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Ring Energy Announces Financial and Operational Results for Fourth Quarter and Year End 2016

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MIDLAND, Texas--(BUSINESS WIRE ⁽¹⁾)--Ring Energy, Inc. (NYSE MKT: REI) ("Ring")("Company") announced today financial results for the three months and twelve months ended December 31, 2016. For the three month period ended December 31, 2016, Ring reported oil and gas revenues of \$9,830,708, compared to revenues of \$7,362,394 for the quarter ended December 31, 2015. For the twelve months ended December 31, 2016, the Company reported oil and gas revenues of \$30,850,248, compared to \$31,013,892 for the twelve months ended December 31, 2015. For the fourth quarter of 2016, Ring reported a net loss of \$477,006, or \$0.01 per diluted share. This information compares to a net loss of \$7,473,046, or \$0.25 per diluted share, which included a pre-tax non-cash impairment of \$9,312,203, for the fourth quarter of 2015. Excluding the impairment, the net loss per diluted would have been \$0.05. For the year ended December 31, 2016, the Company reported a net loss of \$37,637,687, or \$0.97 per 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. This information compares to a net loss of \$9,052,771, or \$0.32 per diluted share, which included a pre-tax non-cash impairment of \$9,312,203 for the year ended December 31, 2015. Excluding the impairment, the net loss per diluted share would have been \$0.11.

For the three months ended December 31, 2016, oil sales volume increased to 201,041 barrels, compared to 180,694 barrels for the same period in 2015, an 11% increase, and gas sales volume increased to 211,893 MCF (thousand cubic feet), compared to 192,202 MCF for the same period in 2015, a 10% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended December 31, 2016, production sales increased to 236,357 BOEs, compared to 212,728 BOEs for the same period in 2015, an 11% increase. For the twelve months ended December 31, 2016, oil sales volume increased to 728,051 barrels, compared to 664,612 barrels for the same period in 2015, a 10% increase, and gas sales volume increased to 900,089 MCF, compared to 472,509 MCF for the same period in 2015, a 90% increase. On a BOE basis for the twelve months ended December 31, 2016, production sales increased to 878,066 BOEs, compared to 743,363 BOEs for the same period in 2015, an 18% increase.

The average commodity prices received by the Company were \$45.99 per barrel of oil and \$2.76 per MCF of natural gas for the quarter ended December 31, 2016, compared to \$38.43 per barrel of oil and \$2.18 per MCF of natural gas for the quarter ended December 31, 2015. The average prices received for the twelve months ended December 31, 2016 were \$39.28 per barrel of oil and \$2.50 per MCF of natural gas, compared to \$44.90 per barrel of oil and \$2.48 per MCF of natural gas for the twelve month period ended December 31, 2015.

Lease operating expenses, including production taxes, for the three months ended December 31, 2016 were \$14.05 per BOE, a 10% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 28% to \$12.98 per BOE. General and administrative costs, which included a \$619,499 charge for stock based compensation, were \$8.48 per BOE, a 19% decrease. For the twelve months ended December 30, 2016, lease operating expenses, including production taxes, were \$12.95 per BOE, a 16% decrease. Depreciation, depletion and amortization costs, including accretion, were \$13.63 per BOE, a 35% decrease, and general and administrative costs, which included a \$2,267,053 charge for stock based compensation, were \$9.14 per BOE, a 15% decrease.

Cash provided by operating activities, before changes in working capital, for the three and twelve months ended December 31, 2016 was \$5,047,782, or \$0.12 per fully diluted share, and \$13,125,293, or \$0.34 per fully diluted share, compared to \$2,106,864 and \$13,416,610, or \$0.07 and \$0.48 per fully diluted share for the same periods in 2015. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and twelve months ended December 31, 2016 was \$5,125,854, or \$0.12 per fully diluted share, and \$13,717,804, or \$0.35 per fully diluted share, compared to \$2,421,885 and \$14,158,760, or \$0.08 and \$0.50 in 2015. (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, 2016.

Proved reserves, as determined by Cawley, Gillespie and Associates, Inc., and Williamson Petroleum Consultants, Inc., totaled 27,741,575 barrel of oil equivalents (BOE), a 14% increase over the 24,402,383 BOE for the previous year. Future net revenues before income taxes, discounted at 10% ("PV-10"), based on \$39.17 per barrel of oil and \$2.43 per MCF of gas, were \$217.3 million at year-end 2016. This compared to \$240.2 million, using average prices of \$48.17 per barrel of oil and \$2.51 per MCF of gas, for year-end 2015. Approximately 32% of the proved reserves are classified as proved developed producing ("PDP"), 5% proved developed non-producing ("PDNP"), and 63% proved undeveloped ("PUD"). The proved reserves consist of approximately 90% oil and 10% natural gas. Internal engineering has estimated an additional 14.3 million BOE of probable reserves with a PV-10 of \$73.5 million using average prices of \$39.17 per barrel of oil and \$2.47 per MCF of natural gas. The estimated combined totals for proved and probable reserves (2P) are 42.04 million BOE and \$290.8 million PV-10.

Mr. Kelly Hoffman, the Company's Chief Executive Officer, commented, "2016 started slowly as a year of patience and perseverance, and finished as one of pursuit and productivity. With low commodity prices continuing in early 2016, our staff did

an excellent job of improving efficiencies by lowering operating costs while increasing production. We focused on improving and upgrading our infrastructure. In the first six months of 2016, we drilled four new development wells, three on our Central Basin Platform (“CBP”) and one on our Delaware Basin (“DB”) asset. We completed an internal study started in late 2015 of horizontal drilling operations and techniques in the CBP, specifically in the San Andres formation, and continued to monitor the results of surrounding operators using such techniques. In April 2016, we completed a public stock offering which allowed us to pay off the entire outstanding balance of our senior credit facility and put together a capital expenditure budget for the remainder of the year. In addition to the four vertical wells drilled in the first six months of 2016, we budgeted the drilling of four more new vertical development wells and the first three horizontal wells on our CBP. We initiated the drilling of the horizontal wells in the third quarter and announced the results in the fourth quarter. Based on those results, our staff has been busy building our “horizontal” footprint in the CBP. By year end, their efforts resulted in over 53,000 gross acres (32,000 net), of which we believe over 43,000 gross acres (26,000 net) represent horizontal acreage, with over 400 gross horizontal drilling locations. In November, we announced a preliminary capital expenditure budget of \$70 million for 2017, which includes the drilling of twenty-two new horizontal wells, six new vertical development wells and continued upgrading of existing infrastructure on our CBP. In addition, it includes drilling eight new vertical wells, remedial work on twelve existing wells and upgrading current infrastructure on our Delaware Basin asset. In December 2016, we completed a second public stock offering with the proceeds from the offering being used to fund the 2017 expenditure budget. We are very pleased with the initial results we are seeing from our 2017 horizontal well drilling program, as they are meeting and/or exceeding the results we received on our pilot three-well horizontal drilling program at the end of 2016. Although we didn’t allocate funds in the preliminary 2017 budget for a horizontal development program on our Delaware Basin asset, we are very excited about the prospects of such a program based on the information and core samples we retrieved by drilling two vertical wells to the base of the Brushy Canyon shale. We enter 2017 focusing on the exceptional opportunities within our current asset base. We are positioned for sustained growth and continue to aggressively look for opportunities that would complement our core assets and fuel that growth.”

Non-GAAP Financial Measures:

Net loss for the three months ended December 31, 2016 includes a non-cash charge for stock based compensation of \$619,499. Net loss for the twelve months ended December 31, 2016 includes a non-cash charge for stock based compensation of \$2,267,053, and a ceiling test impairment charge of \$56,513,016. Excluding such items, the Company’s net loss would have been \$0.00 per diluted share for the three months ended December 31, 2016, and net earnings of \$0.02 for the twelve months ended December 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 [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. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Oil and Gas Revenues	\$ 9,830,708	\$ 7,362,394	\$ 30,850,248	\$ 31,013,892
Costs and Operating Expenses				
Oil and gas production costs	2,848,029	2,967,232	9,867,800	9,958,380
Oil and gas production taxes	472,285	357,811	1,504,620	1,468,073
Depreciation, depletion and amortization	2,941,333	3,648,107	11,483,314	15,175,791
Ceiling test impairment	-	9,312,203	56,513,016	9,312,203
Accretion expense	127,015	168,118	487,182	418,384
General and administrative expense	2,004,039	2,220,040	8,027,077	7,995,395

Total Costs and Operating Expenses	8,392,701	18,673,511	87,883,009	44,328,226
Income (Loss) from Operations	1,438,007	(11,311,117)	(57,032,761)	(13,314,334)
Net Interest expense	(78,071)	(315,021)	(592,511)	(742,150)
Income (Loss) Before Provision for Income Taxes	1,359,936	(11,626,138)	(57,625,272)	(14,056,484)
(Provision for) Benefit From Income Taxes	(1,836,942)	4,153,092	19,987,585	5,003,713
Net Income (Loss)	(\$477,006)	(\$7,473,046)	(\$37,637,687)	(\$9,052,771)
Basic Earnings (Loss) Per Common Share	(\$0.01)	(\$0.25)	(\$0.97)	(\$0.32)
Diluted Earnings (Loss) Per Common Share	(\$0.01)	(\$0.25)	(\$0.97)	(\$0.32)
Basic Weighted-Average Common Shares Outstanding	43,814,351	30,391,485	38,710,626	28,176,924
Diluted Weighted-Average Common Shares Outstanding	43,814,351	30,391,485	38,710,626	28,176,924

COMPARATIVE OPERATING STATISTICS

Three Months Ended December 31,

	2016	2015	Change
Net Sales - BOE per day	2,569	2,312	11%
Per BOE:			
Average Sales Price	\$ 41.59	\$ 34.61	20%
Lease Operating Expenses	12.05	13.95	-14%
Production Taxes	2.00	1.68	19%
DD&A	12.44	17.15	-27%
Accretion	0.54	0.79	-32%
General & Administrative Expenses	8.48	10.44	-19%

Twelve Months Ended December 31,

	2016	2015	Change
Net Sales - BOE per day	2,399	2,037	18%
Per BOE:			
Average Sales price	\$ 35.13	\$ 41.72	-16%
Lease Operating Expenses	11.24	13.40	-16%
Production Taxes	1.71	1.97	-13%
DD&A	13.08	20.42	-36%
Accretion	0.55	0.56	-2%

RING ENERGY, INC.

BALANCE SHEET

	December 31, <u>2016</u>	December 31, <u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 71,086,381	\$ 4,431,350
Accounts receivable	3,453,238	2,507,858
Joint interest billing receivable	454,461	1,629,165
Prepaid expenses and retainers	226,835	146,118
Total Current Assets	<u>75,220,915</u>	<u>8,714,491</u>
Property and Equipment		
Oil and natural gas properties subject to amortization	250,133,965	269,590,374
Inventory for property development	1,582,427	-
Fixed assets subject to depreciation	1,549,311	1,539,991
Total Property and Equipment	253,265,703	271,130,365
Accumulated depreciation, depletion and amortization	(41,347,152)	(29,863,838)
Net Property and Equipment	<u>211,918,551</u>	<u>241,266,527</u>
Deferred Income Taxes	20,051,908	64,323
Deferred Financing Costs	406,025	820,904
Total Assets	<u>\$307,597,399</u>	<u>\$250,866,245</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 9,099,391	\$ 11,023,269
Other accrued liabilities	-	309,898
Total Current Liabilities	<u>9,099,391</u>	<u>11,333,167</u>
Revolving line of credit	-	45,900,000
Asset retirement obligations	7,957,035	7,401,950
Total Liabilities	<u>17,056,426</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; 49,113,063 shares and 30,391,942 shares issued and outstanding, respectively	49,113	30,392
Additional paid-in capital	335,197,845	193,269,034
Retained earnings (accumulated deficit)	(44,705,985)	(7,068,298)
Total Stockholders' Equity	<u>290,540,973</u>	<u>186,231,128</u>
Total Liabilities and Stockholders' Equity	<u>\$307,597,399</u>	<u>\$250,866,245</u>

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	December 31, <u>2016</u>	December 31, <u>2015</u>
Cash Flows From Operating Activities		
Net income (loss)	(\$37,637,687)	(\$9,052,771)
Adjustments to reconcile net income (loss) to net cash Provided by operating activities:		
Depreciation, depletion and amortization	11,483,314	15,175,791
Ceiling test impairment	56,513,016	9,312,203
Accretion expense	487,182	418,384
Share-based compensation	2,267,053	2,566,716
Deferred income tax expense (benefit)	(19,987,585)	(5,003,713)
Changes in assets and liabilities:		
Accounts receivable	229,324	2,163,440
Prepaid expenses	334,162	(806,422)
Accounts payable	(2,233,776)	(4,929,884)
Settlement of asset retirement obligation	(240,606)	(446,192)
Net Cash Provided by Operating Activities	<u>11,214,397</u>	<u>9,397,552</u>
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(10,193,927)	(77,902,553)
Payments to develop oil and natural gas properties	(26,554,171)	(31,430,355)
Purchase of inventory for development	(1,582,427)	-
Purchase of equipment, vehicles and leasehold improvements	(9,320)	(330,182)
Net Cash Used in Investing Activities	<u>(38,339,845)</u>	<u>(109,663,090)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of notes payable	7,000,000	45,900,000
Proceeds from issuance of common stock	139,567,980	50,039,853
Principal payments on revolving line of credit	(52,900,000)	-
Proceeds from option exercise	112,500	134,800
Net Cash Provided by Financing Activities	<u>93,780,480</u>	<u>96,074,653</u>
Net Increase (Decrease) in Cash	<u>66,655,031</u>	<u>(4,190,885)</u>
Cash at Beginning of Period	<u>4,431,350</u>	<u>8,622,235</u>
Cash at End of Period	<u>\$ 71,086,381</u>	<u>\$ 4,431,350</u>
Supplemental Cash flow Information		
Cash paid for interest	\$ 649,010	\$ 426,742
Noncash Investing and Financing Activities		
Asset retirement obligation acquired	-	3,361,634
Asset retirement obligation incurred during development	308,509	171,635

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	\$ 11,214,397	\$ 9,397,552
Change in operating assets and liabilities	<u>(1,910,896)</u>	<u>(4,019,058)</u>
Cash flow from operations	<u>\$ 13,125,293</u>	<u>\$ 13,416,610</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>2016</u>	December 31, <u>2015</u>
NET INCOME	(\$37,637,687)	(\$9,052,771)
Net interest expense	592,511	742,150
Income tax expense (benefit)	(19,987,585)	(5,003,713)
Depreciation, depletion and amortization	11,483,314	15,175,791
Accretion of discounted liabilities	487,182	418,384
Ceiling test impairment	56,513,016	9,312,203
Stock based compensation	2,267,053	2,566,716
ADJUSTED EBITDA	<u>\$ 13,717,804</u>	<u>\$ 14,158,760</u>

Language:

English

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