

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2014**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: **001-36057**

**RING ENERGY, INC.**

*(Exact Name of registrant as specified in its charter)*

**Nevada**

*(State or other jurisdiction of incorporation or organization)*

**90-0406406**

*(IRS Employer Identification No.)*

**200 N. Loraine Street, Suite 1245, Midland TX**

*(Address of principal executive offices)*

**79701**

*(Zip Code)*

**(432) 682-7464**

*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b-2 of the Exchange Act).

Yes  No

The registrant has one class of common stock of which 23,645,306 shares were outstanding at May 6, 2014.

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**Ring Energy, Inc.**  
For the Quarter Ended March 31, 2014

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### ***Forward-Looking Statements***

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27H of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The statements contained in this report that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, need for financing, competitive position, and potential growth opportunities. Our forward-looking statements do not consider the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes," "intends," "may," "should," "anticipates," "expects," "could," "plans," "estimates," "projects," "targets," or comparable terminology or by discussions of strategy or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such forward-looking statements.

Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed in this report and in our annual report on Form 10-K for the year ended December 31, 2013. While it is not possible to identify all factors, we continue to face many risks and uncertainties including, but not limited to:

- declines or volatility in the prices we receive for our oil and natural gas;
- our ability to raise additional capital to fund future capital expenditures;
- our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to fully develop and produce our oil and natural gas properties;
- general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business;
- risks associated with drilling, including completion risks, cost overruns and the drilling of non-economic wells or dry holes;
- uncertainties associated with estimates of proved oil and natural gas reserves;
- the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;
- risks and liabilities associated with acquired companies and properties;
- risks related to integration of acquired companies and properties;
- potential defects in title to our properties;
- cost and availability of drilling rigs, equipment, supplies, personnel and oilfield services;
- geological concentration of our reserves;
- environmental or other governmental regulations, including legislation of hydraulic fracture stimulation;
- our ability to secure firm transportation for oil and natural gas we produce and to sell the oil and natural gas at market prices;
- exploration and development risks;

- management’s ability to execute our plans to meet our goals;
- our ability to retain key members of our management team;
- weather conditions;
- actions or inactions of third-party operators of our properties;
- costs and liabilities associated with environmental, health and safety laws;
- our ability to find and retain highly skilled personnel;
- operating hazards attendant to the oil and natural gas business;
- competition in the oil and natural gas industry; and
- the other factors discussed under “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Should our underlying assumptions prove incorrect or the consequences of the aforementioned risks worsen, actual results could differ materially from those expected.

Forward-looking statements speak only as to the date hereof. All such forward-looking statements and any subsequent written or oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the statements contained herein or referred to in this section and any other cautionary statements that may accompany such forward-looking statements. Except as otherwise required by applicable law, we disclaim any intention or obligation to update publicly or revise such statements whether as a result of new information, future events or otherwise.

There may also be other risks and uncertainties that we are unable to predict at this time or that we do not now expect to have a material adverse impact on our business.

## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related footnotes included in its most recent Annual Report on Form 10-K.

**RING ENERGY, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 37,732,846	\$ 52,350,583
Accounts receivable	2,881,127	3,888,402
Prepaid expenses and retainers	47,213	66,051
<b>Total Current Assets</b>	40,661,186	56,305,036
<b>Properties and Equipment</b>		
Oil and natural gas properties subject to amortization	80,615,298	58,040,724
Office equipment	381,762	257,911
<b>Total Properties and Equipment</b>	80,997,060	58,298,635
Accumulated depreciation, depletion and amortization	(4,410,449)	(2,880,253)
<b>Net Properties and Equipment</b>	76,586,611	55,418,382
<b>Total Assets</b>	\$ 117,247,797	\$ 111,723,418
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,346,378	\$ 6,229,490
Other accrued liabilities	2,323,456	1,002,153
<b>Total Current Liabilities</b>	9,669,834	7,231,643
<b>Noncurrent Liabilities</b>		
Deferred income taxes	1,387,087	703,651
Asset retirement obligations	1,801,224	1,182,410
<b>Total Noncurrent Liabilities</b>	3,188,311	1,886,061
<b>Stockholders' Equity (Deficit)</b>		
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; 23,601,674 shares and 23,576,313 shares outstanding, respectively	23,601	23,576
Additional paid-in capital	109,638,389	109,018,165
Accumulated deficit	(5,272,338)	(6,436,027)
<b>Total Stockholders' Equity (Deficit)</b>	104,389,652	102,605,714
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	\$ 117,247,797	\$ 111,723,418

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**RING ENERGY, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>For The Three Months</b>	
	<b>Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Oil and Gas Revenues</b>	\$ 5,970,452	\$ 1,151,957
<b>Costs and Operating Expenses</b>		
Oil and gas production costs	771,100	141,255
Oil and gas production taxes	275,961	53,217
Depreciation, depletion and amortization	1,530,196	343,608
Accretion expense	24,382	11,453
General and administrative expense	1,564,461	1,567,704
<b>Total Costs and Operating Expenses</b>	4,166,100	2,117,237
<b>Other Income</b>		
Interest income	42,773	-
<b>Net Other Expense</b>	42,773	-
<b>Income (loss) before tax provision</b>	\$ 1,847,125	\$ (965,280)
<b>Income tax provision</b>	(683,436)	-
<b>Net income (loss)</b>	\$ 1,163,689	\$ (965,280)
<b>Basic Earnings (Loss) per Share</b>	\$ 0.05	\$ (0.07)
<b>Diluted Earnings (Loss) per Share</b>	\$ 0.05	\$ (0.07)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**RING ENERGY, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>For the Three Months Ended March 31,</i>	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 1,163,689	\$ (965,280)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	1,530,196	343,608
Accretion expense	24,382	11,453
Share-based compensation	659,468	815,763
Provision for income taxes	683,436	-
Changes in assets and liabilities:		
Accounts receivable	1,007,275	(66,356)
Prepaid expenses	18,838	(2,635)
Accounts payable	2,438,191	(509,975)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>7,525,475</b>	<b>(373,422)</b>
<b>Cash Flows from Investing Activities</b>		
Payments to purchase oil and natural gas properties	(8,121,630)	(114,074)
Payments to develop oil and natural gas properties	(13,858,512)	(1,368,992)
Purchase of equipment and vehicles	(123,851)	-
<b>Net Cash Used in Investing Activities</b>	<b>(22,103,993)</b>	<b>(1,483,066)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from option exercise	22,500	-
Payment of offering costs	(61,719)	-
Proceeds from issuance of common stock	-	450,000
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(39,219)</b>	<b>450,000</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(14,617,737)</b>	<b>(1,406,488)</b>
<b>Cash at Beginning of Period</b>	<b>52,350,583</b>	<b>5,404,167</b>
<b>Cash at End of Period</b>	<b>\$ 37,732,846</b>	<b>\$ 3,997,679</b>
<b>Noncash Investing and Financing Activities</b>		
Revision of asset retirement obligation estimate	\$ -	\$ 211,691
Asset retirement obligation acquired	294,772	-
Asset retirement obligation incurred during development	299,660	-

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**RING ENERGY, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Condensed Financial Statements** – The accompanying condensed consolidated financial statements prepared by Ring Energy, Inc. and its subsidiary (the “Company” or “Ring”) have not been audited by an independent registered public accounting firm. In the opinion of the Company’s management, the accompanying unaudited financial statements contain all adjustments necessary for fair presentation of the results of operations for the periods presented, which adjustments were of a normal recurring nature, except as disclosed herein. The results of operations for the three months ended March 31, 2014, are not necessarily indicative of the results to be expected for the full year ending December 31, 2014.

Certain notes and other disclosures have been omitted from these interim financial statements. Therefore, these financial statements should be read in conjunction with the Company’s 2013 Annual Report on Form 10-K.

**Organization and Nature of Operations** – The Company is a Nevada corporation that owns interests in oil and natural gas properties located in Texas and Kansas. The Company’s oil and natural gas sales, profitability and future growth are dependent upon prevailing and future prices for oil and natural gas and the successful acquisition, exploration and development of oil and natural gas properties. Oil and natural gas prices have historically been volatile and may be subject to wide fluctuations in the future. A substantial decline in oil and natural gas prices could have a material adverse effect on the Company’s financial position, results of operations, cash flows and quantities of oil and natural gas reserves that may be economically produced.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Changes in the future estimated oil and natural gas reserves or the estimated future cash flows attributable to the reserves that are utilized for impairment analysis could have a significant impact on the Company’s future results of operations.

**Consolidation** – The accompanying consolidated financial statements include the accounts, operations and cash flows of Stanford Energy, Inc. (“Stanford”) for all periods presented and the consolidated operations and cash flows of Ring Energy, Inc. from June 28, 2012. All significant intercompany balances and transactions have been eliminated in consolidation.

**Concentration of Credit Risk and Major Customer** – The Company had cash in excess of federally insured limits at March 31, 2014. During the three months ended March 31, 2014, sales to one customer represented 90% of the Company’s oil and gas revenues. At March 31, 2014, this customer made up 90% of the Company’s accounts receivable.

**Oil and Gas Properties** – The Company uses the full cost method of accounting for oil and gas properties. Under this method, all costs associated with the acquisition, leasing, exploration, and development of oil and gas reserves are capitalized. Costs capitalized include acquisition costs, estimated future costs of abandonment and site restoration, geological and geophysical expenditures, lease rentals on undeveloped properties and costs of drilling and equipping productive and non-productive wells. Drilling costs include directly related overhead costs. Capitalized costs are generally categorized either as being subject to amortization or not subject to amortization. All of our costs are subject to amortization.

All capitalized costs of oil and gas properties, plus estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves as determined by independent engineers. The Company evaluates oil and gas properties for impairment at least annually. Amortization expense for the three months ended March 31, 2014, was \$1,530,196, based on depletion at the rate of \$23.07 per barrel of oil equivalent compared to \$343,608 for the three months ended March 31, 2013, based on depletion at the rate of \$21.84 per barrel of oil equivalent. These amounts include \$21,686 and \$11,504, respectively, of depreciation for the three months ended March 31, 2014 and 2013, respectively.

**RING ENERGY, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

In addition, capitalized costs are subject to a ceiling test which limits such costs to the estimated present value of future net revenues from proved reserves, discounted at a 10% interest rate, based on current economic and operating conditions, plus the lower of cost or fair value of unproved properties. Consideration received from sales or transfers of oil and gas property is accounted for as a reduction of capitalized costs. Revenue is not recognized in connection with contractual services performed on properties in which the Company holds an ownership interest.

**Office Equipment** – Office equipment is valued at historical cost adjusted for impairment loss less accumulated depreciation. Historical costs include all direct costs associated with the acquisition of office equipment and placing such equipment in service. Depreciation is calculated using the straight-line method based upon an estimated useful life of 5 to 7 years.

**Asset Retirement Obligation** – The Company records a liability in the period in which an asset retirement obligation (“ARO”) is incurred, in an amount equal to the discounted estimated fair value of the obligation that is capitalized. Thereafter, this liability is accreted up to the final estimated retirement cost. An ARO is a future expenditure related to the disposal or other retirement of certain assets. The Company’s ARO relates to future plugging and abandonment expenses of its oil and natural gas properties and related facilities disposal.

**Revenue Recognition** – The Company predominantly derives its revenues from the sale of produced oil and natural gas. Revenue is recorded in the month the product is delivered to the purchasers. At the end of each month, the Company recognizes oil and natural gas sales based on estimates of the amount of production delivered to purchasers and the price to be received. Variances between the Company’s estimated oil and natural gas sales and actual receipts are recorded in the month the payments are received.

**Share-Based Employee Compensation** – The Company has outstanding stock option grants to directors and employees, which are described more fully in Note 7. The Company recognizes the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognizes the related compensation expense over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period.

**Share-Based Compensation to Non-Employees** – The Company accounts for share-based compensation issued to non-employees as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. The measurement date for these issuances is the earlier of (i) the date at which a commitment for performance by the recipient to earn the equity instruments is reached or (ii) the date at which the recipient’s performance is complete.

**Recent Accounting Pronouncements** – The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoptions of any such pronouncements are expected to cause a material impact on the Company’s financial condition or the results of operations.

**Basic and Diluted Earnings (Loss) per Share** – Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if all contracts to issue common stock were converted into common stock, except for those that are anti-dilutive. The dilutive effect of stock options and other share-based compensation is calculated using the treasury method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense.

**RING ENERGY, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 2 – EARNINGS (LOSS) PER SHARE INFORMATION**

	<b>For The Three Months</b>	
	<b>Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net Income (Loss)	\$ 1,163,689	\$ (965,280)
Basic Weighted-Average Shares Outstanding	23,581,357	14,229,166
Effect of dilutive securities:		
Stock options	1,123,295	-
Diluted Weighted-Average Shares Outstanding	24,704,652	14,229,166
Basic Earnings (Loss) per Share	\$ 0.05	\$ (0.07)
Diluted Earnings (Loss) per Share	\$ 0.05	\$ (0.07)

Stock options to purchase 100,000 shares of common stock were excluded from the computation of diluted earnings per share during the three months ended March 31, 2014, as their effect would have been anti-dilutive. Stock options to purchase 1,600,000 shares of common stock were excluded from the computation of diluted loss per share during the three months ended March 31, 2013, as their effect would have been anti-dilutive.

**NOTE 3 – ACQUISITIONS**

In February 2014, Ring acquired additional proved developed and undeveloped oil and natural gas reserves (the “RAW Properties”) located in the Permian Basin, Andrews County, Texas. The RAW Properties consist of varied working interests (81% to 93%) and net revenue interests (61% to 70%) in eleven producing leases which included 907 net acres. The transaction also included 660 net acres of non-producing leasehold. Consideration given consisted of cash payments totaling \$6,510,791. The Company incurred \$20,003 in acquisition-related costs, which were recognized in general and administrative expense during the three months ended March 31, 2014.

The acquisition was recognized as a business combination whereby Ring recorded the assets acquired and the liabilities assumed at their fair values as of February 27, 2014, which is the date the Company obtained control of the properties and was the acquisition date for financial reporting purposes. The estimated fair value of RAW Properties approximated the consideration paid, which the Company concluded approximated the fair value that would be paid by a typical market participant. The following table summarizes the fair values of the assets acquired and the liabilities assumed:

Proved oil and natural gas properties	\$ 6,805,563
Asset retirement obligations	(294,772)
<b>Total Identifiable Net Assets</b>	<b>\$ 6,510,791</b>

**NOTE 4 – REVOLVING LINE OF CREDIT**

In August and October 2013, the Company extended a credit agreement with a bank that provides for a revolving line of credit of up to \$10 million for borrowings and letters of credit. As of March 31, 2014, no amounts were outstanding and \$9,855,000 was available to be drawn on the line of credit. The credit agreement includes a non-usage commitment fee of 0.25% per annum and covenants limiting other indebtedness, liens, transfers or sales of assets, distributions or dividends and merger or consolidation activity. The facility has an interest rate of the bank’s prime rate plus 0.25%. The maturity date on the note was extended to October 30, 2015.

**RING ENERGY, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 5 – ASSET RETIREMENT OBLIGATION**

The Company provides for the obligation to plug and abandon oil and gas wells at the dates properties are either acquired or the wells are drilled. The asset retirement obligation is adjusted each quarter for any liabilities incurred or settled during the period, accretion expense and any revisions made to the estimated cash flows. The asset retirement obligation incurred upon each of the acquisitions or at the time of drilling was computed using the annual credit-adjusted risk-free discount rate at the applicable dates, which rates were 7.09% per annum. Changes in the asset retirement obligation were as follows:

Balance, December 31, 2013	\$ 1,182,410
Liabilities acquired	294,772
Liabilities incurred	299,660
Accretion expense	24,382
Balance, March 31, 2014	\$ 1,801,224

**NOTE 6 – STOCKHOLDERS' EQUITY**

**Common Stock Issued in Option Exercise** – In January 2014, the Company issued 5,000 shares of common stock as the result of an option exercise. The Company received the exercise price of \$4.50 per share for an aggregate amount of \$22,500.

Also, in January 2014, the Company issued 20,361 shares of common stock as the result of the cashless exercise of 20,000 stock options with an exercise price of \$2.00 and 5,000 stock options with an exercise price of \$5.50. The Company withheld 4,639 shares, valued at \$67,500 or \$14.55 per share.

**NOTE 7 – EMPLOYEE STOCK OPTIONS**

Compensation expense charged against income for share-based awards during the three months ended March 31, 2014, was \$659,468 as compared to \$815,763 for the three months ended March 31, 2013. These amounts are included in general and administrative expense in the accompanying financial statements.

In 2011, Stanford's Board of Directors and stockholders approved and adopted a long-term incentive plan which allows for the issuance of up to 2,500,000 shares of common stock through the grant of qualified stock options, non-qualified stock options and restricted stock. In 2013, the Company's stockholders approved an amendment to the long-term incentive plan, increasing the number of shares eligible under the plan to 5,000,000 shares. As of March 31, 2014, there were 2,327,500 shares remaining eligible for issuance under the plan.

A summary of the stock option activity as of March 31, 2014, and changes during the three months then ended is as follows:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, December 31, 2013	2,647,500	\$ 4.01		
Exercised	(30,000)	3.00		
Outstanding, March 31, 2014	2,617,500	\$ 4.02	8.3 Years	\$ 29,420,550
Exercisable, March 31, 2014	670,500	\$ 3.27	6.0 Years	

The intrinsic value was calculated using the closing price on March 31, 2014 of \$15.26. As of March 31, 2014, there was approximately \$4,590,451 of unrecognized compensation cost related to stock options that is expected to be

**RING ENERGY, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

recognized over a weighted-average period of 2.5 years. The total intrinsic value of options exercised during the three months ended March 31, 2014, was \$341,700.

**NOTE 8 – CONTINGENCIES AND COMMITMENTS**

*Standby Letters of Credit* – A commercial bank issued standby letters of credit on behalf of the Company to the states of Texas and Kansas totaling \$145,000 to allow the Company to do business in those states. The standby letters of credit are valid until cancelled or matured and are collateralized by the revolving credit facility with the bank. The terms of these letters of credit are extended for a term of one year at a time. The Company intends to renew the standby letters of credit for as long as the Company does business in the states of Texas and Kansas. No amounts have been drawn under the standby letters of credit.

**NOTE 9 – SUBSEQUENT EVENTS**

In May, the Company amended a credit agreement with Prosperity Bank, successor by merger to The F&M Bank and Trust Company that provides for a revolving line of credit with a borrowing base increased to \$25 million for borrowings and letters of credit. All other terms and conditions of the credit facility remain the same.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Management's Discussion and Analysis of Financial Condition and Results of Operations analyzes the major elements of our balance sheets and statements of income. This section should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013, and our interim unaudited financial statements and accompanying notes to these financial statements.*

### **Results of Operations – For the Three Months Ended March 31, 2014 and 2013**

*Oil and natural gas sales.* For the three months ended March 31, 2014, oil and natural gas sales revenue increased \$4,818,495 to \$5,970,452, compared to \$1,151,957 for the same period during 2013. Oil sales increased \$4,791,798 and natural gas sales increased \$26,697. The increases were the result of higher production, which occurred primarily as a result of our ongoing drilling program. For the three months ended March 31, 2014, oil sales volume increased 49,698 barrels to 63,944 barrels, compared to 14,245 barrels for the same period in 2013. The average realized per barrel oil price increased 16% from \$79.79 for the three months ended March 31, 2013, to \$92.71 for the three months ended March 31, 2014. For the three months ended March 31, 2014, gas sales volume increased 2,860 thousand cubic feet (MCF) to 8,617 MCF, compared to 5,757 MCF for the same period in 2013. The average realized natural gas price per MCF increased 83% from \$2.67 for the three months ended March 31, 2013, to \$4.88 for the three months ended March 31, 2014.

*Oil and gas production costs.* Our lease operating expenses (LOE) increased from \$141,255 or \$9.29 per barrel of oil equivalent (BOE) for the three months ended March 31, 2013, to \$771,100 or \$11.79 per BOE for the three months ended March 31, 2014. In total, lease operating expenses increased as a result of drilling additional wells.

*Production taxes.* Production taxes as a percentage of oil and natural gas sales were 5% during the three months ended March 31, 2013, and remained steady at 5% for the three months ended March 31, 2014. These rates are expected to stay relatively steady unless we make acquisitions in other states with differing production tax rates or the state of Texas or Kansas change their production tax rates.

*Depreciation, depletion and amortization.* Our depreciation, depletion and amortization expense increased by \$1,186,588 to \$1,530,196 for the three months ended March 31, 2014, compared to \$343,608 during the same period in 2013. The increase was the result of higher production volumes.

*General and administrative expenses.* General and administrative expenses were \$1,564,461 for the three months ended March 31, 2014, as compared to \$1,567,704 for the three months ended March 31, 2013. Compensation related expenses, both cash based and stock based, make up the majority of our general and administrative expense. As we continue to grow and hire additional personnel, this amount is likely to increase.

*Net income.* For the three months ended March 31, 2014, there was net income of \$1,163,689, as compared to a net loss of \$965,280 for the three months ended March 31, 2013. The primary reason for this change was increased revenues from increased production.

### **Capital Resources and Liquidity**

As shown in the financial statements for the three months ended March 31, 2014, the Company had cash on hand of \$37,732,846, compared to \$52,350,583 as of December 31, 2013. The Company had net cash from operating activities for the three months ended March 31, 2014, of \$7,525,475, compared to negative cash from operating activities of \$373,422 for the same period of 2013. The most significant cash outflows during the three months ended March 31, 2014 and 2013, were capital expenditures of \$22,103,993 and \$1,483,066, respectively.

In August and October 2013, the Company extended its credit agreement with The F&M Bank & Trust Company that provides for a revolving line of credit of up to \$10 million for borrowings and letters of credit. As of March 31, 2014, no amounts were outstanding and \$9,855,000 was available to be drawn on the line of credit. The credit agreement includes a non-usage commitment fee of 0.25% per annum and covenants limiting other indebtedness, liens, transfers or sales of assets, distributions or dividends and merger or consolidation activity. The facility has an interest rate of the bank's prime rate plus 0.25%. The maturity date on the note was extended to October 30, 2015.

To the extent possible, we intend to acquire producing properties and/or developed undrilled properties rather than exploratory properties. We do not intend to limit our evaluation to any one state. We presently have no intention to evaluate off-shore properties or properties located outside of the United States of America.

The pursuit of and acquisition of additional oil and gas properties may again require substantially greater capital than we currently have available, and obtaining additional capital would require that we enter into the sale of either short-term or long-term notes payable or the sale of our common stock. Furthermore, it may be necessary for us to retain outside consultants and others in our endeavors to locate desirable oil and gas properties. The cost to retain one or more consultants or a firm specializing in the purchase/sale of oil and gas properties will have an impact on our financial position and will impact our future cash flows.

The process of acquiring one or more additional oil and gas properties will impact our financial position and reduce our cash position. The types of costs that we may incur include travel costs relating to meeting with individuals instrumental to our acquisition of one or more oil and gas properties, obtaining petroleum engineer reports relative to the oil and gas properties that we are investigating, legal fees associated with any such acquisitions including title reports, and accounting fees relative to obtaining historical information regarding such oil and gas properties. Even though we may incur such costs, there is no assurance that we will ultimately be able to consummate a transaction resulting in our acquisition of an oil and/or gas property.

#### ***Off Balance Sheet Arrangements***

The Company does not have any off-balance sheet arrangements, and it is not anticipated that the Company will enter into any off-balance sheet arrangements.

#### ***Disclosure of Contractual Obligations***

The following table reflects the contractual obligations over the periods shown as of December 31, 2013.

<b>Contractual obligations</b>	<b>Total</b>	<b>Payments due by period</b>			
		<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
Operating Lease Obligations	\$ 423,310	\$ 145,665	\$ 220,710	\$ 55,935	\$ -

#### ***Disclosures About Market Risks***

Like other natural resource producers, the Company faces certain unique market risks. The most salient risk factors are the volatile prices of oil and gas, operational risks, ability to integrate properties and businesses, and certain environmental concerns and obligations.

#### **Oil and Gas Prices**

The price we receive for our oil and natural gas will heavily influence our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. The prices we receive for our production depend on numerous factors beyond our control. These factors include the following: worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas; the price and quantity of imports of foreign oil and natural gas; the level of global oil and natural gas inventories; localized supply and demand fundamentals; the availability of refining capacity; price and availability of transportation and pipeline systems with adequate capacity; weather conditions and natural disasters; governmental regulations; speculation as to the future price of oil and the speculative trading of oil and natural gas futures contracts; price and availability of competitors' supplies of oil and natural gas; energy conservation and environmental measures; technological advances affecting energy consumption; the price and availability of alternative fuels and energy sources; and domestic and international drilling activity.

Because domestic demand for oil and gas exceeds supply, we believe there is little risk that all current production will not be sold at relatively fixed prices. To this extent, Ring does not see itself as directly competitive with other producers and does not believe there is any significant risk that the Company will not sell all production at current prices with a reasonable profit margin. The risk of domestic overproduction at current prices is not deemed significant. The primary competitive risks would come from falling international prices which could render current production uneconomical.

#### Transportation of Oil and Natural Gas

Ring is presently committed to use the services of the existing gatherers in its present areas of production. This gives such gatherers certain short term relative monopolistic powers to set gathering and transportation costs. Obtaining the services of an alternative gathering company would require substantial additional costs since an alternative gatherer would be required to lay new pipeline and/or obtain new rights-of-way.

#### Competition in the Oil and Natural Gas Industry

We operate in a highly competitive environment for developing and acquiring properties, marketing oil and natural gas and securing equipment and trained personnel. As a relatively small oil and natural gas company, many large producers possess and employ financial, technical and personnel resources substantially greater than ours. Those companies may be able to develop and acquire more prospects and productive properties than our financial or personnel resources permit. It is also significant that more favorable prices can usually be negotiated for larger quantities of oil and/or gas product, such that Ring views itself as having a price disadvantage compared to larger producers.

#### Retention of Key Personnel

We depend to a large extent on the services of our officers. These individuals have extensive experience in the energy industry, as well as expertise in evaluating and analyzing producing oil and natural gas properties and drilling prospects, maximizing production from oil and natural gas properties and developing and executing financing strategies. The loss of any of these individuals could have a material adverse effect on our operations and business prospects. Our success may be dependent on our ability to continue to retain and utilize skilled executive and technical personnel.

#### Environmental and Regulatory Risks

Our business and operations are subject to and impacted by a wide array of federal, state, and local laws and regulations governing the exploration for and development, production, and marketing of oil and natural gas, the operation of oil and natural gas wells, taxation, and environmental and safety matters. Many laws and regulations require drilling permits and govern the spacing of wells, rates of production, prevention of waste and other matters. From time to time, regulatory agencies have imposed price controls and limitations on production in order to conserve supplies of oil and natural gas. In addition, the production, handling, storage, transportation and disposal of oil and natural gas, byproducts thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations.

Currently, federal regulations provide that drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil and natural gas are exempt from regulation as "hazardous waste." From time to time, legislation has been proposed to eliminate or modify this exemption. Should the exemption be modified or eliminated, wastes associated with oil and natural gas exploration and production would be subject to more stringent regulation. On the federal level, operations on our properties may be subject to various federal statutes, including the Natural Gas Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act and the Oil Pollution Act, as well as by regulations promulgated pursuant to these actions.

Historically, most of the environmental regulation of oil and gas production has been left to state regulatory boards or agencies in those jurisdictions where there is significant gas and oil production, with limited direct regulation by such federal agencies as the Environmental Protection Agency. However, while the Company believes this generally to be the case for its production activities in Texas and Kansas, it should be noted that there are various Environmental Protection Agency regulations which would govern significant spills, blow-outs, or uncontrolled emissions. In Texas, specific oil and gas regulations exist related to the drilling, completion and operations of wells, as well as disposal of waste oil. There are also procedures incident to the plugging and abandonment of dry holes or other non-operational wells, all as governed by the Texas Railroad Commission, Oil and Gas Division and the Kansas Corporation Commission, Oil and Gas Conservation Division.

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons from tight formations. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The process is typically regulated by state oil and gas commissions. However, the Environmental Protection Agency has asserted federal regulatory authority over certain hydraulic fracturing practices. Also, legislation has been introduced, but not enacted, in Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Certain states, including Texas, and municipalities have adopted, or are considering adopting, regulations that have imposed, or that could impose, more stringent permitting, disclosure, disposal and well construction requirements on hydraulic fracturing operations.

Compliance with these regulations may constitute a significant cost and effort for Ring. No specific accounting for environmental compliance has been maintained or projected by Ring to date. Ring does not presently know of any environmental demands, claims, or adverse actions, litigation or administrative proceedings in which it or the acquired properties are involved or subject to or arising out of its predecessor operations.

In the event of a breach of environmental regulations, these environmental regulatory agencies have a broad range of alternative or cumulative remedies including: ordering a cleanup of any spills or waste material and restoration of the soil or water to conditions existing prior to the environmental violation; fines; or enjoining further drilling, completion or production activities. In certain egregious situations, the agencies may also pursue criminal remedies against the Company or its principals.

Changes in regulations and laws relating to the oil and natural gas industry could result in our operations being disrupted or curtailed by government authorities. For example, oil and natural gas exploration and production may become less cost effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### *Interest Rate Risk*

The Company is subject to market risk exposure related to changes in interest rates on its indebtedness under its revolving credit facility, which bears variable interest based upon a prime rate. Changes in interest rates affect the interest earned on the Company's cash and cash equivalents and the interest rate paid on borrowings under its bank credit facility. If we draw funds on this credit facility, interest rate changes will impact future results of operations and cash flows.

Currently, the Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

#### *Commodity Price Risk*

Our major market risk exposure is in the pricing applicable to our oil and natural gas production. Market risk refers to the risk of loss from adverse changes in oil and natural gas prices. Realized pricing is primarily driven by the prevailing domestic price for crude oil and spot prices applicable to the region in which we produce natural gas.

Historically, prices received for oil and natural gas production have been volatile and unpredictable. We expect pricing volatility to continue.

The prices we receive depend on many factors outside of our control. Oil prices we received during the three month period ended March 31, 2014, ranged from a low of \$87.62 per barrel to a high of \$95.90 per barrel. Natural gas prices we received during the same period ranged from a low of \$3.17 per Mcf to a high of \$8.24 per Mcf. A significant decline in the prices of oil or natural gas could have a material adverse effect on our financial condition and results of operations.

The Company's revenues, profitability and future growth depend substantially on prevailing prices for oil and natural gas. Prices also affect the amount of cash flow available for capital expenditures and Ring's ability to borrow and raise additional capital. The amount the Company can borrow under its bank credit facility is subject to periodic redetermination based in part on changing expectations of future prices. Lower prices may also reduce the amount of oil and natural gas that the Company can economically produce. Ring currently sells all of its oil and natural gas production under price sensitive or market price contracts.

#### *Customer Credit Risk*

Our principal exposures to credit risk is through receivables from the sale of our oil and natural gas production (approximately \$3.9 million at December 31, 2013). We are subject to credit risk due to the concentration of our oil and natural gas receivables with our most significant customers. We do not require our customers to post collateral, and the inability of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. For the three months ended March 31, 2014, sales to one customer, HollyFrontier Refining and Marketing ("Holly Frontier") represented 90% of oil and gas revenues. For the three month period ended March 31, 2014, HollyFrontier represented 90% of our accounts receivable.

#### *Currency Exchange Rate Risk*

Foreign sales accounted for none of the Company's sales; further, the Company accepts payment for its commodity sales only in U.S. dollars; hence, Ring is not exposed to foreign currency exchange rate risk on these sales.

### **Item 4. Controls and Procedures**

#### *Evaluation of disclosure controls and procedures*

Our management, with the participation of Kelly W. Hoffman, our principal executive officer, and William R. Broaddrick, our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management's evaluation, Messrs. Hoffman and Broaddrick concluded that our disclosure controls and procedures as of the end of the period covered by this filing were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We will continue to monitor and evaluate the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

### ***Changes in internal control over financial reporting***

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

During the three month period ended March 31, 2014, we added additional personnel to our accounting staff and contracted with an external accounting firm in order to further segregate duties and allow for additional levels of review to the financial statement preparation process.

## **Part II – OTHER INFORMATION**

### **Item 2. Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities.**

On December 11, 2013, the Company closed an underwritten public offering of 5,000,000 shares of its common stock, as well as the exercise of the full over-allotment option by the underwriters of an additional 750,000 shares of its common stock, pursuant to a prospectus filed as part of an effective registration statement on Form S-1 (Registration No. 333-191482), as amended (effective as of December 5, 2013). The shares were sold at the public offering price of \$10.00 per share.

The gross proceeds from the offering were \$57.5 million, and the Company net proceeds from the offering were \$54.2 million, after deducting underwriting commissions and offering expenses payable by the Company of \$3.3 million. The \$3.3 million in offering costs included \$2.9 million in underwriting discounts with the remainder of the offering expenses being various legal, accounting, travel and other costs. No amounts were paid, directly or indirectly, to any director, officer or 10% owner. Of the net proceeds, \$3.5 million was used to pay down the outstanding amount on our credit facility and approximately \$9.6 million was for acquisitions and leasing and approximately \$13.9 million was used for development of existing properties.

### **Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Incorporated by Reference</b>				<b>Filed Here-with</b>
		<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	
2.1	Stock for Stock Exchange Agreement dated May 3, 2012	8-K	000-53920	2.1	7/5/12	
2.2	Merger Agreement dated November 7, 2012	8-K	000-53920	2.1	11/26/12	
3.1	Articles of Incorporation <u>(as amended)</u>	<u>10-K</u>	<u>000-53920</u>	<u>3.1</u>	<u>4/1/13</u>	
3.2	Current Bylaws	8-K	000-53920	3.2	1/24/13	
10.1	Letter Agreement with Patriot Royalty & Land, LLC entered into on March 1, 2012	10-K	000-53920	10.1	3/20/12	
10.2*	Ring Energy Inc. Long Term Incentive Plan, as Amended	8-K	000-53920	99.3	1/24/13	
10.3*	Form of Option Grant for Long-Term Incentive Plan	10-Q	000-53920	10.2	8/14/12	
10.4	Stanford Energy Promissory Note dated March 28, 2012	8-K	000-53920	99.1	4/3/12	
10.5	Stanford Energy Promissory Note dated May 15, 2012	8-K	000-53920	99.1	5/17/12	
10.6	Revolver Loan Agreement with The F&M Bank & Trust Company Dated May 12, 2011	10-Q	000-53920	10.3	8/14/12	
10.7	First Amendment dated May 12, 2012, to Revolver Loan Agreement with The F&M Bank & Trust Company	10-Q	000-53920	10.4	8/14/12	
10.8	Second Amendment to Loan Agreement with The F&M Bank & Trust Company	8-K	000-53920	99.1	1/24/13	
10.9	Executive Committee Charter	<u>10-K</u>	<u>000-53920</u>	<u>3.1</u>	<u>4/1/13</u>	
10.10	Audit Committee Charter	<u>10-K</u>	<u>000-53920</u>	<u>3.1</u>	<u>4/1/13</u>	

10.11	Compensation Committee Charter	<u>10-K</u>	<u>000-53920</u>	<u>3.1</u>	<u>4/1/13</u>	
10.12	Nominating and Corporate Governance Committee Charter	<u>10-K</u>	<u>000-53920</u>	<u>3.1</u>	<u>4/1/13</u>	
<u>10.13</u>	<u>Development Agreement</u>	<u>8-K</u>	<u>001-36057</u>	<u>10.1</u>	<u>10/18/13</u>	
<u>10.14</u>	<u>Third Amendment to Loan Agreement with The F&amp;M Bank &amp; Trust Company</u>	<u>10-Q</u>	<u>001-36057</u>	<u>10.2</u>	<u>11/7/13</u>	
<u>10.15</u>	<u>Fourth Amendment to Loan Agreement with The F&amp;M Bank &amp; Trust Company</u>	<u>10-Q</u>	<u>001-36057</u>	<u>10.3</u>	<u>11/7/13</u>	
<u>10.16</u>	<u>Purchase and Sale Agreement, dated February 4, 2014, between Ring Energy, Inc. and Raw Oil &amp; Gas, Inc., JDH Raw LC, and Smith Energy Company</u>	<u>8-K</u>	<u>001-36057</u>	<u>10.1</u>	<u>2/7/14</u>	
<u>10.17</u>	First Amendment to First Amended and Restated Revolver Loan Agreement dated May 1, 2014, with Prosperity Bank, successor by merger to The F&M Bank & Trust Company					X
14.1	Code of Ethics	8-K	000-53920	14.1	1/24/13	
16.1	Letter dated April 19, 2012, from Haynie & Company	8-K	000-53920	16.1	4/19/12	
31.1	Rule 13a-14(a) Certification by Chief Executive Officer					X
31.2	Rule 13a-14(a) Certification by Chief Financial Officer					X
32.1	Section 1350 Certification by Chief Executive Officer					X
32.2	Section 1350 Certification by Chief Financial Officer					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Ring Energy, Inc.**

Date: [•], 2014

By: \_\_\_\_\_

Kelly W. Hoffman  
Chief Executive Officer and Director  
(Principal Executive Officer)

Date: [•], 2014

By: \_\_\_\_\_

William R. Broaddrick  
Chief Financial Officer  
(Principal Financial and Accounting Officer)