



Published on *Ring Energy Investor Center* (<https://investor.ringenergy.com>) on 5/9/16 3:19 pm CDT

# Ring Energy Announces Financial and Operating Results for First Quarter 2016

## Release Date:

Monday, May 9, 2016 3:19 pm CDT

## Terms:

## Dateline City:

MIDLAND, Texas

MIDLAND, Texas--(BUSINESS WIRE <sup>[1]</sup>)--Ring Energy, Inc. (NYSE MKT: REI) ("Ring") ("Company") announced today financial results for the first quarter ended March 31, 2016. For the three month period ended March 31, 2016, Ring had oil and gas revenues of \$6,092,388 compared to \$6,045,701 for the quarter ended March 31, 2015, and a net loss of \$15,275,044, or \$0.50 per diluted share, which included a pre-tax non-cash impairment of \$21,412,086, compared to a net loss of \$975,624, or \$0.04 per diluted share, for the same period in 2015. Excluding the after tax impact of the impairment, the net loss per diluted share for the three month period ended March 31, 2016 would have been \$0.06.

The Company's sales volumes were significantly higher during the three months ended March 31, 2016, as compared to the same period in 2015; however this was offset by lower oil and gas prices received. For the three months ended March 31, 2016, oil sales volume increased to 191,377 barrels, compared to 137,090 barrels for the same period in 2015, a 39.6% increase, and gas sales volume increased to 256,748 MCF (thousand cubic feet), compared to 19,848 MCF for the same period in 2015, a 1,193.5% increase. The average commodity prices received by Ring were \$29.20 per barrel of oil and \$1.97 per MCF of natural gas for the quarter ended March 31, 2016, compared to \$43.76 per barrel of oil and \$2.36 per MCF of natural gas for the quarter ended March 31, 2015.

Lease operating expenses, including production taxes, for the three months ended March 31, 2016 were \$11.91 per barrel of oil equivalent ("BOE"), a 22% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 43.5% to \$14.97 per BOE. General and administrative costs, which included a \$584,325 charge for stock based compensation, were \$9.48 per BOE, a 23% decrease.

Cash provided by operating activities, before changes in working capital, for the three months ended March 31, 2016 was \$1,254,315 or \$0.04 per fully diluted share, compared to \$2,827,356, or \$0.11 per fully diluted share for the same period in 2015. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three months ended March 31, 2016 was \$1,666,936, or \$0.05 per fully diluted share, compared to \$2,826,576, or \$0.11 per fully diluted share for the same period in 2015. (See accompanying table for a reconciliation of net income to adjusted EBITDA.)

There was outstanding debt of \$50,900,000 on the Company's \$500 million senior secured credit facility at March 31, 2016. Subsequent to March 31, 2016, the Company completed an underwritten public offering of 11,500,000 shares of common stock at a price to the public of \$5.60 per share. The net proceeds of the offering were approximately \$61 million. The Company paid all principal of \$50.9 million and related interest outstanding under the Credit Facility.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "During the first quarter we drilled and completed one new vertical well on our Central Basin property, while continuing to upgrade the existing infrastructure on both the Central Basin and Delaware Basin assets, with specific attention to our salt water disposal system. Our staff has done an excellent job of increasing production while reducing costs during this time of low commodity prices. We have continued to monitor and analyze the results of surrounding operators that are having excellent results using horizontal drilling techniques on the San Andres formation. In late April we completed a public offering of our common stock which has allowed the Company to pay all principal and interest on our credit facility, as well as announce a capital expenditure budget and development program for the remainder of 2016. The budget includes funds to drill seven new vertical wells and three horizontal wells. Also included are funds for remedial work, leasing, and continued upgrading of our current infrastructure. We have excellent assets, a strong balance sheet and are ready to start drilling."

## Non-GAAP Financial Measures:

Net loss for the three months ended March 31, 2016 includes a non-cash charge for stock based compensation of \$584,325, and a ceiling test impairment charge of \$21,412,086. Excluding such items, the Company's net loss would have been \$0.05 per diluted share for the three months ended March 31, 2016. 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 and Kansas.

[www.ringenergy.com](http://www.ringenergy.com) <sup>[2]</sup>

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, 2015, its Form 10-Q for the quarter ended March 31, 2016 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	
	<u>March 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Oil and Gas Revenues</b>	\$ 6,092,388	\$ 6,045,701
<b>Costs and Operating Expenses</b>		
Oil and gas production costs	2,490,434	1,867,795
Oil and gas production taxes	299,271	277,031
Depreciation, depletion and amortization	3,394,627	3,654,298
Ceiling test impairment	21,412,086	-
Asset retirement obligation accretion	109,378	66,979
General and administrative expense	2,220,072	1,728,987
<b>Total Costs and Operating Expenses</b>	29,925,868	7,595,090
<b>Loss from Operations</b>	(23,833,480)	(1,549,389)
<b>Other Income (Expense)</b>		
Interest expense	(415,508)	-
Interest income	2,887	780
<b>Net Other Income</b>	(412,621)	780
<b>Loss before tax provision</b>	(24,246,101)	(1,548,609)
<b>Benefit From Income Taxes</b>	8,971,057	572,985
<b>Net Income (Loss)</b>	(\$15,275,044)	(\$975,624)
<b>Basic Earnings (Loss) Per Common Share</b>	(\$0.50)	(\$0.04)
<b>Diluted Earnings (Loss) Per Common Share</b>	(\$0.50)	(\$0.04)
<b>Basic Weighted-Average Common Shares Outstanding</b>	30,394,360	25,746,513
<b>Diluted Weighted-Average Common Shares Outstanding</b>	30,394,360	25,746,513

**COMPARATIVE OPERATING STATISTICS**

	Three Months Ended March 31,		
	2016	2015	Change
Net Production - BOE per day	2,573	1,560	65%
Per BOE:			
Average Sales Price	\$26.02	\$ 43.06	-40%
Lease Operating Expenses	10.63	13.30	-20%
Production Taxes	1.28	1.97	-35%
DD&A	14.50	26.03	-44%
Accretion	0.47	0.48	0%
General & Administrative Expenses	9.48	12.31	-23%

**RING ENERGY, INC.  
CONSOLIDATED BALANCE SHEET**

	March 31, <u>2016</u>	December 31, <u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 3,811,166	\$ 4,431,350
Accounts receivable	2,373,119	2,507,858
Joint interest billing receivable	859,018	1,629,165
Prepaid expenses and retainers	170,686	146,118
<b>Total Current Assets</b>	<u>7,213,989</u>	<u>8,714,491</u>
<b>Properties and Equipment</b>		
Oil and natural gas properties subject to amortization	252,119,193	269,590,374
Office equipment and automobiles	1,539,991	1,539,991
<b>Total Property and Equipment</b>	<u>253,659,184</u>	<u>271,130,365</u>
Accumulated depreciation, depletion and amortization	(33,258,465)	(29,863,838)
<b>Net Property and Equipment</b>	<u>220,400,719</u>	<u>241,266,527</u>
<b>Deferred Income Taxes</b>	9,035,380	64,323
<b>Deferred financing Costs</b>	609,038	820,904
<b>Total Assets</b>	<u>\$ 237,259,126</u>	<u>\$ 250,866,245</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,246,986	\$ 11,023,269
Other accrued liabilities	-	309,898
<b>Total Current Liabilities</b>	<u>7,246,986</u>	<u>11,333,167</u>
Long term debt	50,900,000	45,900,000
Asset retirement obligations	7,549,231	7,401,950
<b>Total Liabilities</b>	<u>65,696,217</u>	<u>64,635,117</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; 30,396,942 shares and 30,391,942 shares outstanding, respectively	30,397	30,392
Additional paid-in capital	193,875,854	193,269,034
Retained Earnings	(22,343,342)	(7,068,298)
<b>Total Stockholders' Equity</b>	<b>171,562,909</b>	<b>186,231,128</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 237,259,126</b>	<b>\$250,866,245</b>

**RING ENERGY, INC.**  
**STATEMENTS OF CASH FLOW**

	Three Months Ended March 31,	
	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities</b>		
Net income	(\$15,275,044)	(\$975,624)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	3,394,627	3,654,298
Ceiling test impairment	21,412,086	-
Accretion expense	109,378	66,979
Share-based compensation	584,325	654,688
Deferred income tax expense (benefit)	(8,971,057)	(572,985)
Changes in assets and liabilities:		
Accounts receivable	904,886	445,438
Prepaid expenses	187,298	10,869
Accounts payable	(4,086,181)	(9,332,248)
<b>Net Cash Provided by Operating Activities</b>	<b>(1,739,682)</b>	<b>(6,048,585)</b>
<b>Cash Flows from Investing Activities</b>		
Payments to purchase oil and natural gas properties	(643,116)	(954,458)
Payments to develop oil and natural gas properties	(3,258,542)	(8,667,163)
Purchase of equipment, vehicles and leasehold improvements	-	(164,404)
Plugging and abandonment cost incurred	(1,344)	-
<b>Net Cash Used in Investing Activities</b>	<b>(3,903,002)</b>	<b>(9,786,025)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of notes payable	5,000,000	10,000,000
Proceeds from option exercise	22,500	62,500
<b>Net Cash Provided by Financing Activities</b>	<b>5,022,500</b>	<b>10,062,500</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(620,184)</b>	<b>(5,772,110)</b>
<b>Cash at Beginning of Period</b>	<b>4,431,350</b>	<b>8,622,235</b>
<b>Cash at End of Period</b>	<b>\$ 3,811,166</b>	<b>\$ 2,850,125</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 352,662	-
<b>Noncash Investing and Financing Activities</b>		

Asset retirement obligation incurred during development	\$ 39,247	\$ 31,575
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### RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	(\$1,739,682)	(\$6,048,585)
Change in operating assets and liabilities	2,993,997	8,875,941
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Cash flow from operations	\$ 1,254,315	\$ 2,827,356
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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

	March 31, <u>2016</u>	March 31, <u>2015</u>
<b>NET INCOME (LOSS)</b>	(\$15,275,044)	(\$975,624)
Interest (income)	(2,887)	(780)
Interest expense	415,508	-
Income tax expense (benefit)	(8,971,057)	(572,985)
Depreciation, depletion and amortization	3,394,627	3,654,298
Accretion of discounted liabilities	109,378	66,979
Ceiling test impairment	21,412,086	-
Share-based compensation	584,325	654,688
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<b>ADJUSTED EBITDA</b>	\$1,666,936	\$2,826,576
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#### Language:

English

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#### Ticker Slug:

Ticker: REI  
Exchange: NYSEMKT

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