

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): **November 9, 2020**

Ring Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

001-36057
(Commission File Number)

90-0406406
(I.R.S. Employer Identification No.)

901 West Wall St. 3rd Floor
Midland, TX 79701
(Address of principal executive offices) (Zip Code)

(432) 682-7464
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|---------------------------------|--------------------------|--|
| Common Stock, \$0.001 par value | REI | NYSE American |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On November 9, 2020, Ring Energy, Inc. (the “Company”) issued a press release providing information on its financial and operational results for the third quarter ended September 30, 2020. The press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure

The information set forth under Item 2.02 of this Current Report on Form 8-K is hereby incorporated in Item 7.01 by reference.

The information in Item 2.02 and Item 7.01 of this Current Report on Form 8-K, including the attached Exhibit 99.1, is being furnished pursuant to Item 2.02 and Item 7.01 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Title of Document</u> |
|---------------------------|--|
| <u>99.1</u> | <u>Press Release dated November 9, 2020.</u> |

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 hereunto duly authorized.

Ring Energy, Inc.

Date: November 12, 2020

By: /s/ William R. Broaddrick
William R. Broaddrick
Chief Financial Officer

FOR IMMEDIATE RELEASE

November 9, 2020

NYSE American – REI

**RING ENERGY ANNOUNCES FINANCIAL AND OPERATIONAL RESULTS
FOR THE THREE AND NINE-MONTH PERIODS ENDING SEPTEMBER 30, 2020**

Midland, TX, November 9, 2020- Ring Energy, Inc. (NYSE American: REI) (“Ring”) (“Company”) announced today financial and operational results for the third quarter ended September 30, 2020.

Q3 2020 Highlights

- Increased net oil & gas sales by 74.0% to 9,549 Boe/d (89% oil), compared to 5,487 Boe/d (86% oil) for Q2 2020
- Decreased LOE¹ by 38.5% to \$8.88 million or \$10.11/Boe, compared to \$14.43 million or \$14.03/Boe for Q3 2019
- Decreased cash G&A² by 34.6% to \$1.93 million or \$2.20/Boe, compared to \$2.95 million or \$2.87/Boe for Q3 2019
- Reported net loss of \$1.96 million, or \$0.03 per diluted share. Excluding the unrealized loss on derivatives and a non-cash charge for stock-based compensation, adjusted net income³ per diluted share is \$0.05/share
- Adjusted EBITDA³ increased 44.6% to \$19.9 million, compared to \$13.7 million for Q2 2020
- Free cash flow (“FCF”)³ increased 45.8% to \$11.3 million, compared to \$7.7 million for Q2 2020
- Reduced bank debt by \$15.0 million, outstanding balance is \$360 million
- Increased liquidity³ to \$32.2 million
- Reduced capital spending by 79.9% to \$4.3 million, compared to \$21.4 million for Q3 2019
- Net realized gain on derivatives of approximately \$1.7 million

Q1-Q3 2020 Highlights and Subsequent Events

- Decreased LOE¹ by 25.8% to \$24.72 million or \$10.47/Boe during first nine months of 2020, compared to \$33.3 million or \$11.51/Boe for the same nine months of the prior year
 - Decreased cash G&A² by 44.3% to \$7.15 million or \$3.03/Boe during first nine months of 2020, compared to \$12.85 million or \$4.44/Boe for the same nine months of the prior year
 - Reported net loss of \$93.2 million, or \$1.37 per diluted share through September 30, 2020. Excluding the unrealized loss on derivatives, ceiling test write down and a non-cash charge for stock-based compensation, adjusted net income³ per diluted share is \$0.21/share
 - Generated adjusted EBITDA³ of \$61.6 million through September 30, 2020
 - Remained FCF³ positive for four consecutive quarters and generated over \$27.0 million FCF³ through Q3 2020
 - Reduced capital spending by 77.8% to \$22.2 million during the first nine months of 2020, compared to \$99.8 million for the same nine months of the prior year (excludes Wishbone acquisition in 2019)
 - Net realized gain on derivatives of approximately \$18.8 million through September 30, 2020
 - Announced appointment of Paul D. McKinney as Chief Executive Officer & Chairman of the Board
 - Reorganized the Board of Directors by replacing three insiders with three independent Directors
-

- Raised ~\$19.1 million in net proceeds further improving liquidity from public and registered direct offerings
- Posted a positive average operating margin⁴ of \$20.60/Boe through September 30, 2020

(1) Lease operating expenses "LOE" excludes ad valorem taxes

(2) Cash G&A excludes stock-based compensation & operating lease expense

(3) The Company defines and reconciles adjusted EBITDA, adjusted net income and other non-GAAP financial measures to the most directly comparable GAAP measure in supporting tables at the conclusion of this press release. Management believes that the non-GAAP measures are useful information for investors because they are used internally and are accepted by the investment community. They are used by professional research analysts in providing investment recommendations pertaining to companies in the oil and gas exploration and production industry.

(4) Operating margin – Net received price per BOE less cash-based expenses per BOE. Calculation of this value is included in supporting tables at the conclusion of this press release.

Management Comments

Paul D. McKinney, Chief Executive Officer and Chairman of the Board, commented, "As commodity prices improved during the third quarter, Ring returned the majority of its previously shut-in wells to production and made excellent progress on our cost reduction initiatives begun earlier in the year. This, along with our hedges, significantly improved our financial results over the second quarter. Because we believe these pandemic-induced economic conditions are likely to continue for an extended period of time, we are putting our growth plans on hold, prioritizing our capital to high-return projects that improve liquidity, and aggressively managing our cost structure so that we can continue to generate free cash flow and pay down debt. We are fortunate that our production portfolio is characterized by the long-life and shallow declines of predominately the San Andres formation and the majority of our drilling inventory is economic in the current price environment giving us the sustainability and flexibility to meet the challenges that we are currently facing."

Mr. McKinney continued, "During my short tenure here, I have seen firsthand the outstanding job our operations and field personnel have performed in an incredibly challenging environment. They have reduced our lease operating expenses on \$/Boe basis by 20% over the prior quarter and 28% over the same three months of the prior year. Not only do I commend them for these achievements, but together, we are exploring additional cost saving and production enhancing ideas that we expect to be evident in future quarters."

Other Financial Updates

Important to note - the third quarter of 2020 included a pre-tax unrealized loss on derivatives of \$6,228,453 and a non-cash charge for stock-based compensation of \$565,819. Excluding these items, the net income per diluted share would have been \$0.05/share, versus the net loss of \$(0.03)/share.

During the nine months ended September 30, 2020, the net income included a pre-tax unrealized gain on derivatives of \$14,086,699, a pre-tax ceiling test impairment of \$147,937,943 and a non-cash charge for stock-based compensation of \$2,557,156. 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.

Third quarter of 2020 the outstanding balance on the Company's \$1 billion senior credit facility was \$360 million with a weighted average interest rate on borrowings under the senior credit facility of 4.5%. The next bank redetermination, originally scheduled for November 2020, was extended by the bank group to December 2020 to allow the Company to properly reflect recent cost reductions and operational efficiencies in the reserve information provided to the bank group.

In May 2020, the Company unwound the costless collars for June 2020 and July 2020. Concurrently, the Company entered Swap contracts at \$33.24 for 5,500 barrels per day for June and July 2020, equal to the barrels for which the costless collars were unwound. Like costless collars, there is no cost to enter the Swap contracts. On Swap contracts, there is no spread and payments will be made or received based on the difference between WTI and the Swap contract price. The costless collar and Swap pricing do not take into consideration any pricing differentials between NYMEX WTI pricing and the price received by the Company.

2020 costless collars, in place for August through December 2020

| <u>BOPD</u> | <u>Put Price</u> | <u>Call Price</u> |
|-------------|------------------|-------------------|
| 1,000 | \$50.00 | \$65.83 |
| 1,000 | \$50.00 | \$65.40 |
| 1,000 | \$50.00 | \$58.40 |
| 1,000 | \$50.00 | \$58.25 |
| 1,500 | \$50.00 | \$58.65 |

2020 Swap, in place for July 2020

| <u>BOPD</u> | <u>Swap Price</u> |
|-------------|-------------------|
| 5,500 | \$33.24 |

Third quarter of 2020, the Company entered derivative contracts for 2021 in the form of costless collars of NYMEX WTI Crude oil. The contracts are for a total of 4,500 barrels of oil per day for the period of January 2021 through December 2021. Again, the costless collar pricing does not take into consideration any pricing differentials between NYMEX WTI pricing and the price received by the Company.

2021 costless collars, in place for January through December 2021

| <u>BOPD</u> | <u>Put Price</u> | <u>Call Price</u> |
|-------------|------------------|-------------------|
| 1,000 | \$45.00 | \$54.75 |
| 1,000 | \$45.00 | \$52.71 |
| 1,000 | \$40.00 | \$55.08 |
| 1,500 | \$40.00 | \$55.35 |

Subsequent to September 30, 2020, the Company entered into Swap derivative contracts for 6,000 MMBTU/day for calendar year 2021 at a price of \$2.991 per MMBTU and 5,000 MMBTU/day for calendar year 2022 at a price of \$2.7255 per MMBTU.

Additional Operations Update

Third quarter of 2020 oil sales were 781,626 barrels (8,496 Bop/d), and gas sales volume were 581,123 MCF (6,317 mcf/d) (thousand cubic feet). On a barrel of oil equivalent ("BOE") basis for the third quarter of 2020 production sales were 878,480 BOEs (9,549 Boe/d), compared to 499,333 BOEs (5,487 Boe/d) for the second quarter of 2020, a 75.9% increase.

The average price differential the Company experienced from WTI pricing in Q3'2020 was approximately \$2.00.

Third quarter of 2020 Lease operating expenses ("LOE") were \$10.11 per BOE, production taxes \$ 1.62 per BOE and ad valorem taxes \$0.91 per BOE for total of \$12.64 per BOE field level all in lifting cost. Depreciation, depletion and amortization costs, including accretion, were \$12.59 per BOE, and general and administrative costs, which included a \$565,819 charge for stock-based compensation were \$2.84 per BOE. Operating lease expense (equipment/office leases) was \$0.34 per BOE.

During the nine months ended September 30, 2020, lease operating expenses were \$10.47 per BOE, production taxes \$1.58 per BOE and ad valorem taxes \$1.02 per BOE for total of \$13.07 per BOE field level all in lifting cost. Depreciation, depletion, and amortization costs, including accretion, were \$13.78 per BOE, and general and administrative costs, which included a \$2,557,156 charge for stock-based compensation, were \$4.11 per BOE. Operating lease expense (equipment/office leases) was \$0.37 per BOE.

Subsequent Events Update

Changes occurred to executive management and to the Board of Directors. Mr. Lloyd T. Rochford resigned from his employment position of Executive Chairman and from the Board of Directors but will remain in an advisory capacity to Mr. Paul McKinney. Mr. Kelly Hoffman resigned as Chief Executive Officer and from the Board of Directors. Mr. Stanley McCabe resigned from the Board of Directors. Mr. David Fowler resigned from the Board of Directors but remains as President of the Company. Mr. Paul D. McKinney was appointed as Chairman of the Board and as Chief Executive Officer. Additionally, Mr. Thomas L. Mitchell, John A. Crum and Richard E. Harris were appointed to the Board as independent Directors.

The Company completed a public offering and concurrently completed a registered direct offering of common shares, pre-funded warrants, and common warrants. In total, the company issued 13,075,800 shares, 16,728,500 pre-funded warrants and 29,804,300 common warrants. Gross proceeds received at closing were approximately \$20.8 million and net proceeds are anticipated to be approximately \$19.1MM.

The previously announced plan to divest of Delaware Basin assets failed to close. The Company continues to attempt to work with the buyer, but the termination process has been initiated and unless an agreement can be reached, the contracts will terminate on November 12, 2020.

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

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, 2019, its Form 10Q for the quarter ended September 30, 2020 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.

For further information contact:

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K M Financial, Inc.
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RING ENERGY, INC.
CONDENSED STATEMENTS OF OPERATIONS

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|---|---|---------------------|--|----------------------|
| | 2020 | 2019 (restated) | 2020 | 2019 (restated) |
| Oil and Gas Revenues | \$ 31,466,544 | \$ 50,339,105 | \$ 81,673,465 | \$ 143,471,645 |
| Costs and Operating Expenses | | | | |
| Oil and gas production costs (including ad valorem taxes) | 9,678,011 | 15,478,052 | 27,128,768 | 36,455,925 |
| Oil and gas production taxes | 1,427,041 | 2,307,226 | 3,731,046 | 6,802,996 |
| Depreciation, depletion and amortization | 10,826,989 | 14,115,170 | 31,848,093 | 41,659,494 |
| Ceiling test impairment | - | - | 147,937,943 | - |
| Asset retirement obligation accretion | 230,784 | 236,207 | 694,113 | 681,386 |
| Operating lease expense | 295,631 | 114,112 | 876,889 | 370,462 |
| General and administrative expense (including stock-based compensation) | 2,496,927 | 3,745,928 | 9,709,431 | 15,287,072 |
| Total Costs and Operating Expenses | 24,955,383 | 35,996,695 | 221,926,283 | 101,257,335 |
| Income (Loss) from Operations | 6,511,161 | 14,342,410 | (140,252,818) | 42,214,310 |
| Other Income (Expense) | | | | |
| Interest income | 1 | 9 | 7 | 13,505 |
| Interest expense | (4,457,250) | (4,556,509) | (12,958,788) | (9,589,434) |
| Realized gain on derivatives | 1,726,373 | - | 18,814,068 | - |
| Unrealized gain (loss) on change in fair value of derivatives | (6,228,453) | 1,877,368 | 14,086,699 | 3,066,913 |
| Net Other Income (Expense) | (8,959,329) | (2,679,132) | 19,941,986 | (6,509,016) |
| Income (Loss) before Tax Provision | (2,448,168) | 11,663,278 | (120,310,832) | 35,705,294 |
| (Provision for) Benefit from Income Taxes | 486,565 | (2,805,278) | 27,153,281 | (11,235,437) |
| Net Income (Loss) | \$ (1,961,603) | \$ 8,858,000 | \$ (93,157,551) | \$ 24,469,857 |
| Basic Earnings (Loss) per Share | \$ (0.03) | \$ 0.13 | \$ (1.37) | \$ 0.37 |
| Diluted Earnings (Loss) per Share | \$ (0.03) | \$ 0.13 | \$ (1.37) | \$ 0.37 |
| Basic Weighted-Average Shares Outstanding | 67,980,961 | 67,811,127 | 67,985,168 | 66,149,469 |
| Diluted Weighted-Average Shares Outstanding | 67,980,961 | 67,836,968 | 67,985,168 | 66,401,422 |

COMPARATIVE OPERATING STATISTICS

| | Three Months Ended September 30, | | |
|--|----------------------------------|----------|--------|
| | 2020 | 2019 | Change |
| Net Sales - BOE per day | 9,549 | 11,183 | -14.6% |
| Per BOE: | | | |
| Average Sales Price | \$ 35.82 | \$ 48.93 | -26.8% |
| Lease Operating Expenses (excluding ad valorem taxes) | 10.11 | 14.03 | -28.0% |
| Ad valorem Taxes | 0.91 | 1.01 | -10.1% |
| Production Taxes | 1.62 | 2.24 | -27.7% |
| DD&A | 12.32 | 13.72 | -10.2% |
| Accretion | 0.26 | 0.23 | 13.0% |
| General & Administrative Expenses (excluding stock-based compensation) | 2.20 | 2.87 | -23.4% |
| Operating Lease Expense | 0.34 | 0.11 | 209.0% |
| Realized (gain) loss on derivatives | (1.97) | 0.00 | N/A |
| Interest Expense | 5.07 | 4.43 | 14.6% |
| Operating Margin(4) | \$ 17.54 | \$ 24.24 | -27.6% |
| | | | |
| | Nine Months Ended September 30, | | |
| | 2020 | 2019 | Change |
| Net Sales - BOE per day | 8,617 | 10,607 | -18.8% |
| Per BOE: | | | |
| Average Sales Price | \$ 34.59 | \$ 49.55 | -30.2% |
| Lease Operating Expenses (excluding ad valorem taxes) | 10.47 | 11.51 | -9.0% |
| Ad valorem Taxes | 1.02 | 1.08 | -5.8% |
| Production Taxes | 1.58 | 2.35 | -32.8% |
| DD&A | 13.49 | 14.39 | -6.2% |
| Accretion | 0.29 | 0.24 | 20.8% |
| General & Administrative Expenses (excluding stock-based compensation) | 3.03 | 4.44 | -31.7% |
| Operating Lease Expense | 0.37 | 0.13 | 184.6% |
| Realized (gain) loss on derivatives | (7.97) | 0.00 | N/A |
| Interest Expense | 5.49 | 3.31 | 65.7% |
| Operating Margin(4) | \$ 20.60 | \$ 26.73 | -22.9% |

(4) Operating margin – Net received price per BOE less cash-based expenses per BOE

RING ENERGY, INC.
BALANCE SHEET

| | September 30, 2020 | December 31, 2019 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 17,920,817 | \$ 10,004,622 |
| Accounts receivable | 12,489,321 | 22,909,195 |
| Joint interest billing receivable | 653,607 | 1,812,469 |
| Derivative receivable | 1,711,710 | - |
| Derivative asset | 9,518,564 | - |
| Prepaid expenses and retainers | 498,610 | 3,982,255 |
| Total Current Assets | <u>42,792,629</u> | <u>38,708,541</u> |
| Properties and Equipment | | |
| Oil and natural gas properties subject to amortization | 953,696,964 | 1,083,966,135 |
| Financing lease asset subject to depreciation | 858,513 | 858,513 |
| Fixed assets subject to depreciation | 1,465,551 | 1,465,551 |
| Total Properties and Equipment | 956,021,028 | 1,086,290,199 |
| Accumulated depreciation, depletion and amortization | (188,922,137) | (157,074,044) |
| Net Properties and Equipment | <u>767,098,891</u> | <u>929,216,155</u> |
| Operating lease asset | 990,155 | 1,867,044 |
| Derivative asset | 1,568,057 | - |
| Deferred Income Taxes | 21,152,105 | - |
| Deferred Financing Costs | 2,647,160 | 3,214,408 |
| Total Assets | <u>\$ 836,248,997</u> | <u>\$ 973,006,148</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 24,839,820 | \$ 54,635,602 |
| Financing lease liability | 292,227 | 280,970 |
| Operating lease liability | 814,400 | 1,175,904 |
| Derivative liabilities | - | 3,000,078 |
| Total Current Liabilities | <u>25,946,447</u> | <u>59,092,554</u> |
| Deferred income taxes | - | 6,001,176 |
| Revolving line of credit | 360,000,000 | 366,500,000 |
| Financing lease liability, less current portion | 201,528 | 424,126 |
| Operating lease liability, less current portion | 175,755 | 691,140 |
| Asset retirement obligations | 17,119,114 | 16,787,219 |
| Total Liabilities | <u>403,442,844</u> | <u>449,496,215</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; 67,983,075 shares and 67,993,797 shares issued and outstanding, respectively | 67,983 | 67,994 |
| Additional paid-in capital | 528,755,063 | 526,301,281 |
| Accumulated deficit | (96,016,893) | (2,859,342) |
| Total Stockholders' Equity | <u>432,806,153</u> | <u>523,509,933</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 836,248,997</u> | <u>\$ 973,006,148</u> |

RING ENERGY, INC.
STATEMENTS OF CASH FLOWS

| <i>For the Nine Months Ended September 30,</i> | 2020 | 2019 (restated) |
|--|----------------------|----------------------------------|
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ (93,157,551) | \$ 24,469,857 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation, depletion and amortization | 31,848,093 | 41,659,494 |
| Ceiling test impairment | 147,937,943 | - |
| Accretion expense | 694,113 | 681,386 |
| Amortization of deferred financing costs | 567,248 | - |
| Share-based compensation | 2,557,156 | 2,436,035 |
| Deferred income tax provision | (25,573,920) | 7,498,112 |
| Excess tax deficiency related to share-based compensation | (1,579,361) | 3,737,325 |
| Change in fair value of derivative instruments | (14,086,699) | (3,066,913) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 9,867,026 | (7,095,256) |
| Prepaid expenses and retainers | 3,483,645 | (6,060,699) |
| Accounts payable | (17,225,782) | (1,055,397) |
| Settlement of asset retirement obligation | (428,605) | (615,732) |
| Net Cash Provided by Operating Activities | 44,903,306 | 62,588,212 |
| Cash Flows From Investing Activities | | |
| Payments to purchase oil and natural gas properties | (1,189,433) | (263,262,046) |
| Proceeds from oil and gas property divestiture | 4,500,000 | - |
| Payments to develop oil and natural gas properties | (33,586,337) | (122,004,117) |
| Net Cash Used in Investing Activities | (30,275,770) | (385,266,163) |
| Cash Flows From Financing Activities | | |
| Proceeds from revolving line of credit | 21,500,000 | 327,000,000 |
| Payments on revolving line of credit | (28,000,000) | - |
| Reduction of financing lease liability | (211,341) | (86,686) |
| Net Cash (Used in) Provided by Financing Activities | (6,711,341) | 326,913,314 |
| Net Change in Cash | 7,916,195 | 4,235,363 |
| Cash at Beginning of Period | 10,004,622 | 3,363,726 |
| Cash at End of Period | \$ 17,920,817 | \$ 7,599,089 |
| Supplemental Cash Flow Information | | |
| Cash paid for interest | \$ 12,387,670 | \$ 5,821,545 |
| Noncash Investing and Financing Activities | | |
| Asset retirement obligation incurred during development | \$ 66,387 | \$ 602,090 |
| Operating lease assets obtained in exchange for new operating lease liability | - | 539,577 |
| Financing lease assets obtained in exchange for new financing lease liability | - | 947,435 |
| Capitalized expenditures attributable to drilling projects financed through current liabilities | 2,600,000 | 26,958,655 |
| 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) |
| Common stock issued as partial consideration in asset acquisition | - | (28,356,396) |
| Oil and gas properties subject to amortization | - | 296,910,774 |

Non-GAAP reconciliations

Adjusted net income per share

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|--|---|--------------------|--|--------------------|
| | 2020 | 2019 (restated) | 2020 | 2019 (restated) |
| | Adjusted net income per share | | | |
| Net income (loss) per income statement | \$ (1,961,603) | \$ 8,858,000 | \$ (93,157,551) | \$ 24,469,857 |
| Stock-based compensation | 565,819 | 792,836 | 2,557,156 | 2,436,035 |
| Ceiling test write down | - | - | 147,937,943 | - |
| Unrealized (gain) loss on derivatives | 6,228,453 | (1,877,368) | (14,086,699) | (3,066,913) |
| Tax adjustment for adjusting items | (1,446,501) | 230,897 | (29,041,348) | 134,314 |
| Adjusted net income | \$ 3,386,168 | \$ 8,004,365 | \$ 14,209,501 | \$ 23,973,293 |
| Weighted average shares outstanding | 67,980,961 | 67,836,552 | 67,985,168 | 66,401,422 |
| Adjusted net income per share | \$ 0.05 | \$ 0.12 | \$ 0.21 | \$ 0.36 |

Adjusted EBITDA per share

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|--|---|--------------------|--|--------------------|
| | 2020 | 2019 (restated) | 2020 | 2019 (restated) |
| | Adjusted EBITDA | | | |
| Net income (loss) per income statement | \$ (1,961,603) | \$ 8,858,000 | \$ (93,157,551) | \$ 24,469,857 |
| Net interest expense | 4,457,249 | 4,556,500 | 12,958,781 | 9,575,929 |
| Unrealized (gain) loss on derivatives | 6,228,453 | (1,877,368) | (14,086,699) | (3,066,913) |
| Ceiling test impairment | - | - | 147,937,943 | - |
| Income tax expense (benefit) | (486,565) | 2,805,278 | (27,153,281) | 11,235,437 |
| Depreciation, depletion and amortization | 10,826,989 | 14,115,170 | 31,848,093 | 41,659,494 |
| Accretion of discounted liabilities | 230,784 | 236,207 | 694,113 | 681,386 |
| Stock- based compensation | 565,819 | 792,836 | 2,557,156 | 2,436,035 |
| Adjusted EBITDA | \$ 19,861,126 | \$ 29,486,623 | \$ 61,598,555 | \$ 86,991,225 |
| Weighted average shares outstanding | 67,980,961 | 67,836,552 | 67,985,168 | 66,401,422 |
| Adjusted net income per share | \$ 0.29 | \$ 0.43 | \$ 0.91 | \$ 1.31 |

Free cash flow

| | For The Three Months Ended September 30, | | For The Nine Months Ended September 30, | |
|---|---|----------------------------|--|----------------------------|
| | 2020 | 2019 (restated) | 2020 | 2019 (restated) |
| Adjusted EBITDA | \$ 19,861,126 | \$ 29,486,623 | \$ 61,598,555 | \$ 86,991,225 |
| Net interest expense (excluding amortization of deferred financing costs) | (4,268,126) | (4,556,500) | (12,391,534) | (9,575,929) |
| Capital expenditures (excluding Northwest Shelf acquisition) | (4,305,557) | (21,413,253) | (22,205,770) | (99,838,922) |
| Free cash flow | <u>\$ 11,287,443</u> | <u>\$ 3,516,870</u> | <u>\$ 27,001,251</u> | <u>\$ (22,423,626)</u> |

Liquidity, as of September 30, 2020

| | | |
|-------------------------------------|------------|----------------------|
| Cash | | \$ 17,920,817 |
| Available under Credit Facility | 15,000,000 | |
| Outstanding Letters of Credit | (760,438) | |
| Net available under Credit Facility | | 14,239,562 |
| Liquidity | | <u>\$ 32,160,379</u> |

Reconciliation of cash flow from operations

| <i>For the Nine Months Ended September 30,</i> | 2020 | 2019 (restated) |
|--|----------------------|----------------------------|
| Net cash provided by operating activities | \$ 44,903,306 | \$ 62,588,212 |
| Change in operating assets and liabilities | 4,303,716 | 14,827,084 |
| Cash flow from operations | <u>\$ 49,207,022</u> | <u>\$ 77,415,296</u> |
