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Ring Energy Inc. Announces Third Quarter and Nine Month 2017 Financial and Operating 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, 2017. For the three month period ended September 30, 2017, Ring had oil and gas revenues of \$16,643,930, compared to \$7,822,543 for the quarter ended September 30, 2016. For the nine month period ended September 30, 2017, the Company reported oil and gas revenues of \$43,391,032, compared to oil and gas revenues of \$21,019,540 for the nine month period ended September 30, 2016.

For the three months ended September 30, 2017, Ring reported net income of \$3,073,760, or \$0.06 per diluted share. For the nine months ended September 30, 2017, the Company reported net income of \$6,263,804, or \$0.12 per diluted share. This information compares to a net loss of \$5,944,137, or \$0.14 per fully diluted share for the three months ended September 30, 2016, which included a pre-tax non-cash impairment of \$9,648,942. Excluding the impairment, the net gain per diluted share would have been \$0.01. For the nine month period ended September 30, 2016, the Company reported a net loss of \$37,160,681, or \$1.00 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 \$0.04.

For the three months ended September 30, 2017, oil sales volume increased to 346,900 barrels, compared to 174,707 barrels for the same period in 2016, a 98.5% increase, and gas sales volume decreased to 201,158 MCF (thousand cubic feet), compared to 229,456 MCF for the same period in 2016, a 12% decrease. For the nine months ended September 30, 2017, oil sales volume increased to 893,562 barrels, compared to 527,010 barrels for the same period in 2016, a 69.5% increase and gas sales volume decreased to 559,551 MCF, compared to 688,196 MCF for the same period in 2016, a 19% decrease.

The average commodity prices received by the Company were \$46.17 per barrel of oil and \$3.13 per MCF of natural gas for the quarter ended September 30, 2017, compared to \$40.82 per barrel of oil and \$3.01 per MCF of natural gas for the quarter ended September 30, 2016. The average prices received for the nine months ended September 30, 2017 were \$46.56 per barrel of oil and \$3.19 per MCF of natural gas, compared to \$36.72 per barrel of oil and \$2.42 per MCF of natural gas for the nine month period ended September 30, 2016.

Lease operating expenses, including production taxes, for the three months ended September 30, 2017 were \$13.27 per barrel of oil equivalent ("BOE"), a 4% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 2.5% to \$12.97 per BOE. General and administrative costs, which included a \$959,715 charge for stock based compensation, were \$6.23 per BOE, a 29% decrease. For the nine months ended September 30, 2017, lease operating expenses, including production taxes, were \$12.71 per BOE, a 1% increase. Depreciation, depletion and amortization costs, including accretion, were \$14.04 per BOE, a 1% increase, and general and administrative costs, which included a \$2,763,007 charge for stock based compensation, were \$7.68 per BOE, an 18% decrease from 2016.

Cash provided by operating activities, before changes in working capital, for the three and nine months ended September 30, 2017 was \$10,270,367, or \$0.19 per fully diluted share, and \$26,283,307, or \$0.51 per fully diluted share, compared to \$3,687,847 and \$8,077,511, or \$0.09 and \$0.22 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 nine months ended September 30, 2017 was \$10,184,814, or \$0.19 per fully diluted share, and \$26,033,764, or \$0.50 per fully diluted share, compared to \$3,777,294 and \$8,591,950, or \$0.09 and \$0.23 in 2016. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

In July 2017, the Company announced it had completed a public offering of its common stock, receiving net proceeds of approximately \$59.2 million, which included the exercise of the underwriter's over-allotment. The proceeds from the offering are being used to fund the Company's 2017 capital expenditure program and for other general corporate purposes.

In September 2017, the Company entered into two new hedging contracts in the form of "costless collars" ("hedge") of WTI Crude Oil prices. The first hedge on 1,000 barrels of oil production per day became effective October 1, 2017 and will continue through December 31, 2017. The hedge has a floor of \$49 and ceiling of \$55.35. The second hedge, also on 1,000 barrels of oil production per day, becomes effective January 1, 2018 and continues through December 31, 2018. The hedge has a floor of \$49 and a ceiling of \$54.60. Management will continue to closely monitor market conditions and, if commodity prices continue to improve, consider additional hedging.

In October 2017, the Company entered into a third new hedging contract in the form of a "costless collar" ("hedge") of WTI Crude Oil prices. The third hedge is also on 1,000 barrels of oil production per day and becomes effective January 1, 2018 and continues through December 31, 2018. The hedge has a floor of \$51.00 and a ceiling of \$54.80.

There was no outstanding debt on the Company's \$500 million senior secured credit facility at September 30, 2017.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "The third quarter showed great results from our continued progress in cost containment and our accelerated drilling program. We contracted a second horizontal drilling rig in mid-August and are extremely excited with our initial results. We have continued making infrastructure improvements on our Central Basin Platform and Delaware Basin assets and now have secured a dedicated fracking crew that should keep our drilling program on track. In the third quarter we entered into two 'hedging' contracts on a portion of our daily production that began the first of October and run through the end of 2018. In July, we completed a public stock offering with the proceeds to be used on our drilling and development program. We have a strong balance sheet, no debt, and with our dedicated staff will continue to look for opportunities that will benefit the Company and our shareholders."

Non-GAAP Financial Measures:

Net income for the three months ended September 30, 2017 includes a non-cash charge for stock based compensation of \$959,715. Excluding this item, the Company's net earnings would have been \$0.07 per diluted share. Net income for the nine months ended September 30, 2017 includes a non-cash charge for stock based compensation of \$2,763,007. Excluding this item, the Company's net income would have been \$0.16 per diluted share. 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, 2016, its Form 10-Q for the quarter ended September 30, 2017 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	
	<u>September 30,</u>		<u>September 30,</u>	
	2017	2016	2017	2016
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Oil and Gas Revenues	\$ 16,643,930	\$ 7,822,543	\$ 43,391,032	\$ 21,019,540
Costs and Operating Expenses				
Oil and gas production costs	4,261,923	2,329,228	10,481,669	7,019,771
Oil and gas production taxes	787,777	389,029	2,062,215	1,032,335
Depreciation, depletion and amortization	4,823,044	2,568,153	13,433,489	8,541,981
Ceiling test impairment	-	9,648,942	-	56,513,016
Accretion expense	109,974	125,813	420,723	360,167
General and administrative expense	2,369,131	1,882,579	7,576,391	6,023,038
Total Costs and Operating Expenses	<u>12,351,849</u>	<u>16,943,744</u>	<u>33,974,487</u>	<u>79,490,308</u>
Income (Loss) from Operations	<u>4,292,081</u>	<u>(9,121,201)</u>	<u>9,416,545</u>	<u>(58,470,768)</u>
Other Income				
Interest expense	-	(95,864)	-	(597,910)
Interest income	85,553	6,417	249,543	83,470
Gain on change in fair value of derivatives	65,828	-	65,828	-

Net Other Income	151,381	(89,447)	315,371	(514,440)
Income (Loss) Before Tax Provision	4,443,462	(9,210,648)	9,731,916	(58,985,208)
(Provision For) Benefit From Income Taxes	(1,369,702)	3,266,511	(3,468,112)	21,824,527
Net Income (Loss)	\$ 3,073,760	(\$5,944,137)	\$ 6,263,804	(\$37,160,681)
Basic Net Income (Loss) Per Common Share	\$ 0.06	(\$0.14)	\$ 0.12	(\$1.00)
Diluted Net Income (Loss) Per Common Share	\$ 0.06	(\$0.14)	\$ 0.12	(\$1.00)
Basic Weighted-Average Common Shares Outstanding	53,009,696	41,917,061	50,441,375	36,996,932
Diluted Weighted-Average Common Shares Outstanding	54,367,648	41,917,061	51,760,109	36,996,932

COMPARATIVE OPERATING STATISTICS

	Three Months Ended September 30,		
	2017	2016	Change
Net Sales - BOE per day	4,135	2,315	79%
Per BOE:			
Average Sales Price	\$ 43.75	\$ 36.73	19%
Lease Operating Expenses	\$ 11.20	\$ 10.94	2%
Production Taxes	\$ 2.07	\$ 1.83	13%
DD&A	\$ 12.68	\$ 12.06	5%
Accretion	\$ 0.29	\$ 0.59	-51%
General & Administrative Expenses	\$ 6.23	\$ 8.84	-29%
	Nine Months Ended September 30,		
	2017	2016	Change
Net Sales - BOE per day	3,615	2,342	54%
Per BOE:			
Average Sales price	\$ 43.97	\$ 32.76	34%
Lease Operating Expenses	\$ 10.62	\$ 10.94	-3%
Production Taxes	\$ 2.09	\$ 1.61	30%
DD&A	\$ 13.61	\$ 13.31	2%
Accretion	\$ 0.43	\$ 0.56	-23%
General & Administrative Expenses	\$ 7.68	\$ 9.39	-18%

RING ENERGY, INC.
CONSOLIDATED BALANCE SHEET

	September 30, <u>2017</u>	December 31, <u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 40,876,153	\$ 71,086,381
Accounts receivable	7,634,987	3,453,238
Joint Interest billing receivable	877,246	454,461
Prepaid expenses and retainers	327,112	226,835
Total Current Assets	49,715,498	75,220,915
Property and Equipment		
Oil and gas properties subject to amortization	373,837,454	250,133,965
Inventory for property development	1,033,806	1,582,427
Fixed assets subject to depreciation	1,858,528	1,549,311
Total Property and Equipment	376,729,788	253,265,703
Accumulated depreciation, depletion and amortization	(54,780,641)	(41,347,152)
Net Property and Equipment	321,949,147	211,918,551
Deferred Income Taxes	18,180,259	20,051,908
Derivative Assets	65,828	-
Deferred Financing Costs	203,013	406,025
Total Assets	\$390,113,745	\$307,597,399
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 21,225,911	\$ 9,099,391
Asset retirement obligations	\$ 414,000	-
Total Current Liabilities	21,639,911	9,099,391
Asset retirement obligations	8,205,194	7,957,035
Total Liabilities	29,845,105	17,056,426
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; 54,145,901 shares and 49,113,063 shares outstanding, respectively	54,146	49,113
Additional paid-in capital	397,060,212	335,197,845
Retained Loss	(36,845,718)	(44,705,985)
Total Stockholders' Equity	360,268,640	290,540,973
Total Liabilities and Stockholders' Equity	\$390,113,745	\$307,597,399

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	Nine Months Ended	
	September 30,	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Net Income (loss)	\$ 6,263,804	(\$37,160,681)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	13,433,489	8,541,981
Ceiling test impairment	-	56,513,016
Accretion expense	420,723	360,167
Share-based compensation	2,763,007	1,647,554
Deferred income tax provision (benefit)	3,383,131	(21,824,526)
Excess tax deficiency (benefit) related to share-based compensation	84,981	-
Change in fair value of derivative instruments	(65,828)	-
Changes in assets and liabilities:		
Accounts receivable	(4,604,534)	560,467
Prepaid expenses and retainers	102,735	162,726
Accounts payable	7,126,520	(3,897,613)
Settlement of asset retirement obligation	(605,432)	(7,817)
Net Cash Provided by (Used in) Operating Activities	<u>28,302,596</u>	<u>4,895,274</u>
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(26,915,783)	(6,154,997)
Payments to develop oil and natural gas properties	(87,576,052)	(16,190,471)
Purchase of inventory for development	(2,816,165)	-
Purchase of equipment, vehicles and leasehold improvements	(309,217)	(9,320)
Net Cash Used in Investing Activities	<u>(117,617,217)</u>	<u>(22,362,605)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	59,104,393	61,064,671
Proceeds from issuance of notes payable	-	5,000,000
Principal payments on revolving line of credit	-	(50,900,000)
Proceeds from option exercise	-	112,500
Net Cash Provided by Financing Activities	<u>59,104,393</u>	<u>15,277,171</u>
Net Decrease in Cash	<u>(30,210,228)</u>	<u>(2,182,343)</u>
Cash at Beginning of Period	<u>71,086,381</u>	<u>4,431,350</u>
Cash at End of Period	<u>\$ 40,876,153</u>	<u>\$ 2,249,007</u>
Supplemental Cash flow Information		
Cash paid for interest	-	564,640
Non-Cash Investing and Financing Activities		
Asset retirement obligation incurred during development	846,868	248,487
Use of inventory in property development	3,364,786	-
Capitalized expenditures attributable to drilling projects financed through current liabilities	\$ 5,000,000	-
RECONCILIATION OF CASH FLOW FROM OPERATIONS		
Net cash provided by operating activities	\$ 28,302,596	\$ 4,895,274
Change in operating assets and liabilities	(2,019,289)	3,182,237
Cash flow from operations	<u>\$ 26,283,307</u>	<u>\$ 8,077,511</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, <u>2017</u>	September 30, <u>2016</u>
NET INCOME	\$ 6,263,804	(\$37,160,681)
Interest (income)	(249,543)	(83,470)
Interest expense	-	597,910
Loss (Gain) on change in fair value of derivatives	(65,828)	-
Income tax expense (benefit)	3,468,112	(21,824,527)
Depreciation, depletion and amortization	13,433,489	8,541,981
Accretion of discounted liabilities	420,723	360,167
Ceiling test impairment	-	56,513,016
Share-based compensation	2,763,007	1,647,554
ADJUSTED EBITDA	<u>\$26,033,764</u>	<u>\$ 8,591,950</u>

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English

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