>	<u>4,431,350</u>
Cash at End of Period	<u>\$ 15,006,581</u>	<u>\$ 71,086,381</u>
Supplemental Cash flow Information		
Cash paid for interest	-	\$ 649,010

Noncash Investing and Financing Activities

Asset retirement obligation incurred during development	1,297,289	308,509
Use of inventory in property development	5,797,113	-
Capitalized expenditures attributable to drilling projects financed through current liabilities	23,000,000	-

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	\$ 42,806,204	\$ 11,214,397
Change in operating assets and liabilities	1,897,051	(1,910,896)
Cash flow from operations	<u>\$ 40,909,153</u>	<u>\$ 13,125,293</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

	December 31, <u>2017</u>	December 31, <u>2016</u>
NET INCOME	\$ 1,753,869	(\$37,637,687)
Net other income expense	3,677,204	592,511
Income tax expense (benefit)	10,416,171	(19,987,585)
Depreciation, depletion and amortization	20,517,780	11,483,314
Accretion of discounted liabilities	567,968	487,182
Ceiling test impairment	-	56,513,016
Stock based compensation	3,685,079	2,267,053
ADJUSTED EBITDA	<u>\$ 40,618,071</u>	<u>\$ 13,717,804</u>

Language:

English

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