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Ring Energy Inc. Announces Third Quarter and Nine Month 2016 Financial and Operating Results

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MIDLAND, Texas

MIDLAND, Texas--(BUSINESS WIRE ⁽¹⁾)--Ring Energy, Inc. (NYSE MKT: REI) ("Ring") ("Company") announced today financial results for the three months and nine months ended September 30, 2016. For the three month period ended September 30, 2016, Ring had oil and gas revenues of \$7,822,543, compared to \$8,629,007 for the quarter ended September 30, 2015. For the nine month period ended September 30, 2016, the Company reported oil and gas revenues of \$21,019,540, compared to oil and gas revenues of \$23,651,498 for the nine month period ended September 30, 2015. For the third quarter of 2016, Ring reported a net loss of \$5,944,137, or \$0.14 per diluted share, 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 months ended September 30, 2016, the Company reported a net loss of \$37,160,681, or \$1.00 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 \$0.04. This information compares to a net loss of \$1,138,268, or \$0.04 per fully diluted share, for the three months ended September 30, 2015, and a net loss for the nine month period ended September 30, 2015 of \$1,579,725, or \$0.06 per fully diluted share.

For the three months ended September 30, 2016, oil sales volume decreased to 174,707 barrels, compared to 181,069 barrels for the same period in 2015, a 4% decrease, and gas sales volume increased to 229,456 MCF (thousand cubic feet), compared to 165,942 MCF for the same period in 2015, a 38% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended September 30, 2016 production sales increased to 212,950 BOEs, compared to 208,726 BOEs for the same period in 2015, a 2% increase. For the nine months ended September 30, 2016, oil sales volume increased to 527,010 barrels, compared to 483,918 barrels for the same period in 2015, a 9% increase and gas sales volume increased to 688,196 MCF, compared to 280,307 MCF for the same period in 2015, a 146% increase. On a BOE basis for the nine months ended September 30, 2016 production sales increased to 641,709 BOEs, compared to 530,636 BOEs for the same period in 2015, a 21% increase.

The average commodity prices received by Ring were \$40.83 per barrel of oil and \$3.01 per MCF of natural gas for the quarter ended September 30, 2016, compared to \$45.24 per barrel of oil and \$2.63 per MCF of natural gas for the quarter ended September 30, 2015. The average prices received for the nine months ended September 30, 2016 were \$36.72 per barrel of oil and \$2.42 per MCF of natural gas, compared to \$47.31 per barrel of oil and \$2.70 per MCF of natural gas for the nine month period ended September 30, 2015.

Lease operating expenses, including production taxes, for the three months ended September 30, 2016 were \$12.77 per BOE, a 20% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 45% to \$12.65 per BOE. General and administrative costs, which included a \$555,587 charge for stock based compensation, were \$8.84 per BOE, an 8% decrease. For the nine months ended September 30, 2016, lease operating expenses, including production taxes, were \$12.55 per BOE, a 18% decrease. Depreciation, depletion and amortization costs, including accretion, were \$13.87 per BOE, a 38% decrease, and general and administrative costs, which included a \$1,647,554 charge for stock based compensation, were \$9.39 per BOE, a 14% decrease from 2015.

Cash provided by operating activities, before changes in working capital, for the three and nine months ended September 30, 2016 was \$3,687,847, or \$0.09 per fully diluted share, and \$8,077,511, or \$0.22 per fully diluted share, compared to \$3,600,788 and \$11,309,746, or \$0.12 and \$0.41 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 nine months ended September 30, 2016 was \$3,777,294, or \$0.09 per fully diluted share, and \$8,591,950, or \$0.23 per fully diluted share, compared to \$3,949,694 and \$11,736,875, or \$0.13 and \$0.43 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 September 30, 2016.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "In the third quarter we continued to work hard at cutting costs and maximizing efficiencies. On a BOE basis we reduced our operating costs over 7% while increasing our overall production by 9.5% compared to our second quarter this year. We drilled and completed three new vertical development wells - one on our Central Basin Property ("CBP") and two on our Delaware Basin ("Delaware") asset. We also completed one new vertical well on our Delaware that was drilled in the second quarter. That well was drilled through the Cherry Canyon formation to the Brushy Canyon for the purpose of obtaining new logs and core samples which are critical as we start to put together our 2017 capital expenditure budget. We also drilled our first three horizontal San Andres wells on our CBP which are in varying stages of completion. Based on the oil production we are currently seeing we are extremely encouraged and are hopeful we will see peak production towards the end of the fourth quarter. We reported in September that we have doubled our horizontal footprint in the CBP and are continuing to aggressively look for opportunities to continue that growth."

Non-GAAP Financial Measures:

Net loss for the three months ended September 30, 2016 includes a non-cash charge for stock based compensation of \$555,587, and a ceiling test impairment charge of \$9,648,942. Excluding such items, the Company's net earnings would have been \$0.01 per diluted share. Net loss for the nine months ended September 30, 2016 includes a non-cash charge for stock based compensation of \$1,647,554, and a ceiling test impairment charge of \$56,513,016. Excluding such items, the Company's net loss would have been \$0.01 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 September 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 | | Nine Months Ended | |
|--------------------------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | <u>September 30,</u> | | <u>September 30,</u> | |
| | 2016 | 2015 | 2016 | 2015 |
| | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Oil and Gas Revenues | \$ 7,822,543 | \$ 8,629,007 | \$ 21,019,540 | \$ 23,651,498 |
| Costs and Operating Expenses | | | | |
| Oil and gas production costs | 2,329,228 | 2,917,296 | 7,019,771 | 6,991,148 |
| Oil and gas production taxes | 389,029 | 410,347 | 1,032,335 | 1,110,262 |
| Depreciation, depletion and amortization | 2,568,153 | 4,668,353 | 8,541,981 | 11,527,684 |
| Ceiling test impairment | 9,648,942 | - | 56,513,016 | - |
| Accretion expense | 125,813 | 103,887 | 360,167 | 250,266 |
| General and administrative expense | 1,882,579 | 2,002,638 | 6,023,038 | 5,775,355 |
| Total Costs and Operating Expenses | 16,943,744 | 10,102,521 | 79,490,308 | 25,654,715 |
| Income (Loss) from Operations | (9,121,201) | (1,473,514) | (58,470,768) | (2,003,217) |
| Other Income | | | | |
| Interest expense | (95,864) | (350,737) | (597,910) | (429,742) |
| Interest income | 6,417 | 1,831 | 83,470 | 2,613 |
| Net Other Income | (89,447) | (348,906) | (514,440) | (427,129) |
| Income (Loss) Before Provision for Income Taxes | (9,210,648) | (1,822,420) | (58,985,208) | (2,430,346) |

| | | | | |
|-----------------------------------------------------------|---------------|---------------|----------------|---------------|
| (Provision For) Benefit From Income Taxes | 3,266,511 | 684,152 | 21,824,527 | 850,621 |
| Net Income (Loss) | (\$5,944,137) | (\$1,138,268) | (\$37,160,681) | (\$1,579,725) |
| Basic Net Income (Loss) Per Common Share | (\$0.14) | (\$0.04) | (\$1.00) | (\$0.06) |
| Diluted Net Income (Loss) Per Common Share | (\$0.14) | (\$0.04) | (\$1.00) | (\$0.06) |
| Basic Weighted-Average Common Shares Outstanding | 41,917,061 | 30,372,701 | 36,996,932 | 27,430,624 |
| Diluted Weighted-Average Common Shares Outstanding | 41,917,061 | 30,372,701 | 36,996,932 | 27,430,624 |

COMPARATIVE OPERATING STATISTICS

| | Three Months Ended September 30, | | |
|-----------------------------------|----------------------------------|----------|--------|
| | 2016 | 2015 | Change |
| Net Sales - BOE per day | 2,315 | 2,269 | 2% |
| Per BOE: | | | |
| Average Sales Price | \$ 36.73 | \$ 41.34 | -11% |
| Lease Operating Expenses | \$ 10.94 | \$ 13.98 | -22% |
| Production Taxes | \$ 1.83 | \$ 1.96 | -7% |
| DD&A | \$ 12.06 | \$ 22.36 | -46% |
| Accretion | \$ 0.59 | \$ 0.50 | 18% |
| General & Administrative Expenses | \$ 8.84 | \$ 9.59 | -8% |
| | | | |
| | Nine Months Ended September 30, | | |
| | 2016 | 2015 | Change |
| Net Sales - BOE per day | 2,342 | 1,944 | 20% |
| Per BOE: | | | |
| Average Sales price | \$ 32.76 | \$ 44.57 | -26% |
| Lease Operating Expenses | \$ 10.94 | \$ 13.18 | -17% |
| Production Taxes | \$ 1.61 | \$ 2.09 | -23% |
| DD&A | \$ 13.31 | \$ 21.73 | -39% |
| Accretion | \$ 0.56 | \$ 0.47 | 19% |
| General & Administrative Expenses | \$ 9.39 | \$ 10.88 | -14% |

RING ENERGY, INC.
CONSOLIDATED BALANCE SHEET

September 30,

December 31,

| | | |
|-----------------------------------------------------------------------------|---------------------|---------------------|
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation, depletion and amortization | 8,541,981 | 11,527,684 |
| Ceiling test impairment | 56,513,016 | - |
| Accretion expense | 360,167 | 250,266 |
| Share-based compensation | 1,647,554 | 1,962,142 |
| Deferred income tax benefit | (21,824,526) | (850,621) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 560,467 | 916,843 |
| Prepaid expenses | 162,726 | (904,052) |
| Accounts payable | (3,897,613) | (8,737,901) |
| Net Cash Provided by (Used in) Operating Activities | 4,903,091 | 2,584,636 |
| Cash Flows from Investing Activities | | |
| Payments to purchase oil and natural gas properties | (6,154,997) | (77,191,925) |
| Payments to develop oil and natural gas properties | (16,190,471) | (21,449,757) |
| Purchase of equipment, vehicles and leasehold improvements | (9,320) | (330,182) |
| Plugging and abandonment cost incurred | (7,817) | (186,626) |
| Net Cash Used in Investing Activities | (22,362,605) | (99,158,490) |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of common stock | 61,064,671 | 50,039,853 |
| 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 | 130,000 |
| Net Cash Provided by Financing Activities | 15,277,171 | 91,069,853 |
| Net Decrease in Cash | (2,182,343) | (5,504,001) |
| Cash at Beginning of Period | 4,431,350 | 8,622,235 |
| Cash at End of Period | \$ 2,249,007 | \$ 3,118,234 |
| Supplemental Cash flow Information | | |
| Cash paid for interest | \$ 564,640 | \$ 174,410 |
| Non-Cash Investing and Financing Activities | | |
| Asset retirement obligation acquired | - | \$ 2,177,110 |
| Asset retirement obligation incurred during development | 248,487 | 124,375 |
| RECONCILIATION OF CASH FLOW FROM OPERATIONS | | |
| Net cash provided by operating activities | \$ 4,903,091 | \$ 2,584,636 |
| Change in operating assets and liabilities | 3,174,420 | 8,725,110 |
| Cash flow from operations | \$ 8,077,511 | \$ 11,309,746 |

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>2016</u> | September 30, <u>2015</u> |
|------------------------------------------|------------------------------|------------------------------|
| NET INCOME | (\$37,160,681) | (\$1,579,725) |
| Interest (income) | (83,470) | (2,613) |
| Interest expense | 597,910 | 429,742 |
| Income tax expense (benefit) | (21,824,527) | (850,621) |
| Depreciation, depletion and amortization | 8,541,981 | 11,527,684 |
| Accretion of discounted liabilities | 360,167 | 250,266 |
| Ceiling test impairment | 56,513,016 | - |
| Share-based compensation | 1,647,554 | 1,962,142 |
| | <hr/> | <hr/> |
| ADJUSTED EBITDA | \$ 8,591,950 | \$ 11,736,875 |

Language:

English

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