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Ring Energy Inc. Announces Second Quarter and Six Month 2016 Financial and Operating Results

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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 six months ended June 30, 2016. For the three month period ended June 30, 2016, Ring had oil and gas revenues of \$7,104,609, compared to \$8,976,790 for the quarter ended June 30, 2015. For the six month period ended June 30, 2016, the Company reported oil and gas revenues of \$13,196,997, compared to oil and gas revenues of \$15,022,491 for the six month period ended June 30, 2015. For the second quarter of 2016, Ring reported a net loss of \$15,941,500, or \$0.41 per diluted share, which included a pre-tax non-cash impairment of \$25,451,988. Excluding the impairment, the net loss per diluted share would have been \$0.00. For the six months ended June 30, 2016, the Company reported a net loss of \$31,216,544, or \$0.90 per diluted share, which included a pre-tax non-cash impairment of \$46,864,074. Excluding the impairment, the net loss per diluted share would have been \$0.05. This information compares to net income of \$534,167, or \$0.02 per fully diluted share, for the three months ended June 30, 2015, and a net loss for the six month period ended June 30, 2015 of \$441,457, or \$0.02 per fully diluted share.

For the three months ended June 30, 2016, oil sales volume decreased to 160,925 barrels, compared to 165,759 barrels for the same period in 2015, a 3% decrease, and gas sales volume increased to 201,992 MCF (thousand cubic feet), compared to 94,517 MCF for the same period in 2015, a 114% increase. For the six months ended June 30, 2016, oil sales volume increased to 352,303 barrels, compared to 302,848 barrels for the same period in 2015, a 16% increase and gas sales volume increased to 458,740 MCF, compared to 114,364 MCF for the same period in 2015, a 301% increase.

The average commodity prices received by Ring were \$41.22 per barrel of oil and \$2.33 per MCF of natural gas for the quarter ended June 30, 2016, compared to \$52.52 per barrel of oil and \$2.87 per MCF of natural gas for the quarter ended June 30, 2015. The average prices received for the six months ended June 30, 2016 were \$34.69 per barrel of oil and \$2.13 per MCF of natural gas, compared to \$48.55 per barrel of oil and \$2.78 per MCF of natural gas for the six month period ended June 30, 2015.

Lease operating expenses, including production taxes, for the three months ended June 30, 2016 were \$13.07 per barrel of oil equivalent ("BOE"), a 10% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 23% to \$13.90 per BOE. General and administrative costs, which included a \$507,642 charge for stock based compensation, were \$9.87 per BOE, a 12% decrease. For the six months ended June 30, 2016, lease operating expenses, including production taxes, were \$12.44 per BOE, a 16% decrease. Depreciation, depletion and amortization costs, including accretion, were \$14.48 per BOE, a 33% decrease, and general and administrative costs, which included a \$1,091,967 charge for stock based compensation, were \$9.66 per BOE, an 18% decrease from 2015.

Cash provided by operating activities, before changes in working capital, for the three and six months ended June 30, 2016 was \$3,135,349, or \$0.08 per fully diluted share, and \$4,389,664, or \$0.13 per fully diluted share, compared to \$4,881,602 and \$7,708,958, or \$0.18 and \$0.30 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 six months ended June 30, 2016 was \$3,147,720, or \$0.08 per fully diluted share, and \$4,814,656, or \$0.14 per fully diluted share, compared to \$4,960,605 and \$7,787,181, or \$0.18 and \$0.30 in 2015. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

In April 2016, the Company received approximately \$61 million in net proceeds from the public sale of 11,500,000 shares of the Company's registered common stock. In May, the immediate borrowing base on the Company's \$500 million senior credit facility was reduced from \$100 million to \$60 million. There was no outstanding debt on the Company's \$500 million senior secured credit facility at June 30, 2016.

Internal estimates of net 3P reserves (Proved, Probable and Possible) were 25.796 million barrel of oil equivalents (BOE) Proved, 11.831 million BOE Probable, and 2.655 million BOE Possible for a 3P total of 40.282 million BOE. Future net revenues before income taxes, discounted at 10% ("PV-10"), based on NYMEX strip prices as of July 1, 2016, were \$300.03 million Proved, \$109.471 million Probable and \$32.956 million Possible for a 3P total of \$442.457 million.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "In the second quarter we continued to work extremely hard at reducing our operating costs and general overhead while maximizing our production. We drilled three new developmental wells, two on our Central Basin Platform and one on our Delaware Basin asset, and refraced two existing wells operating on the Central Basin properties. All of these were done toward the end of the quarter and unfortunately had no impact on the quarter's production. We have continued to improve and upgrade our infrastructures on both the Central Basin Platform and the Delaware Basin assets. In April, we completed a public stock offering which allowed us to pay off the entire outstanding balance on our senior credit facility and put together a capital expenditure budget for the remainder of 2016. We have budgeted the drilling of eight vertical wells, one in the first quarter, three in the second quarter, three more in the third quarter and one in the fourth quarter. Along with the new vertical wells, we are excited to announce we have commenced drilling the first of three horizontal

wells to be drilled in 2016 on our Central Basin property. We are hopeful commodity prices will improve. In the event that prices remain low, we have no long term debt and have positioned the Company to be able to take advantage of any acquisition opportunities that meet our requirements and compliment our existing acreage.”

Non-GAAP Financial Measures:

Net loss for the three months ended June 30, 2016 includes a non-cash charge for stock based compensation of \$507,642, and a ceiling test impairment charge of \$25,451,988. Excluding such items, the Company’s net earnings would have been \$0.01 per diluted share. Net loss for the six months ended June 30, 2016 includes a non-cash charge for stock based compensation of \$1,091,967, and a ceiling test impairment charge of \$46,864,074. Excluding such items, the Company’s net loss would have been \$0.03 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 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, 2015, its Form 10-Q for the quarter ended June 30, 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		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	2016	2015	2016	2015
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Oil and Gas Revenues	\$ 7,104,609	\$ 8,976,790	\$ 13,196,997	\$15,022,491
Costs and Operating Expenses				
Oil and gas production costs	2,200,109	2,206,057	4,690,543	4,073,852
Oil and gas production taxes	344,035	422,884	643,306	699,915
Depreciation, depletion and amortization	2,579,201	3,205,033	5,973,828	6,859,331
Ceiling test impairment	25,451,988	-	46,864,074	-
Accretion expense	124,976	79,400	234,354	146,379
General and administrative expense	1,920,387	2,043,730	4,140,459	3,772,717
Total Costs and Operating Expenses	32,620,696	7,957,104	62,546,564	15,552,194
Income (Loss) from Operations	(25,516,087)	1,019,686	(49,349,567)	(529,703)
Other Income				
Interest expense	(86,538)	(79,005)	(502,046)	(79,005)
Interest income	74,166	2	77,053	782
Net Other Income	(12,372)	(79,003)	(424,993)	(78,223)

Income (Loss) Before Provision for Income Taxes	(25,528,459)	940,683	(49,774,560)	(607,926)
(Provision For) Benefit From Income Taxes	9,586,959	(406,516)	18,558,016	166,469
Net Income (Loss)	(\$15,941,500)	\$ 534,167	(\$31,216,544)	(\$441,457)
Basic Net Income (Loss) Per Common Share	(\$0.41)	\$ 0.02	(\$0.90)	(\$0.02)
Diluted Net Income (Loss) Per Common Share	(\$0.41)	\$ 0.02	(\$0.90)	(\$0.02)
Basic Weighted-Average Common Shares Outstanding	38,625,307	26,121,822	34,509,833	25,935,204
Diluted Weighted-Average Common Shares Outstanding	38,625,307	27,172,598	34,509,833	25,935,204

COMPARATIVE OPERATING STATISTICS

	Three Months Ended June 30,		
	2016	2015	Change
Net Sales - BOE per day	2,138	1,995	7%
Per BOE:			
Average Sales Price	\$36.51	\$49.46	-26%
Lease Operating Expenses	\$11.31	\$12.15	-7%
Production Taxes	\$ 1.76	\$ 2.33	-24%
DD&A	\$13.25	\$17.66	-25%
Accretion	\$ 0.65	\$ 0.44	45%
General & Administrative Expenses	\$ 9.87	\$11.26	-12%

	Six Months Ended June 30,		
	2016	2015	Change
Net Sales - BOE per day	2,356	1,779	32%
Per BOE:			
Average Sales price	\$30.78	\$46.67	-34%
Lease Operating Expenses	\$10.94	\$12.66	-14%
Production Taxes	\$ 1.50	\$ 2.17	-31%
DD&A	\$13.93	\$21.31	-35%
Accretion	\$ 0.55	\$ 0.45	22%
General & Administrative Expenses	\$ 9.66	\$11.72	-18%

As of June 30, 2016

	Crude Oil (MMBbls)	Nat. Gas (MMcf)	Total (MMBOE)	PV-10 (MM\$)
Proved Developed Reserves	4.91	10.398	6.643	85.893
Proved Developed Non-Producing	0.266	0.037	0.272	5.632
Proved Undeveloped Reserves	<u>18.08</u>	<u>4.803</u>	<u>18.881</u>	<u>208.505</u>
Total Proved Reserves	23.256	15.238	25.796	300.03
Total Probable Reserves	9.721	12.66	11.831	109.471
Total Possible Reserves	<u><u>2.313</u></u>	<u><u>2.054</u></u>	<u><u>2.655</u></u>	<u><u>32.956</u></u>
Total 3P Reserves	35.29	29.952	40.282	442.457

*Note: Internal estimates based on NYMEX strip prices as of July 1, 2016

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

	June 30, <u>2016</u>	December 31, <u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 8,328,712	\$ 4,431,350
Accounts receivable	2,919,015	2,507,858
Joint Interest billing receivable	800,398	1,629,165
Prepaid expenses and retainers	<u>422,180</u>	<u>146,118</u>
Total Current Assets	<u>12,470,305</u>	<u>8,714,491</u>
Property and Equipment, Using Full Cost Accounting		
Oil and gas properties subject to amortization	231,234,309	269,590,374
Office equipment and automobiles	<u>1,539,991</u>	<u>1,539,991</u>
Total Property and Equipment	<u>232,774,300</u>	<u>271,130,365</u>
Accumulated depreciation, depletion and amortization	<u>(35,837,666)</u>	<u>(29,863,838)</u>
Net Property and Equipment	<u>196,936,634</u>	<u>241,266,527</u>
Deferred Income Taxes	18,622,338	64,323
Deferred Financing Costs	541,367	820,904
Total Assets	<u>\$ 228,570,644</u>	<u>\$ 250,866,245</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 3,554,577	\$ 11,023,269
Other accrued liabilities	-	309,898
Total Current Liabilities	<u>3,554,577</u>	<u>11,333,167</u>
Long term debt	-	45,900,000
Asset retirement obligations	7,722,019	7,401,950
Total Liabilities	<u>11,276,596</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; 41,917,061 shares and 30,391,942 shares outstanding, respectively	41,917	30,392
Additional paid-in capital	255,536,973	193,269,034
Retained Loss	(38,284,842)	(7,068,298)
Total Stockholders' Equity	<u>217,294,048</u>	<u>186,231,128</u>
Total Liabilities and Stockholders' Equity	<u>\$ 228,570,644</u>	<u>\$ 250,866,245</u>

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	Six Months Ended	
	June 30,	
	2016	2015
Cash Flows From Operating Activities		
Net Loss	(\$31,216,544)	(\$441,457)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	5,973,828	6,859,331
Ceiling test impairment	46,864,074	-
Accretion expense	234,354	146,379
Share-based compensation	1,091,967	1,311,174
Deferred income tax benefit	(18,558,015)	(166,469)
Changes in assets and liabilities:		
Accounts receivable	417,610	(347,968)
Prepaid expenses	3,475	(1,014,883)
Accounts payable	(7,778,590)	(9,263,763)
Net Cash Provided by (Used in) Operating Activities	<u>(2,967,841)</u>	<u>(2,917,656)</u>
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(1,804,590)	(76,683,890)
Payments to develop oil and natural gas properties	(6,616,360)	(12,815,328)
Purchase of office equipment	-	(316,039)
Plugging and abandonment cost incurred	(1,344)	-
Net Cash Used in Investing Activities	<u>(8,422,294)</u>	<u>(89,815,257)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	61,074,997	48,915,744
Proceeds from issuance of notes payable	5,000,000	40,900,000
Principal payments on revolving line of credit	(50,900,000)	-

Proceeds from option exercise	112,500	62,500
Net Cash Provided by Financing Activities	15,287,497	89,878,244
Net Decrease in Cash	3,897,362	(2,854,669)
Cash at Beginning of Period	4,431,350	8,622,235
Cash at End of Period	\$ 8,328,712	\$ 5,767,566
Supplemental Cash flow Information		
Cash paid for interest	\$ 468,777	-
Non-Cash Investing and Financing Activities		
Asset retirement obligation acquired	-	\$ 2,177,110
Asset retirement obligation incurred during development	87,059	45,007

RECONCILIATION OF CASH FLOW FROM OPERATIONS

Net cash provided by operating activities	(\$2,967,841)	(\$2,917,656)
Change in operating assets and liabilities	7,357,505	10,626,614
Cash flow from operations	<u>\$ 4,389,664</u>	<u>\$ 7,708,958</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

	Six Months Ended	
	June 30, <u>2016</u>	June 30, <u>2015</u>
NET INCOME	(\$31,216,544)	(\$441,457)
Interest (income)	(77,053)	(782)
Interest expense	502,046	79,005
Income tax expense (benefit)	(18,558,016)	(166,469)
Depreciation, depletion and amortization	5,973,828	6,859,331
Accretion of discounted liabilities	234,354	146,379
Ceiling test impairment	46,864,074	-
Share-based compensation	<u>1,091,967</u>	<u>1,311,174</u>
ADJUSTED EBITDA	<u>\$ 4,814,656</u>	<u>\$7,787,181</u>

Language:

English

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