



Published on *Ring Energy Investor Center* (<https://investor.ringenergy.com>) on 2/28/19 4:25 pm CST

Ring Energy Releases Complete Fourth Quarter and Twelve Month 2018 Financial and Operational Results in Support of 2018 10K Filing

Release Date:

Thursday, February 28, 2019 4:25 pm CST

Terms:

Dateline City:

MIDLAND, Texas

MIDLAND, Texas--(BUSINESS WIRE (1))--Ring Energy, Inc. (NYSE American: REI) ("Ring")("Company") announced today financial results for the three months and twelve months ended December 31, 2018. For the three month period ended December 31, 2018, the Company reported oil and gas revenues of \$27,561,908, compared to revenues of \$23,308,668 for the quarter ended December 31, 2017. For the twelve months ended December 31, 2018, the Company reported oil and gas revenues of \$120,065,361, compared to \$66,699,700 for the twelve months ended December 31, 2017.

For the three months ended December 31, 2018, Ring reported a net loss of \$7,079,308, or \$0.11 per diluted share, compared to a net loss of \$4,509,935, or \$0.08 per fully diluted share for the three months ended December 31, 2017. For the twelve months ended December 31, 2018, the Company reported net income of \$8,999,760, or \$0.15 per diluted share, compared to net income of \$1,753,869, or \$0.03 per fully diluted share for the twelve month period ended December 31, 2017.

For the three months ended December 31, 2018, the net income included a pre-tax "Realized Loss on Derivatives" of \$4,553,476, an "Unrealized Gain on Derivatives" of \$6,424,910, a non-cash charge for stock-based compensation of \$779,598 and a ceiling test impairment of \$14,172,309. Excluding these items, the net income per diluted share would have been \$0.07. For the twelve months ended December 31, 2018, the net income included a pre-tax "Realized Loss on Derivatives" of \$11,153,702, an "Unrealized Gain on Derivatives" of \$3,968,287, a non-cash charge for stock-based compensation of \$3,870,934 and a ceiling test impairment of \$14,172,309. Excluding these items, the net income per diluted share would have been \$0.47.

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.

For the three months ended December 31, 2018, oil sales volume increased to 542,964 barrels, compared to 418,165 barrels for the same period in 2017, a 29.8% increase, and gas sales volume increased to 302,890 MCF (thousand cubic feet), compared to 201,966 MCF for the same period in 2017, a 49.9% increase. On a barrel of oil equivalent ("BOE") basis for the three months ended December 31, 2018, production sales were 593,446 BOEs, compared to 451,826 BOEs for the same period in 2017, a 31.3% increase, and 601,720 BOEs for the third quarter of 2018, a 1.3% decrease. For the twelve months ended December 31, 2018, oil sales volume increased to 2,047,295 barrels, compared to 1,311,727 barrels for the same period in 2017, a 56% increase, and gas sales volume increased to 1,112,177 MCF, compared to 761,517 MCF for the same period in 2017, a 46% increase. On a BOE basis for the twelve months ended December 31, 2018, production sales increased to 2,232,658 BOEs, compared to 1,438,647 BOEs for the same period in 2017, a 55.1% increase.

The average commodity prices received by the Company were \$49.62 per barrel of oil and \$2.05 per MCF of natural gas for the quarter ended December 31, 2018, compared to \$53.16 per barrel of oil and \$3.35 per MCF of natural gas for the quarter ended December 31, 2017. On a BOE basis for the three month period ended December 31, 2018, the average price received was \$46.44. The average prices received for the twelve months ended December 31, 2018 were \$56.99 per barrel of oil and \$3.05 per MCF of natural gas, compared to \$48.97 per barrel of oil and \$3.23 per MCF of natural gas for the twelve month period ended December 31, 2017. On a BOE basis for the twelve month period ended December 31, 2018, the average price received was \$53.78.

Lease operating expenses, including production taxes, for the three months ended December 31, 2018 were \$15.81 per BOE, an 8.4% increase from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 11% to \$17.80 per BOE. General and administrative costs, which included a \$779,598 charge for stock-based compensation, were \$5.77 per BOE, a 11% decrease. For the twelve months ended December 31, 2018, lease operating expenses, including production taxes, were \$14.97 per BOE, a 12.5% increase. Depreciation, depletion and amortization costs, including accretion, were \$17.75 per BOE, a 21.1% increase, and general and administrative costs, which included a \$3,870,934 charge for stock-based compensation, were \$5.76 per BOE, a 21% decrease.

Cash provided by operating activities, before changes in working capital, for the three and twelve months ended December 31, 2018 was \$10,631,255, or \$0.17 per fully diluted share, and \$66,151,782, or \$1.09 per fully diluted share, compared to \$14,625,846 and \$40,909,153, or \$0.26 and \$0.77 per fully diluted share for the same periods in 2017. Earnings before

interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and twelve months ended December 31, 2018 was \$10,973,726, or \$0.18 per fully diluted share, and \$66,481,825, or \$1.09 per fully diluted share, compared to \$14,584,307 and \$40,618,071, or \$0.26 and \$0.77 in 2017. (See accompanying table for a reconciliation of net income to adjusted EBITDA).

As of December 31, 2018, \$39,500,000 was outstanding on the Company's \$500 million senior secured credit facility.

The Company announced today that its estimated total proved reserves of oil and natural gas as of December 31, 2018 increased 14.6% to 36.6 million barrels of oil equivalent (BOE), from 31.9 million BOE at year end 2017, and 21.5% when adjusted for 2018 oil and gas sales. Ring replaced 308% of production in 2018. The 2018 year-end proved reserves consisted of 27.8 million barrels of crude oil (76%) and 52.8 Bcf of natural gas (24%). Of the 36.6 million BOE of total proved reserves, 67% are proved developed and 33% are proved undeveloped. The proved developed reserves consist of proved developed producing (61%) and proved developed non-producing (6%).

The estimated present value, using a 10% discount rate, of the future net cash flows before income taxes ("PV-10") of the Company's proved oil and natural gas reserves as of December 31, 2018 was \$541.6 million, using year-end average received pricing of \$58.74 per barrel for oil and \$3.26 per Mcf for natural gas. These estimates were audited by the independent engineering firm of Cawley, Gillespie & Associates, Inc., Fort Worth, Texas.

The following table summarizes our total net proved reserves, pre-tax PV10 value and Standardized Measure of Discounted Future Net Cash Flows as of December 31, 2018. All of our reserves are in the Permian Basin in the State of Texas.

| Oil (Bbl) | Natural Gas (Mcf) | Total (Boe) | Pre-Tax PV10 Value | Standardized Measure of Discounted Future Net Cash Flows |
|------------------|--------------------------|--------------------|---------------------------|---|
| 27,809,748 | 52,765,698 | 36,604,031 | \$ 541,576,052 | \$ 455,944,641 |

Total capital expenditures for 2018 were approximately \$214.7, which included \$15.86 million for property acquisitions.

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, 2018. 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 | |
|--|--------------------|---------------|---------------------|---------------|
| | December 31, | | December 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Oil and Gas Revenues | \$ 27,561,908 | \$ 23,308,668 | \$120,065,361 | \$ 66,699,700 |
| Costs and Operating Expenses | | | | |
| Oil and gas production costs | 8,163,826 | 5,496,693 | 27,801,989 | 15,978,362 |
| Oil and gas production taxes | 1,225,119 | 1,090,347 | 5,631,093 | 3,152,562 |
| Depreciation, depletion and amortization | 10,448,829 | 7,084,291 | 39,024,886 | 20,517,780 |
| Ceiling test impairment | 14,172,309 | - | 14,172,309 | - |
| Asset retirement obligation accretion | 113,236 | 147,245 | 606,459 | 567,968 |
| General and administrative expense | 3,425,359 | 2,939,496 | 12,867,686 | 10,515,887 |

| | | | | |
|---|---------------|---------------|--------------|--------------|
| Total Costs and Operating Expenses | 37,548,678 | 16,758,072 | 100,104,422 | 50,732,559 |
| Income (Loss) from Operations | (9,986,770) | 6,550,596 | 19,960,939 | 15,967,141 |
| Other Income (Expense) | | | | |
| Interest income | 0 | 41,540 | 97,855 | 291,083 |
| Interest expense | (342,471) | - | (427,898) | - |
| Realized loss on derivatives | (4,553,476) | (119,897) | (11,153,702) | (119,897) |
| Unrealized gain (loss) on change in fair value of derivatives | 6,424,910 | (4,034,115) | 3,968,287 | (3,968,287) |
| Net Other Income (Expense) | 1,528,963 | (4,112,472) | (7,515,458) | (3,797,101) |
| Income (Loss) Before Provision for Income Taxes | (8,457,807) | 2,438,124 | 12,445,481 | 12,170,040 |
| Provision for Income Taxes | 1,378,499 | (6,948,059) | (3,445,721) | (10,416,171) |
| Net Income (Loss) | (\$7,079,308) | (\$4,509,935) | \$ 8,999,760 | \$ 1,753,869 |
| Basic Earnings (Loss) Per Common Share | (\$0.12) | (\$0.08) | \$ 0.15 | \$ 0.03 |
| Diluted Earnings (Loss) Per Common Share | (\$0.11) | (\$0.08) | \$ 0.15 | \$ 0.03 |
| Basic Weighted-Average Common Shares Outstanding | 60,857,325 | 54,177,202 | 59,531,200 | 51,383,008 |
| Diluted Weighted-Average Common Shares Outstanding | 61,715,829 | 55,647,451 | 60,848,177 | 52,806,712 |

COMPARATIVE OPERATING STATISTICS

| | Three Months Ended December 31, | | |
|-----------------------------------|----------------------------------|----------|--------|
| | 2018 | 2017 | Change |
| Net Sales - BOE per day | 6,450 | 4,911 | 31% |
| Per BOE: | | | |
| Average Sales Price | \$ 46.44 | \$ 51.59 | -10% |
| Lease Operating Expenses | 13.75 | 12.17 | 13% |
| Production Taxes | 2.06 | 2.41 | -14% |
| DD&A | 17.61 | 15.68 | 12% |
| Accretion | 0.19 | 0.33 | -42% |
| General & Administrative Expenses | 5.77 | 6.51 | -11% |
| | Twelve Months Ended December 31, | | |
| | 2018 | 2017 | Change |

| | | | |
|-----------------------------------|----------|----------|------|
| Net Sales - BOE per day | 6,117 | 3,941 | 55% |
| Per BOE: | | | |
| Average Sales price | \$ 53.78 | \$ 46.36 | 16% |
| Lease Operating Expenses | 12.45 | 11.11 | 12% |
| Production Taxes | 2.52 | 2.19 | 15% |
| DD&A | 17.48 | 14.26 | 22% |
| Accretion | 0.27 | 0.39 | -31% |
| General & Administrative Expenses | 5.76 | 7.31 | -21% |

RING ENERGY, INC.
BALANCE SHEET

| | December 31, 2018 | December 31, 2017 |
|---|-----------------------|-----------------------|
| | <u>2018</u> | <u>2017</u> |
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 3,363,726 | \$ 15,006,581 |
| Accounts receivable | 12,643,478 | 12,833,883 |
| Joint interest billing receivable | 578,144 | 1,054,022 |
| Prepaid expenses and retainers | 258,909 | 229,438 |
| Total Current Assets | <u>16,844,257</u> | <u>29,123,924</u> |
| Property and Equipment | | |
| Oil and natural gas properties subject to amortization | 641,121,398 | 433,591,134 |
| Fixed assets subject to depreciation | 1,465,551 | 1,884,818 |
| Total Property and Equipment | <u>642,586,949</u> | <u>435,475,952</u> |
| Accumulated depreciation, depletion and amortization | (100,576,087) | (61,864,932) |
| Net Property and Equipment | <u>542,010,862</u> | <u>373,611,020</u> |
| Deferred Income Taxes | 7,786,479 | 11,232,200 |
| Deferred Financing Costs | 424,061 | 135,342 |
| Total Assets | <u>\$ 567,065,659</u> | <u>\$ 414,102,486</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 51,910,432 | \$ 44,475,163 |
| Derivative liabilities | - | 3,968,286 |
| Total Current Liabilities | <u>51,910,432</u> | <u>48,443,449</u> |
| Revolving line of credit | 39,500,000 | - |
| Asset retirement obligations | 13,055,797 | 9,055,697 |
| Total Liabilities | <u>104,466,229</u> | <u>57,499,146</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;

63,229,710 shares and 54,224,029 shares

issued and outstanding, respectively

| | | |
|---|-----------------------|-----------------------|
| | 63,230 | 54,224 |
| Additional paid-in capital | 494,892,093 | 397,904,769 |
| Accumulated deficit | (32,355,893) | (41,355,653) |
| Total Stockholders' Equity | <u>462,599,430</u> | <u>356,603,340</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 567,065,659</u> | <u>\$ 414,102,486</u> |

STATEMENTS OF CASH FLOW

| | Twelve Months Ended | |
|---|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 |
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ 8,999,760 | \$ 1,753,869 |
| Adjustments to reconcile net income (loss) to net cash Provided by operating activities: | | |
| Depreciation, depletion and amortization | 39,024,886 | 20,517,780 |
| Ceiling test impairment | 14,172,309 | - |
| Accretion expense | 606,459 | 567,968 |
| Share-based compensation | 3,870,934 | 3,685,079 |
| Deferred income tax expense | 2,537,837 | 3,862,827 |
| Excess tax benefit related to share-based compensation | 907,884 | (49,896) |
| Adjustment to deferred tax asset for change in effective tax rate | - | 6,603,240 |
| Change in fair value of derivative instruments | (3,968,286) | 3,968,286 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 666,283 | (9,980,206) |
| Prepaid expenses | (318,190) | 268,080 |
| Accounts payable | 4,435,269 | 12,375,772 |
| Settlement of asset retirement obligation | (577,824) | (766,595) |
| Net Cash Provided by Operating Activities | <u>70,357,321</u> | <u>42,806,204</u> |
| Cash Flows from Investing Activities | | |
| Payments to purchase oil and natural gas properties | (4,656,484) | (28,682,298) |
| Payments to develop oil and natural gas properties | (198,870,366) | (124,680,469) |
| Proceeds from disposal of fixed assets subject to depreciation | 105,536 | - |
| Purchase of equipment, vehicles and leasehold improvements | - | (335,507) |
| Purchase of inventory for development | - | (4,214,686) |
| Net Cash Used in Investing Activities | <u>(203,421,314)</u> | <u>(157,912,960)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from revolving line of credit | 39,500,000 | - |
| Proceeds from issuance of common stock, net of offering costs | 81,821,138 | 59,026,956 |
| Proceeds from option exercise | 100,000 | - |
| Net Cash Provided by Financing Activities | <u>121,421,138</u> | <u>59,026,956</u> |
| Net Increase (Decrease) in Cash | <u>(11,642,855)</u> | <u>(56,079,800)</u> |
| Cash at Beginning of Period | <u>15,006,581</u> | <u>71,086,381</u> |

| | | |
|---|--------------|---------------|
| Cash at End of Period | \$ 3,363,726 | \$ 15,006,581 |
| Supplemental Cash flow Information | | |
| Cash paid for interest | \$ 323,916 | - |

Noncash Investing and Financing Activities

| | | |
|---|------------|------------|
| Asset retirement obligation incurred during development | 1,311,956 | 1,297,289 |
| Asset retirement obligation acquired | 2,571,549 | - |
| Asset retirement obligation revision of estimate | 87,980 | - |
| Oil and natural gas assets and properties acquired through stock issuance | 11,204,258 | - |
| Capitalized expenditures attributable to drilling projects financed through current liabilities | 25,000,000 | 23,000,000 |
| Use of inventory in property development | - | 5,797,113 |

RECONCILIATION OF CASH FLOW FROM OPERATIONS

| | | |
|--|----------------------|----------------------|
| Net cash provided by operating activities | \$ 70,357,321 | \$ 42,806,204 |
| Change in operating assets and liabilities | 4,205,538 | 1,897,051 |
| Cash flow from operations | <u>\$ 66,151,783</u> | <u>\$ 40,909,153</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

| | Twelve Months Ended | |
|--|----------------------|----------------------|
| | December 31, 2018 | December 31, 2017 |
| NET INCOME | \$ 8,999,760 | \$ 1,753,869 |
| Net other (income) expense | 7,515,458 | 3,797,101 |
| Realized loss on derivatives | (11,153,702) | (119,897) |
| Income tax expense | 3,445,721 | 10,416,171 |
| Depreciation, depletion and amortization | 39,024,886 | 20,517,780 |
| Accretion of discounted liabilities | 606,459 | 567,968 |
| Ceiling test impairment | 14,172,309 | - |
| Stock based compensation | 3,870,934 | 3,685,079 |
| ADJUSTED EBITDA | <u>\$ 66,481,825</u> | <u>\$40,618,071</u> |

Language:

English

Contact:

For further information contact:
Bill Parsons, K M Financial, Inc. (702) 489-4447

Ticker Slug:

Ticker: REI

Exchange: NYSEAM

Source URL: <https://investor.ringenergy.com/press-release/ring-energy-releases-complete-fourth-quarter-and-twelve-month-2018-financial-and>

Links:

[1] <http://www.businesswire.com>

[2] <https://ringenergy.com/>