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Ring Energy Inc. Announces Second Quarter and Six Month 2017 Financial and Operating Results

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MIDLAND, Texas--(BUSINESS WIRE ⁽¹⁾)--Ring Energy, Inc. (NYSE American: REI) ("Ring") ("Company") announced today financial results for the three months and six months ended June 30, 2017. For the three month period ended June 30, 2017, Ring had oil and gas revenues of \$14,503,309, compared to \$7,104,609 for the quarter ended June 30, 2016. For the six month period ended June 30, 2017, the Company reported oil and gas revenues of \$26,747,102, compared to oil and gas revenues of \$13,196,997 for the six month period ended June 30, 2016.

For the three months ended June 30, 2017, Ring reported net income of \$1,910,763, or \$0.04 per diluted share. For the six months ended June 30, 2017, the Company reported net income of \$3,190,044, or \$0.06 per diluted share. This information compares to a net loss of \$15,941,500, or \$0.41 per fully diluted share for the three months ended June 30, 2016, 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 month period ended June 30, 2016, the Company reported a net loss of \$31,216,544, or \$0.90 per fully 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.

For the three months ended June 30, 2017, oil sales volume increased to 306,402 barrels, compared to 160,925 barrels for the same period in 2016, a 90% increase, and gas sales volume decreased to 190,044 MCF (thousand cubic feet), compared to 201,992 MCF for the same period in 2016, a 6% decrease. For the six months ended June 30, 2017, oil sales volume increased to 546,662 barrels, compared to 352,303 barrels for the same period in 2016, a 55% increase and gas sales volume decreased to 358,393 MCF, compared to 458,740 MCF for the same period in 2016, a 22% decrease.

The average commodity prices received by the Company were \$45.34 per barrel of oil and \$3.22 per MCF of natural gas for the quarter ended June 30, 2017, compared to \$41.22 per barrel of oil and \$2.33 per MCF of natural gas for the quarter ended June 30, 2016. The average prices received for the six months ended June 30, 2017 were \$46.81 per barrel of oil and \$3.23 per MCF of natural gas, compared to \$34.69 per barrel of oil and \$2.13 per MCF of natural gas for the six month period ended June 30, 2016.

Lease operating expenses, including production taxes, for the three months ended June 30, 2017 were \$12.44 per barrel of oil equivalent ("BOE"), a 5% decrease from the prior year. Depreciation, depletion and amortization costs, including accretion, increased 13% to \$15.70 per BOE. General and administrative costs, which included a \$812,082 charge for stock based compensation, were \$7.00 per BOE, a 29% decrease. For the six months ended June 30, 2017, lease operating expenses, including production taxes, were \$12.36 per BOE, a 1% decrease. Depreciation, depletion and amortization costs, including accretion, were \$14.71 per BOE, a 2% increase, and general and administrative costs, which included a \$1,803,292 charge for stock based compensation, were \$8.59 per BOE, an 11% decrease from 2016.

Cash provided by operating activities, before changes in working capital, for the three and six months ended June 30, 2017 was \$8,791,004, or \$0.17 per fully diluted share, and \$16,012,940, or \$0.32 per fully diluted share, compared to \$3,135,349 and \$4,389,664, or \$0.08 and \$0.13 per fully diluted share for the same periods in 2016. Earnings before interest, taxes, depletion and other non-cash items ("Adjusted EBITDA") for the three and six months ended June 30, 2017 was \$8,743,693, or \$0.17 per fully diluted share, and \$15,848,950, or \$0.31 per fully diluted share, compared to \$3,147,720 and \$4,814,656, or \$0.08 and \$0.14 in 2016. (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 June 30, 2017.

Ring's Chief Executive Officer, Mr. Kelly Hoffman, stated, "The second quarter was a reflection of the continued hard work of our staff in reducing our operating costs and general overhead while maximizing our production. We have continued to improve and upgrade the infrastructure on our Central Basin Platform ("CBP") asset in support of our horizontal drilling and development program, which has exceeded our expectations. In April, we acquired an additional 33,000 acres in Gaines County, Texas. The entire acreage is located in our 'horizontal footprint,' with over 50% of it contiguous to the Company's existing leases. We drilled eight new horizontal wells, making a total of 16 new horizontal wells in the first six months of 2017. As a result we have seen our production increase over 75% from a year ago and over 25% from the first quarter of 2017. We continue to be hopeful commodity prices will improve and stabilize. We have no long term debt. We not only strengthened the balance sheet with our recently completed public stock offering (July 2017), but positioned the Company to be able to accelerate the development of our CBP by extending the contract on our first drilling rig through the end of 2017 and contracted a second drilling rig to begin work in mid-August. In addition, we are postured and prepared to take advantage of any acquisition opportunities that meet our requirements and compliment our existing acreage."

Non-GAAP Financial Measures:

Net income for the three months ended June 30, 2017 includes a non-cash charge for stock based compensation of \$812,082. Excluding this item, the Company's net earnings would have been \$0.05 per diluted share. Net income for the six months ended June 30, 2017 includes a non-cash charge for stock based compensation of \$1,803,292. Excluding this item, the Company's net income would have been \$0.09 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.
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, its Form 10-Q for the quarter ended June 30, 2017 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	
	June 30,		June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Oil and Gas Revenues	\$14,503,309	\$ 7,104,609	\$26,747,102	\$ 13,196,997
Costs and Operating Expenses				
Oil and gas production costs	3,514,375	2,200,109	6,219,746	4,690,543
Oil and gas production taxes	691,174	344,035	1,274,438	643,306
Depreciation, depletion and amortization	5,136,426	2,579,201	8,610,445	5,973,828
Ceiling test impairment	-	25,451,988	-	46,864,074
Accretion expense	173,573	124,976	310,749	234,354
General and administrative expense	2,366,149	1,920,387	5,207,260	4,140,459
Total Costs and Operating Expenses	11,881,697	32,620,696	21,622,638	62,546,564
Income (Loss) from Operations	2,621,612	(25,516,087)	5,124,464	(49,349,567)
Other Income				
Interest expense	-	(86,538)	-	(502,046)
Interest income	47,311	74,166	163,990	77,053
Net Other Income	47,311	(12,372)	163,990	(424,993)
Income (Loss) Before Provision for Income Taxes	2,668,923	(25,528,459)	5,288,454	(49,774,560)
(Provision For) Benefit From Income Taxes	(758,160)	9,586,959	(2,098,410)	18,558,016
Net Income (Loss)	\$ 1,910,763	(\$15,941,500)	\$ 3,190,044	(\$31,216,544)

Basic Net Income (Loss) Per Common Share	\$ 0.04	(\$0.41)	\$ 0.06	(\$0.90)
Diluted Net Income (Loss) Per Common Share	\$ 0.04	(\$0.41)	\$ 0.06	(\$0.90)
Basic Weighted-Average Common Shares Outstanding	49,156,895	38,625,307	49,135,929	34,509,833
Diluted Weighted-Average Common Shares Outstanding	50,474,397	38,625,307	50,434,490	34,509,833

COMPARATIVE OPERATING STATISTICS

	Three Months Ended June 30,		
	2017	2016	Change
Net Sales - BOE per day	3,715	2,138	74%
Per BOE:			
Average Sales Price	\$ 42.90	\$ 36.51	18%
Lease Operating Expenses	\$ 10.40	\$ 11.31	-8%
Production Taxes	\$ 2.04	\$ 1.76	16%
DD&A	\$ 15.19	\$ 13.25	15%
Accretion	\$ 0.51	\$ 0.65	-22%
General & Administrative Expenses	\$ 7.00	\$ 9.87	-29%

	Six Months Ended June 30,		
	2017	2016	Change
Net Sales - BOE per day	3,350	2,356	42%
Per BOE:			
Average Sales price	\$ 44.11	\$ 30.78	43%
Lease Operating Expenses	\$ 10.26	\$ 10.94	-6%
Production Taxes	\$ 2.10	\$ 1.50	40%
DD&A	\$ 14.20	\$ 13.93	2%
Accretion	\$ 0.51	\$ 0.55	-7%
General & Administrative Expenses	\$ 8.59	\$ 9.66	-11%

RING ENERGY, INC.
CONSOLIDATED BALANCE SHEET

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		

Cash	\$ 12,136,378	\$ 71,086,381
Accounts receivable	8,010,885	3,453,238
Joint Interest billing receivable	845,448	454,461
Prepaid expenses and retainers	419,796	226,835
Total Current Assets	<u>21,412,507</u>	<u>75,220,915</u>
Property and Equipment		
Oil and gas properties subject to amortization	335,043,354	250,133,965
Inventory for property development	1,877,327	1,582,427
Fixed assets subject to depreciation	1,735,910	1,549,311
Total Property and Equipment	<u>338,656,591</u>	<u>253,265,703</u>
Accumulated depreciation, depletion and amortization	(49,957,597)	(41,347,152)
Net Property and Equipment	<u>288,698,994</u>	<u>211,918,551</u>
Deferred Income Taxes	19,549,961	20,051,908
Deferred Financing Costs	270,684	406,025
Total Assets	<u>\$ 329,932,146</u>	<u>\$307,597,399</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 24,523,864	\$ 9,099,391
Total Current Liabilities	<u>24,523,864</u>	<u>9,099,391</u>
Asset retirement obligations	8,434,710	7,957,035
Total Liabilities	<u>32,958,574</u>	<u>17,056,426</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; 49,168,243 shares and 49,113,063 shares outstanding, respectively	49,168	49,113
Additional paid-in capital	336,843,882	335,197,845
Retained Loss	(39,919,478)	(44,705,985)
Total Stockholders' Equity	<u>296,973,572</u>	<u>290,540,973</u>
Total Liabilities and Stockholders' Equity	<u>\$ 329,932,146</u>	<u>\$307,597,399</u>

RING ENERGY, INC.
STATEMENTS OF CASH FLOW

	Six Months Ended	
	June 30,	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Net Income (loss)	\$ 3,190,044	(\$31,216,544)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	8,610,445	5,973,828
Ceiling test impairment	-	46,864,074
Accretion expense	310,749	234,354

Share-based compensation	1,803,292	1,091,967
Deferred income tax provision (benefit)	1,787,513	(18,558,015)
Excess tax deficiency (benefit) related to share-based compensation	310,897	-
Changes in assets and liabilities:		
Accounts receivable	(4,948,634)	417,610
Prepaid expenses and retainers	(57,620)	3,475
Accounts payable	7,424,473	(7,778,590)
Settlement of asset retirement obligation	(309,511)	(1,344)
Net Cash Provided by (Used in) Operating Activities	18,121,648	(2,969,185)
Cash Flows from Investing Activities		
Payments to purchase oil and natural gas properties	(24,727,390)	(1,804,590)
Payments to develop oil and natural gas properties	(49,184,297)	(6,616,360)
Purchase of inventory for development	(2,816,165)	-
Purchase of equipment, vehicles and leasehold improvements	(186,599)	-
Net Cash Used in Investing Activities	(76,914,451)	(8,420,950)
Cash Flows From Financing Activities		
Amounts paid for registration statement for future offerings	(157,200)	-
Proceeds from issuance of common stock	-	61,074,997
Proceeds from issuance of notes payable	-	5,000,000
Principal payments on revolving line of credit	-	(50,900,000)
Proceeds from option exercise	-	112,500
Net Cash Provided by Financing Activities	(157,200)	15,287,497
Net Decrease in Cash	(58,950,003)	3,897,362
Cash at Beginning of Period	71,086,381	4,431,350
Cash at End of Period	\$ 12,136,378	\$ 8,328,712
Supplemental Cash flow Information		
Cash paid for interest	-	468,777
Non-Cash Investing and Financing Activities		
Asset retirement obligation incurred during development	476,437	87,059
Use of inventory in property development	2,521,265	-
Capitalized expenditures attributable to drilling projects financed through current liabilities	\$ 8,000,000	-
RECONCILIATION OF CASH FLOW FROM OPERATIONS		
Net cash provided by operating activities	\$ 18,121,648	(\$2,969,185)
Change in operating assets and liabilities	(2,108,708)	7,358,849
Cash flow from operations	<u>\$ 16,012,940</u>	<u>\$ 4,389,664</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.

	Six Months Ended	
	June 30,	June 30,
	2017	2016
NET INCOME	\$ 3,190,044	(\$31,216,544)
Interest (income)	(163,990)	(77,053)
Interest expense	-	502,046
Income tax expense (benefit)	2,098,410	(18,558,016)
Depreciation, depletion and amortization	8,610,445	5,973,828
Accretion of discounted liabilities	310,749	234,354
Ceiling test impairment	-	46,864,074
Share-based compensation	1,803,292	1,091,967
ADJUSTED EBITDA	\$15,848,950	\$ 4,814,656

Language:

English

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