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# Ring Energy, Inc. Announces Financial and Operating Results for First Quarter 2019

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## *Financial and Operating Results Include Assets Acquired From Wishbone Energy Partners As Of 2/1/19*

MIDLAND, Texas--(BUSINESS WIRE <sup>(1)</sup>)--Ring Energy, Inc. (NYSE American: REI) ("Ring")("Company") announced today financial results for the first quarter ended March 31, 2019. For the three month period ended March 31, 2019, Ring, including the acquired assets from Wishbone Energy Partners ("Wishbone") as of February 1, 2019, had oil and gas revenues of \$41,798,315 compared to \$29,891,391 for the quarter ended March 31, 2018, and net income of \$11,089,443, or \$0.17 per diluted share, compared to net income of \$5,665,634, or \$0.10 per diluted share.

For the three months ended March 31, 2019, the net income included a pre-tax "Unrealized Loss on Derivatives" of \$340,685 and a non-cash charge for stock-based compensation of \$834,465. Excluding these items, the net income per diluted share would have been \$0.19. 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 March 31, 2019, oil sales volume, including the Wishbone assets as of February 1, 2019, increased to 812,565 barrels, compared to 479,864 barrels for the same period in 2018, an 69.3% increase, and gas sales volume increased to 357,542 MCF (thousand cubic feet), compared to 210,031 MCF for the same period in 2018, a 70.2% increase. For the three months ended March 31, 2019, natural gas liquids volume was 271,059 gallons with an average price of \$0.51 per gallon. There were no natural gas liquids sales during the three months ended March 31, 2018. On a barrel of oil equivalent ("BOE") basis for the three months ended March 31, 2019, production sales increased to 878,609 BOEs, compared to 514,869 BOEs for the same period in 2018, a 70.6% increase. The average commodity prices received by Ring were \$50.30 per barrel of oil and \$2.19 per MCF of natural gas for the quarter ended March 31, 2019, compared to \$60.73 per barrel of oil and \$3.58 per MCF of natural gas for the quarter ended March 31, 2018.

Lease operating expenses, including production taxes, for the three months ended March 31, 2019 were \$13.08 per BOE, a 6.6% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, decreased 11.1% to \$14.96 per BOE. General and administrative costs, which included a \$834,465 charge for stock-based compensation and approximately \$3.5 million of non-recurring acquisition related costs, were \$7.74 per BOE, a 29.2% increase.

Cash provided by operating activities, before changes in working capital, for the three months ended March 31, 2019 was \$23,454,168 or \$0.37 per fully diluted share, compared to \$19,168,262, or \$0.33 per fully diluted share for the same period in 2018. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three months ended March 31, 2019 was \$24,214,949, or \$0.38 per fully diluted share, compared to \$19,203,791, or \$0.33 per fully diluted share for the same period in 2018.

(See accompanying table for a reconciliation of net income to adjusted EBITDA).

In February 2019, the Company announced it had signed a definitive agreement to acquire Northwest Shelf assets from Wishbone Energy Partners ("Wishbone"). Subsequent to March 31, 2019, the Company completed the Wishbone acquisition through a cash payment of \$264,062,999 and issuance of 4,581,001 shares of common stock. As the Company had effective control of the assets beginning February 1, 2019, this acquisition was recorded effective that date and the financial statements as of March 31, 2019 include the results of operations beginning that date.

During March 2019, the Company entered into new derivative contracts in the form of costless collars of WTI Crude Oil prices in order to protect the Company's cash flow from price fluctuation and maintain its capital programs. "Costless collars" are the combination of two options, a put option (floor) and call option (ceiling) with the options structured so that the premium paid for the put option will be offset by the premium received from selling the call option. The trades were for a total of 3,500 barrels of oil per day ("BOPD") and were for the period of April 2019 through December 2019. Subsequent to March 31, 2019, the Company entered into two additional "costless collar" contracts, each for an additional 1,000 BOPD and are for the period of April 2019 through December 2019. In addition, the Company entered into two "costless collar" contracts, each for 1,000 BOPD and are for the period of January 2020 through December 2020. The average prices for the 5,500 BOPD under

contract for 2019 are: Floor = \$50.00 Ceiling = \$68.19. The average prices for the 2,000 BOPD under contract for 2020 are: Floor = \$50.00 Ceiling = \$65.61.

As of March 31, 2019, outstanding debt on the Company's senior secured credit facility was \$84.5 million. Subsequent to March 31, 2019, the Company amended and restated its Existing Senior Credit Facility with SunTrust Bank, as lender, issuing bank and administrative agent for several banks and other financial institutions and lenders. The Amended and Restated Senior Credit Facility increases the maximum facility amount to \$1 billion and increases the borrowing base to \$425 million.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "The first quarter of 2019 has been an extremely exciting, as well as, transitional time for Ring. With the Carlyle acquisition at year end 2018 and now the Wishbone acquisition we have essentially doubled our current daily production, future EBITDA, proved reserves and PV-10. We now have acreage with over 1,400 new horizontal drilling sites, 440 we consider to be premier (Tier 1 and 2), as evidenced by the wells drilled and completed in the 1<sup>st</sup> quarter, over 460 that we have categorized as "commercial" (Tier 3) because they may have net reserves slightly below the Tier 1 and 2 sites, and an additional 530 (Tier 4) that have upside potential but will require additional work. We have years of development ahead of us on what we believe to be outstanding assets. Our goals have remained the same, superior execution while controlling cost, meaningful annualized production growth and cash flow neutrality by the end of the year."

#### About Ring Energy, Inc.

Ring Energy, Inc. is an oil and gas exploration, development and production company with current operations in Texas and New Mexico.

[www.ringenergy.com](http://www.ringenergy.com) [2]

#### Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve a wide variety of risks and uncertainties, and include, 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, its Form 10Q for the quarter ended March 31, 2019 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	
	March 31,	
	2019	2018
	(Unaudited)	(Unaudited)
<b>Oil and Gas Revenues</b>	\$41,798,315	\$29,891,391
<b>Costs and Operating Expenses</b>		
Oil and gas production costs	9,408,764	5,781,910
Oil and gas production taxes	2,082,875	1,425,882
Depreciation, depletion and amortization	12,929,054	8,501,379
Asset retirement obligation accretion	215,945	161,120
Operating lease payments and amortization	128,175	-
General and administrative expense	6,798,017	3,085,980
	31,562,830	18,956,271
<b>Total Costs and Operating Expenses</b>		
	10,235,485	10,935,120
<b>Income from Operations</b>		
	10,235,485	10,935,120
<b>Other Income (Expense)</b>		
Interest income	12,236	8,953
Interest expense	(773,017)	(44,483)

Realized loss on derivatives	-	(1,475,026)
Unrealized loss on change in fair value of derivatives	(340,685)	(790,701)
<b>Net Other Income (Expense)</b>	<b>(1,101,466)</b>	<b>(2,301,257)</b>
<b>Income before tax provision</b>	<b>9,134,019</b>	<b>8,633,863</b>
<b>Benefit from (Provision for) Income Taxes</b>	<b>1,955,424</b>	<b>(2,968,229)</b>
<b>Net Income</b>	<b>\$11,089,443</b>	<b>\$5,665,634</b>
<b>Basic Income Per Common Share</b>	<b>\$0.18</b>	<b>\$0.10</b>
<b>Diluted Income Per Common Share</b>	<b>\$0.17</b>	<b>\$0.10</b>
<b>Basic Weighted-Average Common Shares Outstanding</b>	<b>63,229,710</b>	<b>56,415,673</b>
<b>Diluted Weighted-Average Common Shares Outstanding</b>	<b>63,992,549</b>	<b>57,949,389</b>

#### COMPARATIVE OPERATING STATISTICS

	Three Months Ended March 31,		
	2019	2018	Change
Net Production - BOE per day	9,762	5,721	70.6%
Per BOE:			
Average Sales Price	\$47.57	\$58.06	-17.4%
Lease Operating Expenses	10.71	11.23	-4.6%
Production Taxes	2.37	2.77	-14.4%
DD&A	14.72	16.51	-10.8%
Accretion	0.25	0.31	-19.3%
General & Administrative Expenses	7.74	5.99	29.2%

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

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$2,606,769	\$3,363,726
Accounts receivable	27,941,378	12,643,478
Joint interest billing receivable	2,553,377	578,144
Operating lease asset	417,567	-

Prepaid expenses and retainers	3,013,688	258,909
<b>Total Current Assets</b>	<b>36,532,779</b>	<b>16,844,257</b>
<b>Properties and Equipment</b>		
Oil and natural gas properties subject to depletion and amortization	990,608,164	641,121,398
Fixed assets subject to depreciation	1,465,551	1,465,551
<b>Total Property and Equipment</b>	<b>992,073,715</b>	<b>642,586,949</b>
Accumulated depreciation, depletion and amortization	(113,505,141)	(100,576,087)
<b>Net Property and Equipment</b>	<b>878,568,574</b>	<b>542,010,862</b>
<b>Deferred Income Taxes</b>	<b>9,741,903</b>	<b>7,786,479</b>
<b>Deferred Financing Costs</b>	<b>353,384</b>	<b>424,061</b>
<b>Total Assets</b>	<b>\$925,196,640</b>	<b>\$567,065,659</b>

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current Liabilities

Accounts payable	\$63,862,098	\$51,910,432
Acquisition liability to be settled through equity	28,356,396	-
Operating lease liability	417,567	-
Derivative Liabilities	340,685	-
<b>Total Current Liabilities</b>	<b>92,976,746</b>	<b>51,910,432</b>

Revolving line of credit	84,500,000	39,500,000
Acquisition liability to be settled through refinancing into credit facility	256,877,766	-
Asset retirement obligations	16,318,790	13,055,797
<b>Total Liabilities</b>	<b>450,673,302</b>	<b>104,466,229</b>

##### 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 63,229,710 shares outstanding, respectively	63,230	63,230
Additional paid-in capital	495,726,558	494,892,093
Accumulated deficit	(21,266,450)	(32,355,893)
<b>Total Stockholders' Equity</b>	<b>474,523,338</b>	<b>462,599,430</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$925,196,640</b>	<b>\$567,065,659</b>

**RING ENERGY, INC.**  
**STATEMENTS OF CASH FLOW**

	Three Months Ended	
	March 31,	
	2019	2018
<b>Cash Flows From Operating Activities</b>		
Net income	\$11,089,443	\$5,665,634
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	12,929,054	8,501,379

Accretion expense	215,945	161,120
Share-based compensation	834,465	1,081,199
Deferred income tax provision	1,918,144	1,809,625
Excess tax deficiency related to share-based compensation	(3,873,568)	1,158,604
Change in fair value of derivative instruments	340,685	790,701
Changes in assets and liabilities:		
Accounts receivable	(15,808,739)	(195,642)
Prepaid expenses and retainers	180,452	166,082
Accounts payable	2,111,804	(32,653,094)
Settlement of asset retirement obligation	(107,770)	(149,772)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>9,829,915</b>	<b>(13,664,164)</b>
<b>Cash Flows from Investing Activities</b>		
Payments to purchase oil and natural gas properties	(13,358,132)	(1,061,195)
Payments to develop oil and natural gas properties	(42,228,740)	(35,081,925)
Proceeds from disposal of fixed assets subject to depreciation	-	14,738
<b>Net Cash Used in Investing Activities</b>	<b>(55,586,872)</b>	<b>(36,128,382)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from revolving line of credit	45,000,000	-
Proceeds from issuance of common stock, net of offering costs	-	81,822,066
<b>Net Cash Provided by Financing Activities</b>	<b>45,000,000</b>	<b>81,822,066</b>
<b>Net Change in Cash</b>	<b>(756,957)</b>	<b>32,029,520</b>
<b>Cash at Beginning of Period</b>	<b>3,363,726</b>	<b>15,006,581</b>
<b>Cash at End of Period</b>	<b>\$2,606,769</b>	<b>\$47,036,101</b>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	708,951	44,483
<b>Noncash Investing and Financing Activities</b>		
Asset retirement obligation incurred during development	\$175,173	\$380,807
Capitalized expenditures attributable to drilling projects financed through current liabilities	34,605,000	13,000,000
Acquisition of oil and gas properties		
Assumption of joint interest billing receivable	1,464,394	-
Assumption of prepaid assets	2,864,554	-
Assumption of accounts and revenue payables	(1,234,862)	-
Asset retirement obligation incurred through acquisition	(2,979,645)	-
Acquisition payable to be settled through equity	(28,356,396)	-
Acquisition payable to be settled through cash payment	(256,877,766)	-
Oil and gas properties subject to amortization	285,119,721	-
<b>RECONCILIATION OF CASH FLOW FROM OPERATIONS</b>		
Net cash provided by operating activities	\$9,829,915	(\$13,664,164)
Change in operating assets and liabilities	13,624,253	32,832,426
Cash flow from operations	<u>\$23,454,168</u>	<u>\$19,168,262</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.

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**RING ENERGY, INC.**  
**NON-GAAP DISCLOSURE RECONCILIATION**

	March 31, 2019	March 31, 2018
	<hr/>	<hr/>
<b>NET INCOME (LOSS)</b>	\$11,089,443	\$5,665,634
Interest (income)	(12,236)	(8,953)
Interest expense	773,017	44,483
Income tax expense (benefit)	1,918,144	1,809,625
Excess tax benefits related to share-based compensation	(3,873,568)	1,158,604
Depreciation, depletion and amortization	12,929,054	8,501,379
Accretion of discounted liabilities	215,945	161,120
Share-based compensation	834,465	1,081,199
Change in fair value of derivative instruments	340,685	790,701
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<b>ADJUSTED EBITDA</b>	\$24,214,949	\$19,203,792

**Language:**

English

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