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Ring Energy Releases Third Quarter and Nine Month 2019 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, 2019. For the three-month period ended September 30, 2019, the Company reported oil and gas revenues of \$50,339,105 compared to revenues of \$32,687,179 for the quarter ended September 30, 2018. For the nine months ended September 30, 2019, the Company reported oil and gas revenues of \$143,471,645, compared to \$92,503,453 for the nine months ended September 30, 2018.

For the three months ended September 30, 2019, Ring reported net income of \$9,888,356, or \$0.15 per diluted share, compared to net income of \$5,693,628, or \$0.09 per fully diluted share for the three months ended September 30, 2018. For the nine months ended September 30, 2019, the Company reported net income of \$33,353,053, or \$0.50 per diluted share, compared to net income of \$16,079,068, or \$0.27 per fully diluted share for the nine-month period ended September 30, 2018.

For the three months ended September 30, 2019, the net income included a pre-tax unrealized gain on derivatives of \$1,877,368 and a non-cash charge for stock-based compensation of \$792,836. Excluding these items, the net income per diluted share would have been \$0.12. For the nine months ended September 30, 2019, the net income included a pre-tax unrealized gain on derivatives of \$3,066,913 and a non-cash charge for stock-based compensation of \$2,436,035. 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, 2019, oil sales volume increased to 906,874 barrels, compared to 555,020 barrels (Ring Only) for the same period in 2018, a 63.4% increase, and gas sales volume increased to 731,627 MCF (thousand cubic feet), compared to 280,200 MCF (Ring Only) for the same period in 2018, a 161.1% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended September 30, 2019, production sales were 1,028,812 BOEs, compared to 601,720 BOEs (Ring Only) for the same period in 2018, a 70.9% increase, and 988,218 BOEs for the second quarter of 2019, a 4.1% increase. For the nine months ended September 30, 2019, oil sales volume increased to 2,612,742 barrels, compared to 1,504,330 (Ring Only) barrels for the same period in 2018, a 73.7% increase, and gas sales volume increased to 1,697,373 MCF, compared to 809,287 MCF (Ring Only) for the same period in 2018, a 109.7% increase. On a BOE basis for the nine months ended September 30, 2019, production sales increased to 2,895,637 BOEs, compared to 1,639,211 BOEs (Ring Only) for the same period in 2018, a 76.6% increase.

The average commodity prices received by the Company were \$54.59 per barrel of oil and \$1.14 per MCF of natural gas for the quarter ended September 30, 2019, compared to \$57.00 per barrel of oil and \$3.76 per MCF of natural gas for the quarter ended September 30, 2018. On a BOE basis for the three-month period ended September 30, 2019, the average price received was \$48.93, compared to \$54.32 per BOE for the three months ended September 30, 2018. The average prices received for the nine months ended September 30, 2019 were \$54.03 per barrel of oil and \$1.35 per MCF of natural gas, compared to \$59.65 per barrel of oil and \$3.42 per MCF of natural gas for the nine-month period ended September 30, 2018. On a BOE basis for the nine-month period ended September 30, 2019, the average price received was \$49.55, compared to \$56.43 per BOE for the nine months ended September 30, 2018.

The average price differential the Company experienced from WTI pricing in the third quarter 2019 was less than \$3.00.

As of September 30, 2019, the Company had entered into derivative contracts in the form of costless collars of NYMEX WTI Crude Oil prices in order to protect the Company's cash flow from price fluctuation and maintain its capital programs. "Costless collars" are the combination of two options, a put option (floor) and call option (ceiling) with the options structured so that the premium paid for the put option will be offset by the premium received from selling the call option. The trades were for a total of 5,500 barrels of oil per day for the period of April 2019 through December 2019 and 2,000 barrels of oil per day for the period of January 2020 through December 2020. The average prices for the 5,500 BOPD under contract for 2019 are: Floor = \$50.00 / Ceiling = \$68.19. The average prices for the 2,000 BOPD under contract for 2020 are: Floor = \$50.00 / Ceiling = \$65.61. The "Costless Collar" pricing does not take into account any pricing differentials between NYMEX WTI pricing and the price received by the Company.

Lease operating expenses ("LOE"), including production taxes, for the three months ended September 30, 2019 were \$17.28 per BOE, an 18.6% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 24.4% to \$13.95 per BOE. General and administrative costs, which included a \$792,836 charge for stock-based

compensation and \$114,112 for an operating lease expense, were \$3.75 per BOE, a 29.6% decrease. For the nine months ended September 30, 2019, lease operating expenses, including production taxes, were \$14.94 per BOE, a 1.8% increase. Depreciation, depletion and amortization costs, including accretion, were \$14.63 per BOE, a 17.4% decrease, and general and administrative costs, which included a \$2,436,035 charge for stock-based compensation and \$370,462 for operating lease expenses, were \$5.41 per BOE, an 6.1% decrease.

Mr. Randy Broaddrick, Vice President and Chief Financial Officer, commented, "The primary reason for the increase in the LOE per BOE for the third quarter 2019 is an accounting adjustment related to the processing fees for most of the gas sold on the Northwest Shelf ("NWS") assets. These fees were previously accounted for as a reduction of revenue but are now correctly included as a lease operating expense. This accounting treatment is appropriate because of the marketing arrangements in place for this gas. Additionally, we received older invoices related to the NWS assets during the third quarter that had to be accounted for. We believe our ongoing LOE per BOE is under \$12.00, including gas processing fees. Considering cash flows from operations, excluding changes in assets and liabilities against development capital expenditures during the period, we were approximately \$2 million shy of reaching cash flow neutrality in the third quarter. Further, we continue to firmly believe that at a \$50.00 per BOE received price we will attain our goal of cash flow neutrality by year end."

Cash provided by operating activities, before changes in working capital, for the three and nine months ended September 30, 2019 was \$24,930,123, or \$0.37 per fully diluted share, and \$77,415,296, or \$1.17 per fully diluted share, compared to \$18,963,008 and \$55,520,527, or \$0.31 and \$0.92 per fully diluted share for the same periods in 2018. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and nine months ended September 30, 2019 were \$29,486,623, or \$0.43 per fully diluted share, and \$86,991,225, or \$1.31 per fully diluted share, compared to \$18,998,041 and \$55,508,099, or \$0.31 and \$0.92 in 2018. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

Total capital expenditures for the three and nine months ended September 30, 2019 were approximately \$21.3 and \$418.2 million. The three-month amount included \$161,000 of asset retirement obligations and was reduced \$5.5 million by divestiture of non-operated properties. The nine-month amount includes \$296.9 million for property acquisitions, \$3.6 million of asset retirement obligations and was reduced \$7.6 million by property divestitures.

As of September 30, 2019, the outstanding balance on the Company's \$1 billion senior secured credit facility was \$366.5 million. The weighted average interest rate on borrowings under the senior credit facility was 4.83%. The immediate borrowing base (\$425 million) will be re-determined semi-annually on each May 1 and November 1.

The Company's Chief Executive Officer, Mr. Kelly Hoffman, stated, "2019 has been a year of consistent operational performance. In each of the first three quarters we have executed as we have said we would, and in some instances, surpassed our own expectations. The third quarter was our first full quarter of development on our Northwest Shelf ("NWS") assets. Based on the results we are experiencing, we have revised our internal estimates which reflect the higher Initial Potentials ("IPs"), flatter declines and improved economics the NWS wells are demonstrating. We continue to focus on our goals of cash flow neutrality by year end in combination with meaningful production growth. In the third quarter, we came within \$2 million of reaching cash flow neutrality a full quarter ahead of our goal while showing a 4% increase in production sales over the second quarter. Management continues to explore opportunities to reduce our debt through the monetization of existing assets. With the current and foreseeable focus remaining on the development of our NWS assets and Central Basin Platform ("CBP") properties, the Company has officially started the process of marketing its Delaware Basin asset. We will be diligent in our efforts to maintain a strong balance sheet while posturing your Company for the many years of growth and productivity ahead."

About Ring Energy, Inc.

Ring Energy, Inc. is an oil and gas exploration, development and production company with current operations in Texas and New Mexico.

www.ringenergy.com [2]

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve a wide variety of risks and uncertainties, and include, 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, 2018, its Form 10Q for the quarter ended September 30, 2019 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,	
	2019	2018	2019	2018
Oil and Gas Revenues	\$50,339,105	\$32,687,179	\$143,471,645	\$92,503,453

Costs and Operating Expenses				
Oil and gas production costs	15,478,052	7,217,940	36,455,925	19,638,163
Oil and gas production taxes	2,307,226	1,551,097	6,802,996	4,405,974
Depreciation, depletion and amortization	14,115,170	10,930,563	41,659,494	28,576,057
Asset retirement obligation accretion	236,207	167,433	681,386	493,223
Operating lease expense	114,112	-	370,462	-
General and administrative expense	3,745,928	3,205,116	15,287,072	9,442,327
Total Costs and Operating Expenses	35,996,695	23,072,149	101,257,335	62,555,744
Income from Operations	14,342,410	9,615,030	42,214,310	29,947,709
Other Income (Expense)				
Interest income	9	5,911	13,505	97,855
Interest expense	(4,556,509)	(40,944)	(9,589,434)	(85,427)
Realized loss on derivatives	-	(2,722,774)	-	(6,600,226)
Unrealized gain (loss) on change in fair value of derivatives	1,877,368	(566,649)	3,066,913	(2,456,623)
Net Other Income (Expense)	(2,679,132)	(3,324,456)	(6,509,016)	(9,044,421)
Income before Tax Provision	11,663,278	6,290,574	35,705,294	20,903,288
Provision for Income Taxes	(1,774,922)	(596,946)	(2,352,241)	(4,824,220)
Net Income	\$ 9,888,356	\$ 5,693,628	\$ 33,353,053	\$16,079,068
Basic Earnings Per Common Share	\$ 0.15	\$ 0.09	\$ 0.50	\$ 0.27
Diluted Earnings Per Common Share	\$ 0.15	\$ 0.09	\$ 0.50	\$ 0.27
Basic Weighted-Average Common Shares Outstanding	67,811,127	60,405,355	66,149,469	59,084,300
Diluted Weighted-Average Common Shares Outstanding	67,836,968	61,830,381	66,401,422	60,567,232

COMPARATIVE OPERATING STATISTICS

	Three Months Ended September 30,		
	2019	2018	Change
Per BOE:			
Average Sales Price	\$48.93	\$54.32	-9.9%
Lease Operating Expenses	15.04	11.99	25.4%
Production Taxes	2.24	2.58	-13.2%

DD&A	13.72	18.17	-24.5%
Accretion	0.23	0.28	-17.8%
General & Administrative Expenses	3.75	5.33	-29.6%

Nine Months Ended September 30,

	2019	2018	Change
Net Sales - BOE per day	10,607	6,004	76.6%
Per BOE:			
Average Sales price	\$49.55	\$56.43	-12.2%
Lease Operating Expenses	12.59	11.98	5.1%
Production Taxes	2.35	2.69	-12.6%
DD&A	14.39	17.43	-17.4%
Accretion	0.24	0.30	-20.0%
General & Administrative Expenses	5.41	5.76	-6.1%

RING ENERGY, INC.

BALANCE SHEET

	September 30, <u>2019</u>	December 31, <u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 7,599,089	\$ 3,363,726
Accounts receivable	18,291,698	12,643,478
Joint interest billing receivable	2,025,180	578,144
Operating lease asset	169,115	-
Derivative asset	2,386,066	-
Prepaid expenses and retainers	3,340,178	258,909
Total Current Assets	<u>33,811,326</u>	<u>16,844,257</u>
Property and Equipment		
Oil and natural gas properties subject to depletion and amortization	1,059,284,347	641,121,398
Financing lease asset subject to depreciation	947,435	-
Fixed assets subject to depreciation	1,465,551	1,465,551
Total Property and Equipment	<u>1,061,697,333</u>	<u>642,586,949</u>
Accumulated depreciation, depletion and amortization	(142,235,581)	(100,576,087)
Net Property and Equipment	<u>919,461,752</u>	<u>542,010,862</u>
Derivative asset	680,847	
Deferred Income Taxes	5,434,238	7,786,479
Deferred Financing Costs	3,403,491	424,061
Total Assets	<u>\$ 962,791,654</u>	<u>\$ 567,065,659</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 51,813,690	\$ 51,910,432
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Financing lease liability	\$ 272,498	-
Operating lease liability	\$ 169,115	-
Total Current Liabilities	<u>52,255,303</u>	<u>51,910,432</u>
Revolving line of credit	366,500,000	39,500,000
Financing lease liability	588,251	-
Asset retirement obligations	16,703,186	13,055,797
Total Liabilities	<u>436,046,740</u>	<u>104,466,229</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; 67,811,611 shares and 63,229,710 shares issued and outstanding, respectively	67,812	63,230
Additional paid-in capital	525,679,942	494,892,093
Accumulated earnings (deficit)	997,160	(32,355,893)
Total Stockholders' Equity	<u>526,744,914</u>	<u>462,599,430</u>
Total Liabilities and Stockholders' Equity	<u>\$ 962,791,654</u>	<u>\$ 567,065,659</u>

STATEMENTS OF CASH FLOW

Nine Months Ended

September 30, September 30,
2019 2018

Cash Flows From Operating Activities

Net income	\$ 33,353,053	\$ 16,079,068
Adjustments to reconcile net income (loss) to net cash		
Provided by operating activities:		
Depreciation, depletion and amortization	41,659,494	28,576,057
Accretion expense	681,386	493,223
Share-based compensation	2,436,035	3,091,336
Deferred income tax provision	7,498,112	4,389,690
Excess tax deficiency related to share-based compensation	(5,145,871)	434,530
Change in fair value of derivative instruments	(3,066,913)	2,456,623
Changes in assets and liabilities:		
Accounts receivable	(7,095,256)	435,048
Prepaid expenses and retainers	(6,060,699)	(509,116)
Accounts payable	(1,055,397)	(2,989,645)
Settlement of asset retirement obligation	(615,732)	(452,468)
Net Cash Provided by Operating Activities	<u>62,588,212</u>	<u>52,004,346</u>

Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(263,262,046)	(4,090,642)
Payments to develop oil and natural gas properties	(122,004,117)	(158,069,999)
Proceeds from disposal of fixed assets subject to depreciation	-	105,536
Net Cash Used in Investing Activities	(385,266,163)	(162,055,105)
Cash Flows From Financing Activities		
Proceeds from revolving line of credit	327,000,000	17,000,000
Proceeds from issuance of common stock, net of offering costs	-	81,815,022
Reduction of financing lease liability	(86,686)	-
Net Cash Provided by Financing Activities	326,913,314	98,815,022
Net Change in Cash	4,235,363	(11,235,737)
Cash at Beginning of Period	3,363,726	15,006,581
Cash at End of Period	\$ 7,599,089	\$ 3,770,844
Supplemental Cash flow Information		
Cash paid for interest	\$ 5,821,545	\$ 54,652

Noncash Investing and Financing Activities

Asset retirement obligation incurred during development	602,090	1,058,763
Operating lease assets obtained in exchange for new operating lease liability	539,577	-
Financing lease assets obtained in exchange for new financing lease liability	947,435	-
Capitalized expenditures attributable to drilling projects		
financed through current liabilities	26,958,655	24,000,000
Acquisition of oil and gas properties		
Assumption of joint interest billing receivable	1,464,394	-
Assumption of prepaid assets	2,864,554	-
Assumption of accounts and revenue payables	(1,234,862)	-
Asset retirement obligation incurred through acquisition	(2,979,645)	-
Common stock issued as partial consideration in asset acquisition	(28,356,396)	-
Oil and gas properties subject to amortization	296,910,774	-

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	\$ 62,588,212	\$ 52,004,346
Change in operating assets and liabilities	<u>14,827,084</u>	<u>3,516,181</u>
Cash flow from operations	<u>\$ 77,415,296</u>	<u>\$ 55,520,527</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,	September 30,
	<u>2019</u>	<u>2018</u>
NET INCOME	\$ 33,353,053	\$ 16,079,068
Net other (income) expense	6,509,016	9,044,421
Realized loss on derivatives	-	(6,600,226)
Income tax expense	2,352,241	4,824,220
Depreciation, depletion and amortization	41,659,494	28,576,057
Accretion of discounted liabilities	681,386	493,223
Stock based compensation	2,436,035	3,091,336
ADJUSTED EBITDA	<u>\$ 86,991,225</u>	<u>\$ 55,508,099</u>

Language:

English

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