

RAM ENERGY RESOURCES INC
Form 10-K/A
August 10, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-50682

RAM Energy Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

20-0700684
(I.R.S. Employer Identification

Number)

5100 East Skelly Drive, Suite 650

Tulsa, Oklahoma
(Address of principal

executive office)

74135
(Zip Code)

(918) 663-2800

(Registrant's telephone number, including area code)

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

None

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

Common Stock, \$.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

Yes No

As of March 30, 2007, there were outstanding 41,153,530 shares of registrant's \$.0001 par value common stock; 12,650,000 warrants, each warrant evidencing the right to purchase one share of common stock at an exercise price of \$5.00 per share, and 478,727 Units, each Unit consisting of one share of common stock and two warrants, each to purchase one share of common stock at an exercise price of \$5.00 per share. Based upon the closing price for the registrant's common stock on the NASDAQ Capital Market as of June 30, 2006, the aggregate market value of 7,700,000 shares of common stock held by non-affiliates of the registrant was approximately \$44.0 million.

Documents incorporated by reference: The information called for by Part III is incorporated by reference to the definitive proxy statement for the Registrant's 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission, or SEC, no later than 120 days after December 31, 2006.

EXPLANATORY NOTE

This Form 10-K/A is being filed by RAM Energy Resources, Inc. (the Company) to amend the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on April 2, 2007. This Form 10-K/A is being filed to:

Amend Part II, Item 6, to clarify the accounting treatment of the reverse merger recapitalization of RAM Energy, Inc.

Amend Part II, Management's Discussion and Analysis of Financial Condition and Results of Operations, to expand the disclosure to explain the downturn in average daily production during 2006 compared to 2005.

Amend Part II, Item 8 Financial Statements, to:

- (a) Revise the Company's Statements of Stockholders' Deficit and to make corresponding changes to the related reported earnings per share;
- (b) Revise Note A, Item 5 Natural Gas Sales and Gas Imbalances, to explain why the Company's asset values of its natural gas under-produced positions in 2006 and 2005 are classified as non-current assets; and
- (c) Revise Note O Share Based Compensation, to reflect that at December 31, 2006, the Company did not have outstanding any options under its 2006 Long-Term Incentive Plan.

Amend Part IV, Item 15 Financial Statements and Exhibits, to include the consent of UHY LLP to its report included in the Form 10-K/A.

PART II

Item 6. Selected Consolidated Financial Data

We acquired RAM Energy effective May 8, 2006, by the merger of our wholly owned subsidiary with and into RAM Energy. For accounting and financial reporting purposes, the merger was accounted for as a reverse acquisition and, in substance, as a capital transaction, because we had no active business operations prior to consummation of the merger. Accordingly, for accounting and financial reporting purposes, the merger was treated as the equivalent of RAM Energy issuing stock for our net monetary assets accompanied by a recapitalization. Our net monetary assets have been stated at historical costs, with no goodwill or other intangible assets recorded. The accumulated deficit of RAM Energy has been carried forward. Operations prior to the merger are those of RAM Energy.

The selected consolidated financial information presented below should be read in conjunction with our consolidated financial statements and the related notes, and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained elsewhere in this report. Our financial position and results of operations for 2004 and 2005 may not be comparative to other periods as a result of certain divestitures and acquisitions, as more fully described in our consolidated financial statements included elsewhere in this report.

Selected Consolidated Financial Data

(in thousands, except share data)

	Year Ended December 31,				
	2002	2003	2004	2005 (1)	2006
Revenues and Other Operating Income:					
Oil and natural gas sales	\$ 10,166	\$ 20,053	\$ 17,975	\$ 66,243	\$ 68,015
Gain on sale of subsidiary			12,139		
Other	163	170	338	851	640
Realized and unrealized gains (losses) from derivatives	(146)	(203)	(793)	(11,695)	1,589
Total revenues and other operating income	10,183	20,020	29,659	55,399	70,244
Operating Expenses:					
Oil and natural gas production taxes	1,044	1,408	1,263	3,320	3,329
Oil and natural gas production expenses	3,023	3,527	3,600	16,099	18,266
Depreciation and amortization	2,947	4,098	3,273	12,972	13,252
Accretion expense		48	78	510	535
Share-based compensation					2,308
General and administrative, net of operator's overhead fees	5,858	6,331	6,601	8,610	9,300
Total operating expenses	12,872	15,412	14,815	41,511	46,990
Operating income (loss)	(2,689)	4,608	14,844	13,888	23,254
Other Income (Expense):					
Gain on early extinguishment of debt	32,883				
Interest expense	(9,240)	(4,912)	(5,070)	(12,614)	(17,050)
Interest income	277	41	35	75	309
Income (Loss) from Continuing Operations Before Income Taxes	21,231	(263)	9,809	1,349	6,513
Income Tax Provision (Benefit)	7,975	228	3,733	806	1,465
Income (Loss) from Continuing Operations	13,256	(491)	6,076	543	5,048
Discontinued operations:					
Loss from discontinued operations	(18,016)	(1,723)			
Income tax benefit	(6,846)	(655)			
Loss from discontinued operations	(11,170)	(1,068)			
Income (loss) before cumulative effect of change in accounting principle	2,086	(1,559)	6,076	543	5,048
Cumulative effect of change in accounting principle (net of tax benefit of \$275)		(448)			
Net income (loss)	\$ 2,086	\$ (2,007)	\$ 6,076	\$ 543	\$ 5,048

Selected Consolidated Financial Data (continued)

(in thousands, except share data)

	Year Ended December 31,				
	2002	2003	2004	2005 (1)	2006
Per Share Data (Restated)					
Net income (loss) per share attributable to common stockholders basic					
Income (loss) from continuing operations	\$ 0.42	\$ (0.02)	\$ 0.20	\$ 0.02	\$ 0.16
Loss from discontinued operations	(0.35)	(0.03)			
Cumulative effect of change in accounting principle		(0.01)			
Net income (loss) per share	\$ 0.07	\$ (0.06)	\$ 0.20	\$ 0.02	\$ 0.16
Cash dividends per share	\$	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.02
Earnings (loss) per share:					
Basic	\$ 0.07	\$ (0.06)	\$ 0.20	\$ 0.02	\$ 0.16
Diluted	0.07	(0.06)	0.20	0.02	0.16
Weighted average shares outstanding:					
Basic	31,790,743	31,790,743	29,706,104	26,492,286	30,808,065
Diluted	31,790,743	31,790,743	29,706,104	26,492,286	32,105,885
Statement of Cash Flow Data					
Cash provided by (used in):					
Operating activities	\$ (14,842)	\$ 5,774	\$ 1,793	\$ 18,359	\$ 30,537
Investing activities	(46)	7,422	(64,852)	(12,554)	(25,317)
Financing activities	(3,731)	(12,333)	62,116	(6,910)	1,431
Other Data					
Capital expenditures (2)	\$ 6,700	\$ 5,258	\$ 102,719	\$ 13,528	\$ 28,145
EBITDA	473	8,670	18,153	33,747	33,419

	As of December 31,				
	2002	2003	2004	2005 (1)	2006
Balance Sheet Data					
Total assets	\$ 62,192	\$ 45,908	\$ 140,324	\$ 143,276	\$ 161,725
Long-term debt, including current portion	56,267	46,057	117,344	112,846	132,237
Stockholders deficit	(16,842)	(19,653)	(19,912)	(20,769)	(27,895)

(1) We acquired WG Energy Holdings, Inc. in December 2004.

(2) Includes costs of acquisitions.

Our EBITDA is determined by adding the following to net income (loss): interest expense, amortization, depreciation, accretion, income taxes, gain on early extinguishment of debt, gain on sale of oil and natural gas properties, share-based compensation, extraordinary gains (losses), the cumulative effect of changes in accounting principles and unrealized gains (losses) on derivatives. The table below reconciles EBITDA to net income (loss).

We present EBITDA because we believe that it provides useful information regarding our continuing operating results. We rely on EBITDA as a primary measure to review and assess our operating performance with corresponding periods, and as an assessment of our overall liquidity and our ability to meet our debt service obligations.

We believe that EBITDA is useful to investors to provide disclosure of our operating results on the same basis as that used by our management. We also believe that this measure can assist investors in comparing our performance to that of other companies on a consistent basis without regard to certain items that do not directly affect our ongoing operating performance or cash flows. EBITDA, which is not a financial measure under generally accepted accounting principles, or GAAP, has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for net income, cash flows from operating activities and other consolidated income or cash flows statement data prepared in accordance with GAAP. Because of these limitations, EBITDA should neither be considered as a measure of discretionary cash available to us to invest in the growth of our business, nor as a replacement for net income. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA as supplemental information.

	Year ended December 31,				
	2002	2003	2004	2005	2006
	(in thousands)				
Reconciliation of EBITDA to net income (loss):					
Net income (loss)	\$ 2,086	\$ (2,007)	\$ 6,076	\$ 543	\$ 5,048
Plus: Interest expense	9,240	4,912	5,070	12,614	17,050
Plus: Amortization and depreciation expense	2,947	4,098	3,273	12,972	13,252
Plus: Accretion expense		48	78	510	535
Plus: Income tax expense	7,975	228	3,733	806	1,465
Less: Gain on early extinguishment of debt	(32,883)				
Less: Gain on sale of oil and natural gas properties					
Plus: Share-based compensation					2,308
Plus: Extraordinary (gain) loss					
Plus: Loss from discontinued operations, net of tax	11,170	1,068			
Less: Cumulative effect of change in accounting principle		448			
Plus: Unrealized (gain) loss on derivatives	(62)	(125)	(77)	6,302	(6,239)
 EBITDA	 \$ 473	 \$ 8,670	 \$ 18,153	 \$ 33,747	 \$ 33,419

Part II

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* General

We are an independent oil and natural gas company engaged in the acquisition, development, exploitation, exploration and production of oil and natural gas properties, primarily in Texas, Louisiana and Oklahoma. Through our RAM Energy subsidiary, we have been active in these core areas since 1987. Our management team has extensive technical and operating expertise in all areas of our geographic focus.

Prior to May 8, 2006, our corporate name was Tremisis Energy Acquisition Corporation. On May 8, 2006, we acquired RAM Energy through the merger of our wholly owned subsidiary into RAM Energy. The merger was accomplished pursuant to the terms of an Agreement and Plan of Merger dated October 20, 2005, as amended, which we refer to as the merger agreement, among us, our acquisition subsidiary, RAM Energy and the stockholders of RAM Energy. Upon completion of the merger, RAM Energy became our wholly owned subsidiary and we changed our name from Tremisis Energy Acquisition Corporation to RAM Energy Resources, Inc.

Upon consummation of the merger, the stockholders of RAM Energy received an aggregate of 25,600,000 shares of our common stock and \$30.0 million of cash. Prior to consummation of the merger, and as permitted by

the merger agreement, on April 6, 2006, RAM Energy redeemed a portion of its outstanding stock for an aggregate consideration of \$10.0 million.

The merger is accounted for as a reverse acquisition. RAM Energy has been treated as the acquiring company and the continuing reporting entity for accounting purposes. Upon completion of the merger, our assets and liabilities were recorded at their fair value, which is considered to approximate historical cost, and added to those of RAM Energy. Because we had no active business operations prior to consummation of the merger, the merger was accounted for as a recapitalization of RAM Energy.

In December 2004, RAM Energy acquired WG Energy Holdings, Inc. for \$82.6 million, which we refer to as the WG Energy Acquisition. Upon consummation of the WG Energy Acquisition, we changed WG Energy Holdings, Inc.'s name to RWG Energy, Inc.

On February 13, 2007, we consummated a public offering of 7,500,000 shares of our common stock and received net proceeds of \$28.1 million. The net proceeds are currently invested in short-term investments pending our determination of the most appropriate uses for such proceeds.

Critical Accounting Policies

The preparation of our financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect our reported assets, liabilities and contingencies as of the date of the financial statements and our reported revenues and expenses during the related reporting period. Our actual results could differ from those estimates.

We use the full cost method of accounting for our investment in oil and natural gas properties. Under the full cost method of accounting, all costs of acquisition, exploration and development of oil and natural gas reserves are capitalized into a full cost pool as incurred, and costs included in the pool are amortized and charged to operations using the future recoverable units of production method based on the ratio of current production to total proved reserves, computed based on current prices and costs. Significant downward revisions of quantity estimates or declines in oil and natural gas prices that are not offset by other factors could result in a write-down for impairment of the carrying value of our oil and natural gas properties. Once incurred, a write-down of the value of oil and gas properties is not reversible at a later date, even if quantity estimates or oil or natural gas prices subsequently increase.

Under Statement of Financial Accounting Standards No. 109 (SFAS No. 109), Accounting for Income Taxes, deferred income taxes are recognized at each year end for the future tax consequences of differences between the tax bases of assets and liabilities and their financial reporting amounts based on tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. We routinely assess the realizability of our deferred tax assets. We consider future taxable income in making such assessments. If we conclude that it is more likely than not that some portion or all of the deferred tax assets will not be realized under accounting standards, it is reduced by a valuation allowance. However, despite our attempt to make an accurate estimate, the ultimate utilization of our deferred tax assets is highly dependent upon our actual production and the realization of taxable income in future periods.

Results of Operations

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Revenues and Other Operating Income. Our revenues and other operating income increased by \$14.8 million, or 27%, for the year ended December 31, 2006, compared to the year ended December 31, 2005. The increase was primarily a result of unrealized gains on derivatives, discussed below. The following table summarizes our oil and natural gas production volumes, average sales prices and period to period comparisons, including the effect on our oil and natural gas sales, for the periods indicated:

	Year ended December 31,		Increase
	2005	2006	(Decrease)
Oil and natural gas sales (in thousands)	\$ 66,243	\$ 68,015	2.7%
Production volumes:			
Oil (MBbls)	787	752	(4.5)%
NGL (MBbls)	170	143	(16.1)%
Natural gas (MMcf)	2,681	2,365	(11.8)%
Total MBoe	1,405	1,290	(8.2)%
Average sale prices:			
Oil (per Bbl)	\$ 53.75	\$ 63.82	18.7%
NGL (per Bbl)	\$ 36.33	\$ 40.33	11.0%
Natural gas (per Mcf)	\$ 6.61	\$ 6.02	(9.0)%
Per Boe	\$ 47.16	\$ 52.74	11.8%

Oil and Natural Gas Sales. Our oil and natural gas revenues increased by \$1.8 million, or 3%, for the year ended December 31, 2006, as compared to the year ended December 31, 2005, due to a 12% increase in product prices, offset by an 8% decrease in production.

For the year ended December 31, 2006, our average daily production was 3,533 Boe, a decrease of 8% compared with average daily production during calendar year 2005 of 3,848 Boe. A Reversionary interest burdening the Company's properties in its Boonsville shallow gas area vested in September 2005 and, accordingly, reduced the Company's interest in the related properties. This interest represented 136 Boe per day in 2005, or 4% of average daily production in 2006. The vesting of this reversionary interest caused a 4% decrease in average daily production in 2006. The remaining 4% decrease in average daily production resulted from weather-related downtime, and natural declines in production.

For the year ended December 31, 2006, our oil production decreased by 5%, our NGL production decreased by 16%, and natural gas production decreased by 12%, compared to the year ended December 31, 2005. Our average realized sales price for oil was \$63.82 per barrel for the year ended December 31, 2006, an increase of 19% compared to \$53.75 per barrel for the year ended December 31, 2005. Our average realized NGL price for the year ended December 31, 2006 was \$40.33 per barrel, an 11% increase compared to \$36.33 per barrel for the year ended December 31, 2005. Our average realized natural gas price was \$6.02 per Mcf for the year ended December 31, 2006, a decrease of 9% compared to \$6.61 per Mcf for the year ended December 31, 2005.

Other Revenues. Other revenues for the year ended December 31, 2006 decreased \$211,000, or 25%, compared to the year ended December 31, 2005.

Realized and Unrealized Gain (Loss) from Derivatives. For the year ended December 31, 2006, our gain from derivatives was \$1.6 million, compared to a loss of \$11.7 million for the year ended December 31, 2005. Our gains and losses during these periods were the net result of recording actual contract settlements, the premium costs paid for various derivative contracts, and unrealized mark-to-market values of RAM Energy's derivative contracts.

	Year ended December 31,	
	2005	2006
Contract settlements and premium costs:		
Oil	\$ (2,594)	\$ (4,349)
Natural gas	(2,799)	(301)
Realized (losses)	(5,393)	(4,650)
Mark-to-market gains (losses):		
Oil	(2,075)	1,686
Natural gas	(4,227)	4,553
Unrealized gains (losses)	(6,302)	6,239
Realized and unrealized gains (losses)	\$ (11,695)	\$ 1,589

Oil and Natural Gas Production Taxes. Our oil and natural gas production taxes for the year ended December 31, 2006, remained steady at \$3.3 million, increasing by \$9,000, or 0.3%, from the year ended December 31, 2005. Production taxes are based on realized prices at the wellhead. As revenues from oil and natural gas sales increase or decrease, production taxes on these sales also increase or decrease. As a percentage of oil and natural gas sales, oil and natural gas production taxes were 4.9% for the year ended December 31, 2006, compared to 5.0% for the previous year.

Oil and Natural Gas Production Expense. Our oil and natural gas production expense was \$18.3 million for the year ended December 31, 2006, an increase of \$2.2 million, or 13%, from the \$16.1 million for the year ended December 31, 2005. The increase was primarily due to increased utility costs and higher maintenance costs due to additional producing wells. For the year ended December 31, 2006, our oil and natural gas production expense was \$14.16 per Boe compared to \$11.46 per Boe for the year ended December 31, 2005, an increase of 24%. As a percentage of oil and natural gas sales, oil and natural gas production expense was 27% for the year ended December 31, 2006, a 3% increase compared to the previous year.

Amortization and Depreciation Expense. Our amortization and depreciation expense increased \$280,000, or 2%, for the year ended December 31, 2006, compared to the year ended December 31, 2005. The increase was a result of higher capitalized costs due to increased drilling. On an equivalent basis, our amortization of the full-cost pool of \$12.6 million was \$9.77 per Boe for the year ended December 31, 2006, an increase per Boe of 9% compared to \$12.5 million, or \$8.93 per Boe for the year ended December 31, 2005.

Accretion Expense. SFAS No. 143, Accounting for Asset Retirement Obligations, includes, among other things, the reporting of the fair value of asset retirement obligations. Accretion expense is a function of changes in fair value from period-to-period. We recorded \$535,000 for the year ended December 31, 2006, compared to \$510,000 for the previous year.

Share-Based Compensation. Concurrent with our acquisition of RAM Energy on May 8, 2006, our Board of Directors awarded grants of an aggregate 330,000 shares of our common stock to certain of our senior officers and directors under our 2006 Long-Term Incentive Plan. For the year ended December 31, 2006, our share-based compensation on these grants was \$2.2 million, calculated using a closing price on May 8, 2006, the day the shares were granted, of \$6.72 per share.

On November 11, 2006, our Board of Directors awarded grants in accordance with our 2006 Long-Term Incentive Plan totaling 646,805 shares of our common stock to certain key employees. The \$3.3 million share-based compensation on these grants was calculated using the closing price on November 10, 2006, the grant date, of \$5.06 per share. The total share-based compensation will be recognized over a five year vesting period. For the year ended December 31, 2006, we recognized a total of \$91,000 share-based compensation on these grants, bringing our total share-based compensation to \$2.3 million for 2006.

General and Administrative Expense. For the year ended December 31, 2006, our general and administrative expense was \$9.3 million, compared to \$8.6 million for the year ended December 31, 2005, an increase of \$690,000, or 8%.

Interest Expense. Our interest expense increased by \$4.4 million, to \$17.1 million for the year ended December 31, 2006, compared to \$12.6 million incurred for the year ended December 31, 2005. During the second quarter we charged off \$1.1 million of unamortized costs associated with our previous credit facility and paid prepayment premiums of \$1.0 million. The remaining interest expense of \$15.0 million represents an increase of \$2.4 million, or 19%, over the \$12.6 million reported for the previous year. This increase was due to higher interest rates and higher outstanding indebtedness during the 2006 period.

Income Taxes. For the year ended December 31, 2006, we recorded an income tax expense of \$1.5 million, on a pre-tax income of \$6.5 million. For the year ended December 31, 2005, our income tax expense was \$806,000, on a pre-tax income of \$1.3 million. The effective tax rate was 22% for 2006 and 60% for 2005. The decrease in the effective tax rate is due to an adjustment to deferred taxes for a reduction in tax rates in Texas.

Net Income. Our net income was \$5.0 million for the year ended December 31, 2006, compared to net income of \$543,000 for the previous year. The increase in our net income for the year 2006 resulted from higher product prices and gains from derivatives, partially offset by increased production expense, share-based compensation, and interest expense.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues and Other Operating Income. Our revenues and other operating income increased by \$25.7 million, or 87%, for the year ended December 31, 2005, compared to the year ended December 31, 2004. The following table summarizes our oil and natural gas sales, production volumes, average sales prices and period-to-period comparisons for the periods indicated:

	Year Ended		Increase (Decrease)
	December 31,		
	2004	2005	
Oil and natural gas sales (in thousands)	\$ 17,975	\$ 66,243	268.5%
Production volumes:			
Oil (MBbls)	178	787	342.0%
NGL (MBbls)	12	170	1,316.7%
Natural gas (MMcf)	1,928	2,681	39.0%
Total MBoe	511	1,405	174.7%
Average sale prices:			
Oil (per Bbl)	\$ 37.63	\$ 53.75	43.0%
NGL (per Bbl)	26.41	36.33	37.6%
Natural gas (per Mcf)	5.69	6.61	16.3%
Per Boe	35.15	47.16	34.2%

Oil and Natural Gas Sales. Our oil and natural gas revenues were higher for the year ended December 31, 2005, as compared to the year ended December 31, 2004, with a 175% increase in production due, primarily, to the properties included in the WG Energy Acquisition and a 34% increase in realized prices, both on a Boe basis.

Our average daily production was 3.8 MBoe in the year ended December 31, 2005, compared to 1.4 MBoe for the year ended December 31, 2004, an increase of 175%. For the year ended December 31, 2005, our oil production increased 342%, our NGL production increased 1,317% and our natural gas production increased 39% compared to the year ended December 31, 2004. Our average realized sales price for oil was \$53.75 per Bbl for the year ended December 31, 2005, an increase of 43% compared to \$37.63 per Bbl for the year ended December 31, 2004. Our average realized NGL price for the year ended December 31, 2005, was \$36.33 per Bbl, a 38% increase compared to \$26.41 per Bbl for the year ended December 31, 2004. Our average realized natural gas price was \$6.61 per Mcf for the year ended December 31, 2005, an increase of 16% compared to \$5.69 per Mcf for the year ended December 31, 2004.

Decreases in production shown above, excluding effects of our WG Energy Acquisition, are due primarily to the following volumes and values of our former wholly owned subsidiary, RB Operating Company, or RBOC, included through the end of April 2004:

	Year Ended December 31, 2004
Oil and natural gas sales (in thousands)	\$ 2,302
Production volumes:	
Oil (Mbls)	47
Natural gas (MMcf)	410
Average sale prices:	
Oil (per Bbl)	\$ 33.49
Natural gas (per Mcf)	\$ 5.68

Gain On Sale of Subsidiary. On April 29, 2004, we completed the sale of all of the outstanding capital stock of our subsidiary, RBOC, for gross proceeds of \$22.5 million. After adjustments for closing costs, we reported a gain of \$12.1 million. The assets of RBOC at the time of the sale consisted entirely of oil and natural gas properties located in New Mexico, together with cash, accounts receivable and certain liabilities.

Other Revenues and Operating Income. Our other revenues and operating income for the year ended December 31, 2005 increased \$513,000, or 152%, over the year ended December 31, 2004 due, primarily, to an increase in consulting service fees of approximately \$200,000, sales of oilfield supplies of approximately \$100,000, and numerous other non-material items.

Realized and Unrealized Loss from Derivatives. For the year ended December 31, 2005, our loss from derivatives was \$11.7 million, compared to a loss of \$793,000 for the year ended December 31, 2004. Our losses during these periods were the net result of recording unrealized mark-to-market values of our contracts, the premium costs paid for various derivative contracts, and actual contract settlements.

	Year Ended	
	December 31,	
	2004	2005
Contract settlements	\$ (690)	\$ (3,902)
Premium costs	(180)	(1,491)
Realized losses	(870)	(5,393)
Mark-to-market gains (losses)	77	(6,302)
Realized and unrealized losses	\$ (793)	\$ (11,695)

Oil and Natural Gas Production Taxes. Our oil and natural gas production taxes for the year ended December 31, 2005, were \$3.3 million, an increase of \$2.0 million, or 163%, from the \$1.3 million incurred for the year ended December 31, 2004. Of the increase in production taxes for the year ended December 31, 2005,

\$2.3 million was attributable to our WG Energy Acquisition, while our production taxes decreased \$300,000. Production taxes are based on realized prices at the wellhead. As revenues from oil and natural gas sales increase or decrease, production taxes on these sales increase or decrease also. As a percentage of oil and natural gas sales, oil and natural gas production taxes were 5.0% for the year ended December 31, 2005, compared to 7.0% for the year ended December 31, 2004. The reason for this decrease in percentage is because, after our WG Energy Acquisition, our greatest revenue source is oil sales in Texas, which are taxed at a 4.6% rate.

Oil and Natural Gas Production Expense. Our oil and natural gas production expense was \$16.1 million for the year ended December 31, 2005, an increase of \$12.5 million, or 347%, from \$3.6 million for the year ended December 31, 2004. The increase of \$12.8 million for the year ended December 31, 2005 was due to our WG Energy Acquisition, while our oil and natural gas production expense decreased \$300,000. For the year ended December 31, 2005, our oil and natural gas production expense was \$11.46 per Boe compared to \$7.04 per Boe for the year ended December 31, 2004, an increase of 63%. As a percentage of oil and natural gas sales, oil and natural gas production expense increased from 20% for the year ended December 31, 2004, to 24% for the year ended December 31, 2005. The reason for the increase in costs, both in absolute amount and on a per Bbl basis is that one of the major fields included in our WG Energy Acquisition is a cost intensive, shallow water-flood unit. Fixed costs of the shallow water-flood unit, such as payroll, utilities, insurance, property and ad valorem taxes, regulatory compliance, and maintenance account for approximately 85% of the total operating costs. Repairs account for the balance. Our management expects that operating costs will remain at this level for the foreseeable future.

Amortization and Depreciation Expense. Our amortization and depreciation expense increased \$9.7 million, or 298%, for the year ended December 31, 2005, compared to the year ended December 31, 2004. Our WG Energy Acquisition accounted for \$9.7 million of the increase, offset by a \$200,000 decrease for RAM. On an equivalent basis, our amortization of the full cost pool of \$12.5 million was \$8.93 per Boe for the year ended December 31, 2005, an increase per Boe of 52% compared to \$3.0 million, or \$5.89 per Boe for the year ended December 31, 2004.

Accretion Expense. SFAS No. 143, *Accounting for Asset Retirement Obligations*, includes, among other things, the reporting of the fair value of asset retirement obligations. Accretion expense is a function of changes in fair value from period-to-period, and we recorded \$510,000 for the year ended December 31, 2005, compared to \$78,000 for the year ended December 31, 2004. The increase of \$432,000 for the year ended December 31, 2005 was due to the higher amount of the asset retirement obligation attributable to our WG Energy Acquisition.

General & Administrative Expense. For the year ended December 31, 2005, our general and administrative expense was \$8.6 million and increased \$2.0 million, or 30%, as compared with the \$6.6 million reported for the year ended December 31, 2004. This increase was due primarily to the increased costs of accounting services, higher benefits, salaries, travel and legal fees during the 2005 period.

Interest Expense. Our interest expense increased by \$7.5 million to \$12.6 million for the year ended December 31, 2005, compared to \$5.1 million for the year ended December 31, 2004. This increase was attributable to higher outstanding balances, primarily to fund the WG Energy Acquisition, and higher interest rates during the 2005 period.

Income Taxes. For the year ended December 31, 2005, we recorded income tax expense of \$806,000 an effective tax rate of 60%, on pre-tax income of \$1.3 million. The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The significant differences between pre-tax book income and taxable book income relate to non-deductible expenses, such as unrealized losses from derivatives.

For the year ended December 31, 2004, we recorded an income tax provision of \$3.7 million, based on an effective tax rate of 38%, on pre-tax income of \$9.8 million.

Net Income (Loss). Our net income was \$543,000 for the year ended December 31, 2005, compared to net income of \$6.0 million for the year ended December 31, 2004. The decrease in our net income for 2005 compared to 2004 was primarily attributable to realized losses from derivatives, increases in oil and natural gas production expenses and taxes, amortization and depreciation expenses, interest expense and general and administrative expenses.

Liquidity and Capital Resources

As of December 31, 2006, we had cash and cash equivalents of \$6.7 million and \$37.0 million was available under our revolving credit facility. At that date, we had \$132.2 million of indebtedness outstanding, including \$103.0 million under our credit facility, \$28.4 million principal amount of indebtedness evidenced by RAM Energy's 11½% senior notes due 2008, and \$0.9 million in other indebtedness. RAM Energy does not guarantee any of our debt and we do not guarantee any debt of RAM Energy.

On February 13, 2007, we consummated a public offering of 7,500,000 shares of our common stock and received net proceeds of \$28.1 million. The net proceeds are currently invested in short-term investments pending our determination of the most appropriate uses for such proceeds.

Credit Facility. On April 5, 2006, RAM Energy entered into a Third Amended and Restated Loan Agreement with Guggenheim Corporate Funding, LLC, for itself and as Agent for a group of lenders. This new facility, which we refer to as the Guggenheim facility, amended, restated and replaced a prior credit facility known as the Foothill facility. Currently, we are not a party to, or a guarantor of obligations under, the Guggenheim facility. As part of the transaction creating the Guggenheim facility, Foothill assigned the notes and liens under the Foothill facility to the Agent for the lenders under the Guggenheim facility. The Guggenheim facility includes a \$150.0 million revolving credit facility of which \$50.0 million was immediately available, and a \$150.0 million term loan facility of which \$90.0 million was advanced at closing. The remainder of the term loan facility may become available, subject to approval of each lender desiring to fund its proportionate share of the additional term loan advance, for certain of the future needs of RAM Energy, including acquisitions. The Guggenheim revolving credit facility is scheduled to mature in four years, during which time amounts may be borrowed, repaid and re-borrowed, subject to a borrowing base limitation to be determined by the lenders. The term loan facility is scheduled to mature in five years, with permitted prepayments after the first year, subject to a prepayment premium in the second and third years of the term. Advances under the revolving credit facility bear interest at LIBOR plus 2% per annum, while amounts outstanding under the term loan bear interest at LIBOR plus 5.5% to 6.0% per annum. Obligations under the Guggenheim facility are secured by liens on substantially all of the assets of RAM Energy and its subsidiaries. The initial advance under the Guggenheim facility was used to refinance the Foothill facility, to pay expenses associated with establishing the Guggenheim facility, and to fund a \$10.0 million redemption payment. Subsequent advances may be used to:

repurchase all of RAM Energy's outstanding 11½% senior notes due 2008 (\$28.4 million principal amount); and

fund general working capital purposes.

The Guggenheim facility contains financial covenants requiring RAM Energy to maintain certain ratios, including a current ratio, a ratio of earnings before interest, taxes, depreciation and amortization, or EBITDA, to interest expense, a ratio of total indebtedness to EBITDA, and a ratio of asset value to total indebtedness. In addition, the Guggenheim facility contains other affirmative and negative covenants customary in lending transactions of this nature, including the maintenance by RAM Energy of hedging contracts on not less than 50% nor more than 85% of RAM Energy's projected oil and natural gas production from its properties on a rolling 24-month period; provided that the hedging requirements will be waived for any quarter in which RAM Energy's leverage ratio is less than 2.0 to 1.0.

Senior Notes. On February 24, 1998, RAM Energy issued \$115.0 million principal amount of its 11½% senior notes which mature February 15, 2008. Currently, we are not a party to, or a guarantor of, the senior notes

or of any obligations under the indenture covering RAM Energy's senior notes. At December 31, 2006, RAM Energy had outstanding \$28.4 million aggregate principal amount of its senior notes. The notes bear interest at an annual rate of 11½%, payable semi-annually on each February 15 and August 15. Pursuant to a Second Supplemental Indenture executed in November 2002, substantially all of the restrictive covenants and certain events of default contained in the original indenture were eliminated.

Cash Flow From Operating Activities. Our cash flow from operating activities is comprised of three main items: net income (loss), adjustments to reconcile net income to cash provided (used) before changes in working capital, and changes in working capital. For the year ended December 31, 2006, our net income was \$5.0 million, as compared with net income of \$543,000 million for 2005. Adjustments (primarily non-cash items such as depreciation and amortization, unrealized (gain) loss on derivatives, share-based compensation and deferred income taxes) were \$10.6 million for 2006 compared to \$20.5 million for 2005, a decrease of \$9.9 million. Unrealized gain on derivatives, partially offset by share-based compensation, changes in deferred income taxes, was the primary reason for the decrease. Working capital changes for 2006 were a positive \$11.5 million compared with negative changes of \$4.6 million for 2005. For 2006, in total, net cash provided by operating activities was \$29.7 million compared to \$18.4 million of net cash provided by operations for the previous year.

Cash Flow From Investing Activities. For the year ended December 31, 2006, net cash used in our investing activities was \$25.3 million, consisting of \$28.1 million in payments for oil and natural gas properties and equipment and \$812,000 in payments for other property and equipment, offset by \$3.6 million of proceeds from the sale of undeveloped acreage, \$500,000 in proceeds from the sale of other property and equipment, and \$400,000 of net merger costs. The year ended December 31, 2006 reflected a 102% increase in cash used in investing activities compared to the previous year. For 2005, net cash used in our investing activities was \$12.6 million, consisting of \$13.5 million in payments for oil and natural gas properties and \$1.5 million for other property and equipment additions, offset by \$2.5 million in proceeds from the sale of oil and natural gas properties.

Cash Flow From Financing Activities. For 2006, net cash provided by our financing activities was \$2.3 million, compared to net cash used of \$6.9 million for 2005. The cash provided in 2006 included an approximate \$16.4 million net debt increase, partially offset by a stock redemption of \$9.8 million, a stock repurchase of \$3.8 million and \$500,000 in dividends.

Capital Commitments

We have budgeted \$30.3 million for capital expenditures in 2007 related to:

geological, geophysical and seismic costs (\$2.9 million);

developmental drilling and re-completions (\$17.7 million); and

exploratory drilling, including leasehold acquisitions (\$9.7 million).

In our 2007 drilling and development budget, we have allocated \$4.0 million to our north Texas Barnett Shale properties, \$7.4 million to our Wolfcamp properties, \$500,000 to our Woodford properties, \$9.7 million to our Electra/Burkburnett properties, \$1.6 million to our Boonsville properties, and \$4.2 million to our other properties. Our budgeted allocations may change, depending on our drilling success, prices for oil and natural gas, general economic conditions and other factors beyond our control.

During 2006, we had capital expenditures of \$28.1 million relating to our oil and natural gas operations, of which \$18.5 million was allocated to drilling new development wells, \$4.5 million was for exploration costs, and \$5.2 million was for acquisition costs. Our non-acquisition capital expenditures for the year 2006 aggregated approximately \$23.7 million. The amount and timing of our capital expenditures may vary depending on the rate at which we expand and develop our oil and natural gas properties. We may require additional financing for future acquisitions and to refinance our debt before or at its final maturities.

Although we cannot provide any assurance, assuming successful implementation of our strategy, including the future development of our proved reserves and realization of our cash flows as anticipated, we believe that borrowings available under our credit facility, the balance of our unrestricted cash and cash flows from operations will be sufficient to satisfy our budgeted capital expenditures, working capital and debt service obligations for the foreseeable future. The actual amount and timing of our future capital requirements may differ materially from our estimates as a result of, among other things, changes in product pricing and regulatory, technological and competitive developments. Sources of additional financing available to us may include commercial bank borrowings, vendor financing and the sale of equity or debt securities. We cannot provide any assurance that any such financing will be available on acceptable terms or at all.

The table below sets forth our contractual cash obligations as of December 31, 2006, which are obligations during the following years:

	Total	2007	2008-2009 (in thousands)	2010-11	and after
Contractual Cash Obligations					
Long-term debt	\$ 132,282	\$ 756	\$ 28,526	\$ 103,000	\$
Operating leases	627	359	231	37	
Total contractual cash obligations	\$ 132,909	\$ 1,115	\$ 28,757	\$ 103,037	\$

Part II

Item 8. Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

RAM Energy Resources, Inc.

We have audited the accompanying consolidated balance sheets of RAM Energy Resources, Inc. (a Delaware corporation) and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RAM Energy Resources, Inc. and subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note O to the consolidated financial statements, the Company changed its method of accounting for share-based compensation effective January 1, 2006.

As discussed in Note S, the accompanying consolidated financial statements have been restated.

/s/ UHY LLP

Houston, Texas

April 2, 2007 (except for effect of the

restatement discussed in Note S,

as to which the date is August 8, 2007)

RAM Energy Resources, Inc.

Consolidated balance sheets

(in thousands, except share and per share amounts)

	As of December 31,	
	2006	2005
	(Restated)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,721	\$ 70
Accounts receivable:		
Oil and natural gas sales	6,194	7,422
Joint interest operations, net of allowance of \$187 (\$31 at December 31, 2005)	750	566
Related party		142
Income taxes	121	
Other, net of allowance of \$33 (\$13 at December 31, 2005)	236	175
Derivative assets	677	
Prepaid expenses	1,013	756
Other current assets		484
Total current assets	15,712	9,615
PROPERTIES AND EQUIPMENT, AT COST:		
Oil and natural gas properties and equipment, using full cost accounting	185,284	160,704
Other property and equipment	6,098	7,276
	191,382	167,980
Less accumulated amortization and depreciation	(48,577)	(36,848)
Total properties and equipment	142,805	131,132
OTHER ASSETS:		
Deferred loan costs, net of accumulated amortization of \$4,840 (\$4,905 at December 31, 2005)	2,593	1,613
Other	615	916
Total assets	\$ 161,725	\$ 143,276
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	\$ 7,810	\$ 4,343
Oil and natural gas proceeds due others	3,886	3,201
Related party	14	41
Other	31	
Accrued liabilities:		
Compensation	1,611	749
Interest	3,849	1,745
Income taxes	223	146
Derivative liabilities		3,510
Long-term debt due within one year	756	560
Total current liabilities	18,180	14,295
OIL & NATURAL GAS PROCEEDS DUE OTHERS	2,481	1,972
LONG-TERM DEBT	131,481	112,286
DEFERRED AND OTHER NON-CURRENT INCOME TAXES	26,677	25,300
ASSET RETIREMENT OBLIGATION	10,801	10,192

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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIT:

Common stock, \$0.0001 par value, 100,000,000 and 30,000,000 shares authorized, 34,276,805 and 26,492,286 shares issued, 33,439,530 and 26,492,286 outstanding at December 31, 2006 and 2005, respectively	3	2
Additional paid-in capital	2,308	94
Treasury stock 837,275 shares at cost	(3,768)	
Accumulated deficit	(26,438)	(20,865)
Stockholders' deficit	(27,895)	(20,769)
Total liabilities and stockholders' deficit	\$ 161,725	\$ 143,276

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

RAM Energy Resources, Inc.

Consolidated statements of operations

(in thousands, except share and per share amounts)

	2006 (Restated)	Years ended December 31, 2005 (Restated)	2004 (Restated)
REVENUES AND OTHER OPERATING INCOME:			
Oil and natural gas sales	\$ 68,015	\$ 66,243	\$ 17,975
Gain on sale of subsidiary			12,139
Other	640	851	338
Realized and unrealized gains (losses) from derivatives	1,589	(11,695)	(793)
Total revenues and other operating income	70,244	55,399	29,659
OPERATING EXPENSES:			
Oil and natural gas production taxes	3,329	3,320	1,263
Oil and natural gas production expenses	18,266	16,099	3,600
Depreciation and amortization	13,252	12,972	3,273
Accretion expense	535	510	78
Share-based compensation	2,308		
General and administrative, overhead and other expenses, net of operator s overhead fees	9,300	8,610	6,601
Total operating expenses	46,990	41,511	14,815
Operating income	23,254	13,888	14,844
OTHER INCOME (EXPENSE):			
Interest expense	(17,050)	(12,614)	(5,070)
Interest income	309	75	35
INCOME BEFORE INCOME TAXES	6,513	1,349	9,809
INCOME TAX PROVISION	1,465	806	3,733
Net income	\$ 5,048	\$ 543	\$ 6,076
BASIC EARNINGS PER SHARE	\$ 0.16	\$ 0.02	\$ 0.20
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	30,808,065	26,492,286	29,706,104
DILUTED EARNINGS PER SHARE	\$ 0.16	\$ 0.02	\$ 0.20
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	32,105,885	26,492,286	29,706,104

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

RAM Energy Resources, Inc.

Consolidated statements of stockholders deficit

Years ended December 31, 2006, 2005, and 2004

(In thousands, except share amounts)

(Restated)

	Common Stock Shares Restated	Common Stock	Additional Paid In Capital	Accumulated Deficit	Treasury Stock	Stockholders Deficit
BALANCE, January 1, 2004	31,790,743	\$ 3	\$ 112	\$ (19,768)	\$	\$ (19,653)
Net income				6,076		6,076
Dividends declared				(1,200)		(1,200)
Purchase and cancellation of Common Shares, August 10, 2004	(5,298,457)	(1)	(18)	(5,116)		(5,135)
BALANCE, December 31, 2004	26,492,286	\$ 2	\$ 94	\$ (20,008)	\$	\$ (19,912)
Net income				543		543
Dividends declared				(1,400)		(1,400)
BALANCE, December 31, 2005	26,492,286	\$ 2	\$ 94	\$ (20,865)	\$	\$ (20,769)
Net income				5,048		5,048
Stock redemption and cancellation, April 6, 2006	(892,286)		(93)	(9,699)		(9,792)
Net cost of acquisition, less cash acquired, May 8, 2006	7,700,000	1	(1)	(422)		(422)
Dividends paid				(500)		(500)
Repurchase of stock					(3,768)	(3,768)
Share-based compensation	976,805		2,308			2,308
BALANCE, December 31, 2006	34,276,805	\$ 3	\$ 2,308	\$ (26,438)	\$ (3,768)	\$ (27,895)

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

RAM Energy Resources, Inc.

Consolidated statements of cash flows

(in thousands)

	Years ended December 31,		
	2006	2005	2004
OPERATING ACTIVITIES:			
Net income	\$ 5,048	\$ 543	\$ 6,076
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	13,252	12,972	3,273
Amortization of deferred loan costs and Senior Notes discount	988	839	492
Write off of loan fees due to debt refinancing	1,055		
Accretion expense	535	510	78
Gain on sale of subsidiary			(12,139)
Provisions for doubtful accounts			385
Unrealized (gain) loss on derivatives	(6,239)	6,302	(1,569)
Derivative premiums net of amortization		634	45
Deferred income taxes	1,311	1,199	(3,159)
Share-based compensation	2,308		
Gain on disposal of other property and equipment	(142)		(1)
Changes in operating assets and liabilities, net of acquisitions			
Accounts receivable	1,012	(2,608)	(18)
Prepaid expenses and other assets	229	(143)	342
Accounts payable	4,173	(165)	(67)
Accrued liabilities	6,025	(1,331)	1,556
Income taxes payable	105	(393)	6,892
Gas balancing liability			(393)
Total adjustments	24,612	17,816	(4,283)
Net cash provided by operating activities	29,660	18,359	1,793
INVESTING ACTIVITIES:			
Payments for oil and natural gas properties and equipment	(28,145)	(13,528)	(5,900)
Proceeds from sales of oil and natural gas properties	3,565	2,471	320
Payments for other property and equipment	(812)	(1,497)	(205)
Proceeds from sales of other property and equipment	461		38
Payments of merger costs	(4,187)		
Cash acquired in merger	3,801		
RWG acquisition, net of cash acquired			(82,577)
Proceeds from the sale of subsidiary			21,791
Proceeds from short-term investments			1,681
Net cash used in investing activities	(25,317)	(12,554)	(64,852)

RAM Energy Resources, Inc.

Consolidated statements of cash flows

(in thousands)

	Years ended December 31,		
	2006	2005	2004
FINANCING ACTIVITIES:			
Payments on long-term debt	(88,094)	(15,615)	(18,234)
Proceeds from borrowings on long-term debt	107,443	10,670	88,585
Payments for deferred loan costs	(2,981)	(565)	(1,500)
Stock redemption	(9,792)		
Stock repurchased	(3,768)		(5,135)
Dividends paid	(500)	(1,400)	(1,600)
Net cash provided by (used in) financing activities	2,308	(6,910)	62,116
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,651	(1,105)	943
CASH AND CASH EQUIVALENTS, beginning of year	70	1,175	2,118
CASH AND CASH EQUIVALENTS, end of year	\$ 6,721	\$ 70	\$ 1,175
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income taxes	\$ 124	\$ 20	\$ 300
Cash paid for interest	\$ 10,080	\$ 3,297	\$ 4,285
DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:			
Accrued interest added to principal balance of credit facility	\$ 2,848	\$ 8,093	\$ 554

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

RAM Energy Resources, Inc.

Notes to consolidated financial statements

December 31, 2006 and 2005

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND BASIS OF PRESENTATION

1. Nature of Operations and Organization

On May 8, 2006, Tremis Energy Acquisition Corporation, or Tremis, acquired RAM Energy, Inc. through the merger of a subsidiary of Tremis into RAM Energy, Inc. The merger was accomplished pursuant to the terms of an Agreement and Plan of Merger dated October 20, 2005, as amended, among Tremis, its subsidiary, RAM Energy, Inc. and the stockholders of RAM Energy, Inc. Upon completion of the merger, RAM Energy, Inc. became a wholly-owned subsidiary of Tremis and Tremis changed its name to RAM Energy Resources, Inc.

Tremis was formed in February 2004 to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an unidentified operating business in either the energy or the environmental industry. Prior to the consummation of the merger, Tremis did not engage in an active trade or business.

Prior to the merger, RAM Energy, Inc. was a privately held, independent oil and natural gas company engaged in the acquisition, exploration, exploitation and development of oil and natural gas properties and the production of oil and natural gas.

Upon consummation of the merger, the stockholders of RAM Energy, Inc. received an aggregate of 25,600,000 shares of Tremis common stock and \$30.0 million of cash. The merger agreement provided, among other things, that, prior to the consummation of the merger, RAM Energy, Inc. was entitled to either pay its stockholders a one-time extraordinary dividend or effect one or more redemptions of a portion of its outstanding stock, although the aggregate amount of such cash payments to the RAM Energy, Inc. stockholders could not exceed the difference between \$40.0 million and the aggregate amount of cash they would receive from Tremis in the merger. On April 6, 2006, RAM Energy, Inc. redeemed a portion of its outstanding stock for an aggregate consideration of \$10.0 million.

The merger has been accounted for as a reverse acquisition. Because Tremis had no active business operations prior to consummation of the merger, the merger has been accounted for as a recapitalization of RAM Energy, Inc. and RAM Energy, Inc. has been treated as the acquirer and continuing reporting entity for accounting purposes. The assets and liabilities of Tremis were recorded, as of completion of the merger, at fair value, which is considered to approximate historical cost, and added to those of RAM Energy, Inc.

The Company operates exclusively in the upstream segment of the oil and gas industry with activities including the drilling, completion, and operation of oil and gas wells. The Company conducts the majority of its operations in the states of Texas, Louisiana, Oklahoma and New Mexico.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

3. Properties and Equipment

The Company follows the full cost method of accounting for oil and natural gas operations. Under this method all productive and nonproductive costs incurred in connection with the acquisition, exploration, and development of oil and natural gas reserves are capitalized. No gains or losses are recognized upon the sale or

other disposition of oil and natural gas properties except in transactions that would significantly alter the relationship between capitalized costs and proved reserves. The costs of unevaluated oil and natural gas properties are excluded from the amortizable base until the time that either proven reserves are found or it has been determined that such properties are impaired. The Company currently has no material capitalized costs related to unevaluated properties. All capitalized costs are included in the amortization base as of December 31, 2006 and 2005.

Under the full cost method the net book value of oil and natural gas properties, less related deferred income taxes, may not exceed the estimated after-tax future net revenues from proved oil and natural gas properties, discounted at 10% (the ceiling limitation). In arriving at estimated future net revenues, estimated lease operating expenses, development costs, and certain production-related and ad valorem taxes are deducted. In calculating future net revenues, prices and costs in effect at the time of the calculation are held constant indefinitely, except for changes that are fixed and determinable by existing contracts. The net book value is compared to the ceiling limitation on a quarterly and yearly basis. The excess, if any, of the net book value above the ceiling limitation is charged to expense in the period in which it occurs and is not subsequently reinstated. Reserve estimates used in determining estimated future net revenues have been prepared by an independent petroleum engineer.

The Company has capitalized internal costs of approximately \$2,303,000, \$1,778,000, and \$596,000 for the years ended December 31, 2006, 2005, and 2004, respectively. Such capitalized costs include salaries and related benefits of individuals directly involved in the Company's acquisition, exploration and development activities based on the percentage of their time devoted to such activities.

Other property and equipment consists principally of furniture and equipment and leasehold improvements. Other property and equipment and related accumulated amortization and depreciation are relieved upon retirement or sale and the gain or loss is included in operations. Renewals and replacements that extend the useful life of property and equipment are treated as capital additions. Accumulated depreciation of other property and equipment at December 31, 2006 and 2005 is approximately \$3,375,000 and \$4,246,000, respectively.

In accordance with the impairment provisions of Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company assesses the recoverability of the carrying value of its non-oil and gas long-lived assets when events occur that indicate an impairment in value may exist. An impairment loss is indicated if the sum of the expected undiscounted future net cash flows is less than the carrying amount of the assets. If this occurs, an impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the estimated fair value of the asset. No impairments were recorded in 2006, 2005, or 2004.

4. Depreciation and Amortization

All capitalized costs of oil and natural gas properties and equipment, including the estimated future costs to develop proved reserves, are amortized using the unit-of-production method based on total proved reserves. Depreciation of other equipment is computed on the straight line method over the estimated useful lives of the assets, which range from three to ten years. Amortization of leasehold improvements is computed based on the straight-line method over the term of the associated lease or estimated useful life, whichever is shorter.

5. Natural Gas Sales and Gas Imbalances

Natural gas imbalances are generated on properties for which two or more owners have the right to take production in-kind and, in doing so, take more or less than their respective entitled percentage.

The Company follows the entitlement method of accounting for natural gas sales, recognizing as revenues only its net interest share of all production sold. Any amount attributable to the sale of production in excess of or less than the Company's net interest is recorded as a gas balancing asset or liability. At December 31, 2006, the Company's net underproduced position was approximately 175,000 Mcf with an associated noncurrent asset of approximately \$262,000, which is recorded in other assets on the consolidated balance sheet. At December 31,

2005, the Company's net underproduced position was approximately 162,000 Mcf with an associated noncurrent asset of approximately \$237,000. Natural gas imbalances are normally settled at the end of the productive life of the respective underlying properties.

6. Cash Equivalents

All highly liquid unrestricted investments with a maturity of three months or less when purchased are considered to be cash equivalents.

7. Credit and Market Risk

The Company sells oil and natural gas to various customers and participates with other parties in the drilling, completion and operation of oil and natural gas wells. Joint interest and oil and natural gas sales receivables related to these operations are generally unsecured. In 2006, approximately 75% of total revenues were to two customers (73% to two customers in 2005 and 52% to four customers in 2004), with sales to each comprising 62% and 13% (55% and 18% in 2005 and 23%, 11%, 10% and 8% in 2004) of total revenues.

In 2006 and 2005 the Company had cash deposits in certain banks that at times exceeded the maximum insured by the Federal Deposit Insurance Corporation. The Company monitors the financial condition of the banks and has experienced no losses on these accounts.

8. Deferred Loan Costs

Deferred loan costs are stated at cost net of amortization computed using the straight-line method over the term of the related loan agreement, which approximates the interest method.

The estimated future amortization expense is as follows (in thousands):

2007	\$ 784
2008	\$ 677
2009	\$ 668
2010	\$ 390

9. General and Administrative Expense

The Company receives fees for the operation of jointly owned oil and natural gas properties and records such reimbursements as reductions of general and administrative expense. Such fees totaled approximately \$271,000, \$228,000, and \$212,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

10. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that, in the opinion of management of the Company are significant include oil and natural gas reserves, amortization relating to oil and natural gas properties, asset retirement obligations, and income taxes.

11. Fair Value of Financial Instruments

Cash and cash equivalents, trade receivables and payables, and installment notes: The carrying amounts reported on the consolidated balance sheets approximate fair value due to the short-term nature of these instruments.

Credit Facility: The carrying amount reported on the consolidated balance sheets approximates fair value because this debt instrument carries a variable interest rate based on market interest rates.

Senior Notes: The carrying amount reported on the consolidated balance sheets is approximately \$710,000 below fair value at December 31, 2006 based upon management's estimates. Management bases its estimate on information from the bond underwriters on current bids for the Company's senior notes.

Derivative contracts: The carrying amount reported on the consolidated balance sheets is the fair value of the contracts based upon commodity futures prices for similar contracts.

12. Reclassifications

Certain reclassifications of previously reported amounts for 2005 and 2004 have been made to conform to the 2006 presentation. These reclassifications had no effect on net income or loss.

13. Derivatives

The Company applies the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. SFAS No. 133 requires companies to recognize all derivative instruments as either assets or liabilities in the statement of financial position at fair value.

The Company entered into numerous derivative contracts to reduce the impact of oil and natural gas price fluctuations and as required by the terms of its credit facility (see **Note K**). The Company did not designate these transactions as hedges as required by SFAS No. 133 in order to receive hedge accounting treatment. Accordingly, all gains and losses on the derivative instruments during 2006, 2005 and 2004 have been recorded in the statements of operations.

14. Earnings per Common Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if dilutive stock options were exercised, calculated using the treasury stock method. A reconciliation of net income and weighted average shares used in computing basic and diluted net income per share is as follows for the years ended December 31 (in thousands, except share and per share amounts):

	2006 (Restated)	2005 (Restated)	2004 (Restated)
BASIC INCOME PER SHARE:			
Net income	\$ 5,048	\$ 543	\$ 6,076
Weighted average shares	30,808,065	26,492,286	29,706,104
Basic net income per share	\$ 0.16	\$ 0.02	\$ 0.20
DILUTED INCOME PER SHARE:			
Net income	\$ 5,048	\$ 543	\$ 6,076
Weighted average shares - basic	30,808,065	26,492,286	29,706,104
Dilutive effect of unvested stock grants	78,864		
Dilutive effect of warrants	1,218,956		
Weighted average shares assuming dilutive effect of stock options	32,105,885	26,492,286	29,706,104
Diluted net income per share	\$ 0.16	\$ 0.02	\$ 0.20

Diluted earnings per share does not include 825,000 shares of our common stock issuable upon the exercise of currently exercisable options to purchase 275,000 units at an exercise price of \$9.90 per unit, each unit

consisting of one share of our common stock and two warrants, each warrant to purchase one share of our common stock at an exercise price of \$6.26 per share. These shares are anti-dilutive for all periods presented.

15. Asset Retirement Obligations

The Company accounts for asset retirement obligations in accordance with Financial Accounting Standards Board (FASB) No. 143 *Accounting for Asset Retirement Obligations*. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Company recorded accretion expense of approximately \$535,000, \$510,000, and \$78,000 in 2006, 2005, and 2004, respectively.

The Company recorded the following activity related to the asset retirement obligation for the years ended December 31, 2006 and 2005 (in thousands):

	2006	2005
Liability for asset retirement obligations, beginning of year	\$ 10,192	\$ 6,656
Accretion expense	535	510
Obligations for new wells drilled or new estimates	283	3,177
Obligations for wells sold or retired	(209)	(151)
Liability for asset retirement obligations, end of year	\$ 10,801	\$ 10,192

16. Income Taxes

The Company accounts for income taxes under the liability method as prescribed by SFAS 109. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates expected to be in effect during the year in which the bases differences reverse.

17. Revenue Recognition

Revenues associated with sales of oil and natural gas are recorded when title passes to the customer, net of royalties, discounts and allowances, as applicable. Revenues from natural gas production from properties in which we have an interest with other producers are generally recognized on the basis of the Company's net working interest (entitlement method).

18. Share-Based Compensation

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R, Share-Based Payment, for its share-based compensation plan. Refer to Note O for a discussion of the Company's share-based compensation expense.

19. New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in income tax positions. FIN 48 requires that the Company recognize in the consolidated financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position. The provisions of FIN 48 will be effective for the Company as of the beginning of the year 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact, if any, from the adoption of FIN 48.

In September 2006, the Securities and Exchange Commission (SEC) issued SAB No. 108 which provides guidance on quantifying and evaluating the materiality of unrecorded misstatements. SAB 108 is effective for annual financial statements covering the fiscal years ending on or after November 15, 2006. SAB 108 requires that a company use both the iron curtain and rollover approaches when quantifying misstatement amounts. The determination that an error is material in a current year that includes prior-year effects may result in the need to correct prior-year financial statements, even if the misstatement in the prior year or years is considered immaterial. When companies correct prior-year financial statements for immaterial errors, SAB 108 does not require previously filed reports to be amended. Such correction may be made the next time the company files the prior year financial statements. The Company does not currently believe there are any errors which would materially impact prior-year financial statements.

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157 Fair Value Measurements (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning on or after November 15, 2007. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, however, it does not require any new fair value measurements. In some instances, the application of SFAS No. 157 will change current accounting practices. The Company is currently evaluating the impact of adopting SFAS No. 157.

B WG ENERGY ACQUISITION

The Company completed the WG Energy Acquisition on December 17, 2004. The final adjusted purchase price was \$82.6 million, including the assumption and payment of WG's long-term debt of \$24.5 million, the settlement of all outstanding derivative instruments of \$14.4 million, and the balance (excluding the escrow) of \$32.7 million was paid in cash. \$11.0 million of the purchase price was deposited in two separate escrow accounts to provide funds against which the Company may have made claims for any subsequently determined breach by WG of representations and warranties in the merger agreement and for potential losses that may have arisen in connection with certain litigation against WG that existed at that time. Subsequently, the Company collected claims of \$250,000 and the balance of the escrow accounts were released. The acquisition was financed with an existing credit facility. WG's principal assets are producing oil properties located in north Texas, a gas plant and a significant block of undeveloped deep rights in held-by-production leases.

The WG Energy Acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations*, and the purchase price has been allocated based on the estimated fair value of the individual assets acquired and liabilities assumed at the date of acquisition.

The assets acquired and purchase price allocation of the WG Energy Acquisition is as follows (in thousands):

Current assets	\$ 5,437
Oil and natural gas properties	97,243
Current liabilities	(4,233)
Debt	(340)
Asset retirement obligations	(4,661)
Deferred taxes	(10,869)
	\$ 82,577

The results of operations for the WG Energy Acquisition have been included in the consolidated statements of operations from the date of acquisition. The following unaudited pro forma information is presented as if the acquisition had occurred at the beginning of the periods presented (in thousands, except per share amounts):

	Year ended
	December 31, 2004
Revenues and other operating income	\$ 49,792
Net loss	\$ (5,040)
Basic and diluted loss per share	\$ (1,977.25)

C SALE OF SUBSIDIARY

On April 23, 2004 the Company entered into a stock sale agreement with Range Energy I, Inc. to sell all of the issued and outstanding shares of common capital stock of RB Operating Company (RBOC), a wholly-owned subsidiary of the Company. The transaction closed on April 29, 2004 for a purchase price of \$22.5 million, subject to customary post-closing adjustments. The Company received proceeds of \$21.8 million, net of transaction costs of \$363,000 and cash paid of \$814,000, from the sale, of which \$17.9 million was used to pay the remaining balance on an existing credit facility.

With this sale the Company sold approximately 27% of its proved oil and natural gas reserves. As this significantly altered the relationship between the Company's capitalized costs and proved reserves, the Company recognized a gain on the sale of \$12.1 million.

Although the Company sold a wholly-owned subsidiary, the subsidiary was formed solely to effect this transaction and the assets included in the subsidiary consisted solely of oil and gas properties located in New Mexico that were carved out of another RAM entity. That RAM entity continues to hold and operate significant other oil and gas properties, including oil and gas properties located in New Mexico, which have similar quality hydrocarbons and similar economic characteristics as those properties sold. Because the net assets of RBOC were part of a larger cash-flow-generating product group and, in the aggregate, did not represent a group that on their own would be a component of the Company, the conditions in Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* for reporting the gain associated with the sale of RBOC in discontinued operations were not met.

D LONG-TERM DEBT

Long-term debt at December 31 consists of the following (in thousands):

	2006	2005
11.5% Senior Notes due 2008, net of discount	\$ 28,351	\$ 28,309
Credit facility	103,000	83,897
Installment loan agreements	886	640
	132,237	112,846
Less amount due within one year	756	560
	\$ 131,481	\$ 112,286

The amount of required principal payments for the next five years and thereafter, as of December 31, 2006, is as follows (in thousands): 2007 \$756; 2008 \$28,459; 2009 \$22; 2010 \$13,000; 2011 \$90,000 and thereafter none.

I. Senior Notes

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In February 1998 the Company completed the sale of \$115.0 million of 11.5% Senior Notes due 2008 in a public offering of which \$28.4 million remained outstanding at December 31, 2006 and 2005. The Senior Notes

are senior unsecured obligations of the Company and are redeemable at the option of the Company in whole or in part, at any time on or after February 15, 2005, at prices ranging from 111.5% to 103.8% of face amount to their scheduled maturity in 2008.

The indenture under which the Senior Notes were issued contained certain covenants, including covenants that limited (i) incurrence of additional indebtedness and issuances of disqualified capital stock, (ii) restricted payments, (iii) dividends and other payments affecting subsidiaries, (iv) transactions with affiliates and outside directors' fees, (v) asset sales, (vi) liens, (vii) lines of business, (viii) merger, sale or consolidation and (ix) non-refundable acquisition deposits.

In November 2002 the Company recognized a gain (net of unamortized deferred offering and original issue discount costs and transaction fees) of \$32.9 million as a result of the purchase of \$63.475 million face amount of the Senior Notes. The Senior Notes, plus accrued interest of \$1.988 million, were purchased at 46% of face amount and were canceled by the Company. The Company utilized borrowings under its revolving credit agreement and available cash to purchase the Senior Notes.

In connection with the Company's November 2002 purchase of the Senior Notes, the indenture was amended to eliminate the covenant limitations described above.

At December 31, 2006 and 2005 the unamortized original issue discount associated with the Notes totaled approximately \$45,000 and \$87,000, respectively.

2. Revolving Credit Facility

On April 5, 2006, RAM Energy, Inc. obtained a \$300.0 million senior secured credit facility, consisting of a \$150.0 million, five-year term loan facility and a \$150.0 million four-year revolving credit facility. RAM Energy Resources, Inc. is not a party to or a guarantor of obligations under this credit facility.

At closing, \$50.0 million of the revolving credit facility was immediately available, and \$90.0 million of the term loan was advanced. The remainder of the term loan facility will be available, subject to approval of the lenders, for certain future needs, including acquisitions. The revolving credit facility will mature in April, 2010, during which time amounts may be borrowed and repaid as often as needed, subject to a borrowing base limitation that is re-determined semi-annually, based on oil and gas reserves. The term loan facility will mature in April, 2011, with permitted prepayments after the first year, subject to a prepayment premium in the second and third years of the term. Advances under the revolving credit facility will bear interest at LIBOR plus 2% per annum, while amounts outstanding under the term loan will bear interest at LIBOR plus 5.5% to 6.0% per annum. Obligations under the credit facility are secured by a first lien on substantially all of the assets of RAM Energy, Inc. and its subsidiaries. The initial advance under the credit facility was used to refinance the previous credit facility, and to fund the pre-merger redemption payment permitted by the merger agreement. Subsequent advances may be used to:

repurchase all of RAM Energy, Inc.'s outstanding 11.5% senior notes (\$28.4 million principal amount); and

for general working capital purposes.

The credit facility contains financial covenants requiring RAM Energy, Inc. to maintain certain ratios, including a current ratio, a ratio of earnings before interest, taxes, depreciation and amortization, or EBITDA, to interest expense, a ratio of total indebtedness to EBITDA, and a ratio of asset value to total indebtedness. In addition, the credit facility contains other affirmative and negative covenants customary in lending transactions of this nature, including the maintenance by RAM Energy, Inc. of hedging contracts for a minimum and maximum amount of projected oil and natural gas production from its properties. The Company was in compliance with all covenants as of December 31, 2006.

E SUBSIDIARY GUARANTORS

RAM Energy Resources, Inc. is not a party to, or a guarantor of obligations under, RAM Energy, Inc.'s outstanding 11.5% senior notes due 2008. RAM Energy Inc.'s senior notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by all current and future subsidiaries of RAM Energy, Inc. which are referred to as the Subsidiary Guarantors. The following table sets forth condensed consolidating financial information of the Subsidiary Guarantors. Currently there are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to RAM Energy Inc. in the form of cash dividends, loans or advances.

The following represents the condensed consolidating balance sheets for RAM Energy Resources, Inc. (Parent), RAM Energy Inc. and its subsidiaries at December 31, 2006 and 2005 (in thousands):

	Parent	RAM Energy, Inc.	Subsidiary Guarantors	Consolidating Adjustments	Total Consolidated Amounts
December 31, 2006					
Current assets	\$ 1,464	\$ 3,044	\$ 34,113	\$ (22,909)	\$ 15,712
Property and equipment, net	4	13,780	129,021		142,805
Investment in subsidiaries	(30,723)	42,684		(11,961)	
Other assets	1	3,069	138		3,208
Total assets	\$ (29,254)	\$ 62,577	\$ 163,272	\$ (34,870)	\$ 161,725
Current liabilities	\$ 1,191	\$ 30,379	\$ 9,519	\$ (22,909)	\$ 18,180
Long-term debt		48,945	82,536		131,481
Other non-current liabilities		3,339	9,943		13,282
Deferred income taxes and other non-current income taxes	(2,550)	10,637	18,590		26,677
Total liabilities	(1,359)	93,300	120,588	(22,909)	189,620
Stockholders' equity (deficit)	(27,895)	(30,723)	42,684	(11,961)	(27,895)
Total liabilities and stockholders' equity (deficit)	\$ (29,254)	\$ 62,577	\$ 163,272	\$ (34,870)	\$ 161,725

	Parent	RAM Energy, Inc.	Subsidiary Guarantors	Consolidating Adjustments	Total Consolidated Amounts
December 31, 2005					
Current assets	\$	\$ 3,355	\$ 26,527	\$ (20,267)	\$ 9,615
Property and equipment, net		14,167	116,965		131,132
Investment in subsidiaries		27,324		(27,324)	
Other assets		2,395	134		2,529
Total assets	\$	\$ 47,241	\$ 143,626	\$ (47,591)	\$ 143,276
Current liabilities	\$	\$ 28,713	\$ 5,849	\$ (20,267)	\$ 14,295
Long-term debt		29,767	82,519		112,286
Other non-current liabilities		3,038	9,126		12,164
Deferred income taxes and other non-current income taxes		6,492	18,808		25,300
Total liabilities		68,010	116,302	(20,267)	164,045
Stockholders' equity (deficit)		(20,769)	27,324	(27,324)	(20,769)
Total liabilities and stockholders' equity (deficit)	\$	\$ 47,241	\$ 143,626	\$ (47,591)	\$ 143,276

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The following represents the condensed consolidating statements of operations and statements of cash flows for RAM Energy Resources, Inc. (Parent), RAM Energy Inc. and its subsidiaries for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Parent	RAM Energy, Inc.	Subsidiary Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Year ended December 31, 2006					
Operating revenues	\$ (7)	\$ 9,327	\$ 60,924	\$	\$ 70,244
Operating expenses	4,448	6,010	36,532		46,990
Operating income (loss)	(4,455)	3,317	24,392		23,254
Other expense	6,919	3,599	(8,702)	(18,557)	(16,741)
Income (loss) before income taxes	2,464	6,916	15,690	(18,557)	6,513
Income taxes	(2,584)	61	3,988		1,465
Net income (loss)	\$ 5,048	\$ 6,855	\$ 11,702	\$ (18,557)	\$ 5,048
Cash flows (used in) provided by operating activities	\$ (268)	\$ 2,815	\$ 27,990	\$	\$ 30,537
Cash flows (used in) investing activities	(389)	(2,116)	(22,812)		(25,317)
Cash flows provided by (used in) financing activities	2,004	(567)	(6)		1,431
Increase in cash and cash equivalents	1,347	132	5,172		6,651
Cash and cash equivalents, beginning of year		617	(547)		70
Cash and cash equivalents, end of year	\$ 1,347	\$ 749	\$ 4,625	\$	\$ 6,721
Year ended December 31, 2005					
Operating revenues	\$	\$ (2,064)	\$ 57,463	\$	\$ 55,399
Operating expenses		6,948	34,563		41,511
Operating income (loss)		(9,012)	22,900		13,888
Other expense		2,477	(7,171)	(7,845)	(12,539)
Income (loss) before income taxes		(6,535)	15,729	(7,845)	1,349
Income taxes		(7,078)	7,884		806
Net income (loss)	\$	\$ 543	\$ 7,845	\$ (7,845)	\$ 543
Cash flows provided by operating activities	\$	\$ 9,592	\$ 8,767	\$	\$ 18,359
Cash flows (used in) investing activities		(3,108)	(9,446)		(12,554)
Cash flows (used in) financing activities		(6,910)			(6,910)
(Decrease) in cash and cash equivalents		(426)	(679)		(1,105)
Cash and cash equivalents, beginning of year		1,043	132		1,175
Cash and cash equivalents, end of year	\$	\$ 617	\$ (547)	\$	\$ 70

	Parent	RAM Energy, Inc.	Subsidiary Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Year ended December 31, 2004					
Operating revenues	\$	\$ 20,370	\$ 9,369	\$ (80)	\$ 29,659
Operating expenses		11,553	3,342	(80)	14,815
Operating income		8,817	6,027		14,844
Other expense		359	25	(5,419)	(5,035)
Income (loss) before income taxes		9,176	6,052	(5,419)	9,809
Income taxes		3,100	633		3,733
Net income (loss)	\$	\$ 6,076	\$ 5,419	\$ (5,419)	\$ 6,076
Cash flows provided by (used in) operating activities	\$	\$ 85,784	\$ (83,991)	\$	\$ 1,793
Cash flows (used in) provided by investing activities		(66,556)	1,704		(64,852)
Cash flows (used in) provided by financing activities		(20,109)	82,225		62,116
(Decrease) in cash and cash equivalents		(881)	(62)		(943)
Cash and cash equivalents, beginning of year		1,924	194		2,118
Cash and cash equivalents, end of year	\$	\$ 1,043	\$ 132	\$	\$ 1,175

Due to intercompany allocations among the parent and its subsidiaries, the above condensed consolidating information is not intended to present the Company's subsidiaries on a stand-alone basis.

F LEASES

The Company leases office space and certain equipment under non-cancelable operating lease agreements that expire on various dates through 2011. Approximate future minimum lease payments for operating leases at December 31, 2006 are as follows (in thousands):

Year Ending December 31,	
2007	\$ 359
2008	\$ 198
2009	\$ 33
2010	\$ 25
2011	\$ 12

\$ 627

Rent expense of approximately \$389,000, \$519,000, and \$288,000 was incurred under operating leases in the years ended December 31, 2006, 2005, and 2004, respectively.

G DEFINED CONTRIBUTION PLAN

The Company sponsors a 401(k) defined contribution plan for the benefit of substantially all of its employees. The plan allows eligible employees to contribute up to 100% of their annual compensation, not to exceed the maximum amount permitted by IRS regulations. Employer contributions to the plan are discretionary. The Company provided matching contributions to the plan in 2006, 2005, and 2004 of \$691,000, \$210,000, and \$190,000, respectively.

H STOCKHOLDERS EQUITY (DEFICIT)

RAM Energy, Inc. paid cash dividends of \$500,000 for the year ended December 31, 2006 prior to being acquired by the Company. RAM Energy, Inc. also declared cash dividends of \$1,400,000 and \$1,200,000 for the years ended December, 2005 and 2004, respectively.

On April 6, 2006, RAM Energy, Inc. redeemed a portion of the outstanding shares of its common stock for an aggregate redemption price of approximately \$10.0 million.

On May 8, 2006, the Company acquired RAM Energy, Inc. by merger in exchange for an issuance of 25,600,000 shares of common stock and \$30.0 million in cash. RAM Energy, Inc. is now a wholly-owned subsidiary of the Company. As a result of the merger, RAM Energy, Inc. was recapitalized so that the historical basis of its assets and liabilities remain intact. The only operations of the parent company included in the results of operations for 2006 are those that occurred subsequent to the date of the merger.

The Company has outstanding warrants to purchase 12,650,000 shares of common stocks issuable upon the exercise of outstanding warrants at an exercise price of \$5.00 per share and 825,000 shares of our common stock are issuable upon the exercise of currently exercisable options to purchase 275,000 units at an exercise price of \$9.90 per unit, each unit consisting of one share of our common stock and two warrants, each warrant to purchase one share of our common stock at an exercise price of \$6.25 per share. Such warrants, when issued, will be immediately exercisable.

Also, on May 8, 2006, the shareholders of the Company approved the Company's 2006 Long-Term Incentive Plan (the Plan), effective upon the consummation of the Company's acquisition by merger of RAM Energy, Inc. The Company reserved a maximum of 2,400,000 shares of its common stock for issuance under the Plan. Certain officers and directors of the Company were awarded 330,000 shares of common stock under the Plan. The value of the shares was recorded at \$6.72 per share, the closing market price of the Company's common stock as of that date (see note O). At the request of the grantees, on June 8, 2006, the Company repurchased 98,100 of these shares at \$6.04 per share, the closing market price of the Company's common stock as of that date, to satisfy the grantees' federal and state income tax withholding requirements, as permitted by the Plan. The repurchased shares are held by the Company as treasury stock at December 31, 2006.

On September 22, 2006, the Company purchased 739,175 shares of its common stock in a privately negotiated transaction. The purchase price was \$4.295 per share, and the shares are included in treasury stock at December 31, 2006.

On November 10, 2006 the Company granted 646,805 shares of its common stock to certain employees. These shares will vest to the grantees over a five-year period with 20% of the shares granted being issued on each subsequent anniversary date.

I INCOME TAXES

The (provision) benefit for income taxes is comprised of (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Current	\$ (154)	\$ 393	\$ (6,892)
Deferred	(1,311)	(1,199)	3,159
Provision for income tax expense	\$ (1,465)	\$ (806)	\$ (3,733)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The significant differences between pre-tax book income and taxable book income relate to non-deductible personal expenses, meals and entertainment expenses and state income taxes.

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The sources and tax effects of the differences are as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Income tax provision at the federal statutory rate (34%)	\$ (2,214)	\$ (459)	\$ (3,088)
State income (tax) benefit, net of federal benefit	781	12	(361)
Meals and entertainment expense	(21)	(34)	
Non-deductible dues	(17)	(15)	
Non-deductible related party expenses		(302)	(284)
Other	6	(8)	
Income tax provision	\$ (1,465)	\$ (806)	\$ (3,733)

The Company's income tax provision was computed based on the federal statutory rate and the average state statutory rates, net of the related federal benefit.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2006	2005
Deferred tax assets:		
Current:		
Accrued expenses and other	\$ 490	\$ 163
	\$ 490	\$ 163
Valuation allowance		
Net current deferred tax assets	\$ 490	\$ 163
Noncurrent deferred tax assets:		
Net operating loss carryforward	\$ 3,373	\$ 1,510
Accrued liabilities and other	263	3,059
	\$ 3,636	\$ 4,569
Valuation allowance		
Net noncurrent deferred tax assets	\$ 3,636	\$ 4,569
Deferred tax liabilities:		
Current:		
Prepaid expenses and other	\$ (2,172)	\$ (230)
	(2,172)	(230)
Noncurrent:		
Depreciable/depletable property, plant and equipment	\$ (18,998)	\$ (20,236)
Other		
Total noncurrent deferred tax liabilities	\$ (18,998)	\$ (20,236)
Net noncurrent deferred tax liability	\$ (21,170)	\$ (20,466)

Net deferred tax liability

\$ (17,044) \$ (15,734)

As of December 31, 2006, the Company has federal net operating loss carryforwards of approximately \$9.11 million for tax purposes, \$4.02 million of which were an inherited attribute from the WG Energy Holdings, Inc. acquisition during 2004. These net operating loss carryforwards are subject to the ownership change limitation provisions of Section 382 of the Internal Revenue Code. However, based upon the value of WG Energy Holdings, Inc. at the time of the acquisition, the amount of these net operating losses that may be used annually should be sufficient to allow the losses to be utilized prior to their expiration. Accordingly, the Company believes that it will more likely than not be able to utilize these losses and that no valuation allowance for the deferred tax asset associated therewith is required. If not used, these carryforwards will generally expire between 2021 and 2023. In addition, the Company has generated net operating loss carryforwards for state income tax purposes, which the Company believes will more likely than not be realized during the relevant carryforward periods; however, such amounts have not been separately disclosed in the financial statements as the Company does not believe that these net operating losses are material to the amounts presented herein.

The Company has reported the recovery of tax basis amounts in certain assets in prior years that generated net operating losses for tax return filing purposes; however, the Company has not recorded a tax benefit for such amounts due to certain factual and technical issues related thereto. The Company will record the benefit for such tax basis amounts in future periods when it can appropriately conclude that the realization of such benefit is more likely than not assured.

J COMMITMENTS AND CONTINGENCIES

In April 2002, a lawsuit was filed in the District Court for Woods County, Oklahoma against RAM Energy, Inc., certain of its subsidiaries and various other individuals and unrelated companies, by a lessor of certain oil and gas leases from which production was sold to a gathering system owned and operated by Magic Circle Energy Corporation (Magic Circle) or its wholly-owned subsidiary, Carmen Field Limited Partnership (CFLP). The lawsuit covers the period from 1977 to a current date. In 1998, both Magic Circle and CFLP became wholly-owned subsidiaries of RAM Energy, Inc. The lawsuit was filed as a class action on behalf of all royalty owners under leases owned by any of the defendants during the period Magic Circle or CFLP owned and operated the gathering system. The petition claims that additional royalties are due because Magic Circle and CFLP resold oil and gas purchased at the wellhead for an amount in excess of the price upon which royalty payments were based and paid no royalties on natural gas liquids extracted from the gas at plants downstream of the system. Other allegations include under-measurement of oil and gas at the wellhead by Magic Circle and CFLP, failure to pay royalties on take or pay settlement proceeds and failure to properly report deductions for post-production costs in accordance with Oklahoma's check stub law.

RAM Energy, Inc. and other defendants have filed answers in the lawsuit denying all material allegations set out in the petition. The Company believes that fair and proper accounting was made to the royalty owners for production from the subject leases and intends to vigorously defend the lawsuit. Plaintiffs have not specified an amount of claim, nor the time period covered. Management is unable to estimate a range of potential loss, if any, related to this lawsuit, and accordingly no amounts have been recorded in the consolidated financial statements. In the event the court should find RAM Energy, Inc. and its related defendants liable for damages in the lawsuit, a former joint venture partner is contractually obligated to pay a portion of any damages assessed against the defendant lessees up to a maximum contribution of approximately \$2.8 million.

The Company is also involved in legal proceedings and litigation in the ordinary course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's financial position or results of operations.

K DERIVATIVE CONTRACTS

During 2006, 2005, and 2004 the Company entered into numerous derivative contracts. The Company did not formally designate these transactions as hedges as required by SFAS No. 133 in order to receive hedge accounting treatment. Accordingly, all gains and losses on the derivative financial instruments during 2006, 2005, and 2004 have been recorded in the statements of operations.

At December 31, 2006 the Company had collars in place on 45,625 barrels of oil per month through 2007 and 28,967 barrels of oil per month through 2008. The 45,625 barrels per month in 2007 had a weighted average floor and ceiling of \$52.67 and \$73.24, respectively. The 28,967 barrels per month had a weighted average floor and ceiling of \$53.69 and \$86.08, respectively. For natural gas, the Company had collars in place on 116,250 Mmbtu per month through 2007 and 122,000 Mmbtu per month through 2008. The 116,250 Mmbtu per month in 2007 had a weighted average floor and ceiling of \$7.48 and \$11.58, respectively. The 122,000 Mmbtu per month in 2008 had a weighted average floor and ceiling of \$6.87 and \$13.53, respectively. The Company purchased call options on 122,000 Mmbtu per month of natural gas for seven months in 2007 at a weighted average floor price of \$12.00.

At December 31, 2005, the Company had collars in place on 45,625 barrels of oil per month through 2006 and 30,417 barrels of oil per month through 2007. The 45,625 barrels per month in 2006 had a weighted average floor and ceiling of \$42.51 and \$60.56, respectively. The 30,417 barrels per month in 2007 had a weighted average floor and ceiling of \$35.00 and \$69.74, respectively. For natural gas, the Company had collars in place on 159,583 Mmbtu per month through 2006 and 150,000 Mmbtu per month for the three months ending March 2007. The 159,583 Mmbtu per month in 2006 had a weighted average floor and ceiling of \$6.23 and \$8.86, respectively. The 150,000 Mmbtu per month for the three months ending March 2007 had a weighted average floor and ceiling of \$7.00 and \$11.95. The Company also had purchased put options on 7,604 barrels per month of crude oil through 2006 at a weighted average floor price of \$40.00. The Company purchased call options on 157,000 Mmbtu per month of natural gas for eight months in 2006 at a weighted average floor price of \$9.94.

At December 31, 2004 the Company had purchased put options on 37,958 barrels per month of crude oil through December 2005 with a floor price of \$40.00 per barrel. For natural gas the Company had purchased collars on 152,000 Mmbtu per month through October 2005; the weighted average floor price was \$5.65 per Mmbtu, and the weighted average ceiling price was \$7.84 per Mmbtu.

The Company measured the fair value of its derivatives at December 31, 2006, 2005 and 2004, based on quoted market prices. Accordingly, an asset of \$677,000, a liability of \$3,510,000, and an asset of \$1,627,000 were recorded in the consolidated balance sheets at December 31, 2006, 2005 and 2004, respectively.

L LIQUIDITY

As of December 31, 2006, the Company has an accumulated deficit of \$26,438,000 and a working capital deficit of \$2,468,000. Management believes that borrowings currently available to the Company under the Company's credit facilities (\$37 million available at December 31, 2006), the balance of unrestricted cash, and anticipated cash flows from operations will be sufficient to satisfy its currently expected capital expenditures, working capital, and debt service obligations for the foreseeable future. The actual amount and timing of future capital requirements may differ materially from estimates as a result of, among other things, changes in product pricing and regulatory, technological and competitive developments. Sources of additional financing may include commercial bank borrowings, vendor financing and the sale of oil and natural gas properties or equity or debt securities. Management cannot assure that any such financing will be available on acceptable terms or at all.

M RELATED PARTY TRANSACTIONS

Prior to being acquired by the Company, RAM Energy Inc. paid rent expense of approximately \$0, \$29,000, and \$66,000 relating to a condominium for one of the shareholders of the Company for the years ended December 31, 2006, 2005, and 2004, respectively.

Also, prior to being acquired by the Company, for the years ended December 31, 2006, 2005, and 2004 approximately \$104,000, \$499,000, and \$792,000, respectively, of expenses (excluding the rent payments discussed above) for the shareholders of RAM Energy, Inc. are included in general and administrative expenses in the consolidated statements of operations, some of which may be personal in nature.

In June 2005 the Company sold overriding royalty interests in certain properties located in Jack and Wise Counties, Texas for \$2.3 million to Bridgeport Royalties, LLC. Bridgeport Royalties, LLC is a related party of the Company, owned and operated by the owners and several officers and employees of the Company, in addition to outside counsel. No gain on the sale was recognized and the proceeds were applied to reduce the outstanding balance under the Company's revolving credit facility.

N DEFERRED COMPENSATION

On April 21, 2004 the Company adopted a Deferred Bonus Compensation Plan (the Plan) for senior management employees of the Company. The Plan is to provide additional compensation for significant business transactions with a portion of each bonus to be deferred to encourage retention of key employees. Determination of significant business transactions and terms of awards is made by a committee comprised of the shareholders of the Company.

During 2004 and 2005 three members of senior management were granted awards. Each award provides for a total cash compensation of \$75,000 and vests on each anniversary date for three years beginning on July 1, 2004 and July 1, 2005, respectively. Receipt of the award is contingent on the members being employed on the anniversary date. Should there be a change of control or involuntary termination, as defined in the award contract, each member will become fully vested in his award. Compensation expense is recorded on a straight-line basis. For the years ended December 31, 2006 and 2005, \$150,000 has been recorded each year as compensation expense in the consolidated statements of operations.

O SHARE-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The Company adopted the provisions of SFAS No. 123R, as required, effective January 1, 2006. At December 31, 2006, the Company had no outstanding options.

On May 8, 2006, the Company's stockholders approved its 2006 Long-Term Incentive Plan (the Plan). The Company reserved a maximum of 2,400,000 shares of its common stock for issuances under the Plan. The Company believes that the awards made under the Plan will better align the interests of its employees with those of its stockholders. The Plan includes a provision that, at the request of a grantee, the Company may repurchase shares to satisfy the grantee's federal and state income tax withholding requirements. All repurchased shares will be held by the Company as treasury stock. As of December 31, 2006, a maximum of 1,423,195 shares of common stock remained reserved for issuance upon the exercise of options that may be granted and pursuant to awards that may be made under the Plan.

The Company granted Incentive Stock Awards under the Plan as set forth in the following table. Each grant (except the grants made on May 8, 2006) vests in equal increments over a five-year period from the date of grant. The Incentive Stock Awards granted on May 8, 2006 vested in full on June 8, 2006. At the request of certain of the grantees, on June 8, 2006, the Company repurchased 98,100 of these shares included in such Awards at \$6.04

per share, the closing market price of the Company's common stock as of that date, to satisfy the requesting grantees' federal and state income tax withholding requirements. The repurchased shares were held by the Company as treasury stock at December 31, 2006.

Shares Granted			Shares Repurchased		
Date	Number	Closing Price	Date	Number	Closing Price
May 8, 2006	330,000	\$ 6.72	June 8, 2006	98,100	\$ 6.04
November 10, 2006	646,805	\$ 5.06			

A summary of the status of the non-vested shares as of December 31, 2006, and changes during the year ended December 31, 2006, is presented below:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at May 8, 2006		\$
Granted	976,805	\$ 5.62
Vested	330,000	\$ 6.72
Forfeited		\$
Nonvested at December 31, 2006	646,805	\$ 5.06

As of December 31, 2006, the Company had \$3.2 million of unrecognized compensation cost related to non-vested, share-based compensation related to awards granted under the Plan. That cost is expected to be recognized over a weighted-average period of 4.1 years. The aggregate fair market value of shares that vested during the year ended December 31, 2006 was \$2.3 million.

P SUBSEQUENT EVENT

On February 13, 2007, the Company completed a public offering in which it issued 7,500,000 shares of its common stock, priced at \$4.00 per share. Net proceeds of the offering were \$27.4 million and will be used to provide additional working capital for general corporate purposes, including acquisition, development, exploitation and exploration of oil and natural gas properties, and reduction of indebtedness.

Q SUPPLEMENTARY OIL AND NATURAL GAS RESERVE INFORMATION (UNAUDITED)

The Company has interests in oil and natural gas properties that are principally located in Texas, Louisiana, Oklahoma, and New Mexico. The Company does not own or lease any oil and natural gas properties outside the United States of America.

The Company retains independent engineering firms to provide year-end estimates of the Company's future net recoverable oil, natural gas and natural gas liquids reserves. Estimated proved net recoverable reserves as shown below include only those quantities that can be expected to be commercially recoverable at prices and costs in effect at the balance sheet dates under existing regulatory practices and with conventional equipment and operating methods.

Proved developed reserves represent only those reserves expected to be recovered through existing wells. Proved undeveloped reserves include those reserves expected to be recovered from new wells on undrilled acreage or from existing wells on which a relatively major expenditure is required for re-completion.

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Capitalized costs relating to oil and natural gas producing activities and related accumulated depreciation and amortization at December 31 are summarized as follows (in thousands):

	2006	2005	2004
Proved oil and natural gas properties	\$ 185,284	\$ 160,704	\$ 146,598
Accumulated depreciation and amortization	(45,203)	(32,602)	(20,074)
	\$ 140,081	\$ 128,102	\$ 126,524

Costs incurred in oil and natural gas producing activities for the years ended December 31 are as follows (in thousands, except per equivalent oil barrel):

	2006	2005	2004
Acquisition of proved properties	\$ 4,476	\$ 155	\$ 97,243
Acquisition of unproved properties	705		
Proceeds from sale of unproved properties	(3,565)		
Development costs	18,475	11,864	5,173
Exploration costs	2,766	1,507	727
Exploration in progress	1,723		
Sale of producing properties		(2,471)	(16,881)
Additional asset retirement obligation		3,051	
	\$ 24,580	\$ 14,106	\$ 86,262

Amortization rate per equivalent oil barrel \$ 9.78 \$ 8.93 \$ 5.64

Net quantities of proved and proved developed reserves of oil and natural gas, including condensate and natural gas liquids, are summarized as follows:

	Crude Oil (Thousand Barrels)	Natural Gas (Million Cubic Feet)	Natural Gas Liquids (Thousand Barrels)
December 31, 2003	2,322	34,567	
Extensions and discoveries	17	3,015	
Sales of reserves in place	(1,319)	(4,890)	
Purchases of reserves in place	9,482	10,013	2,092
Revisions of previous estimates	343	(2,582)	7
Production	(178)	(1,928)	(12)
December 31, 2004	10,667	38,195	2,087
Extensions and discoveries	5	1,297	
Sales of reserves in place	(25)	(1,305)	
Purchases of reserves in place			
Revisions of previous estimates	1,339	(1,272)	(26)
Production	(787)	(2,681)	(170)
December 31, 2005	11,199	34,234	1,891
Extensions and discoveries	2,087	2,622	2
Sales of reserves in place			
Purchases of reserves in place	126	1,928	
Revisions of previous estimates	(1,864)	(3,220)	373
Production	(752)	(2,365)	(143)

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December 31, 2006	10,796	33,199	2,123
Proved developed reserves:			
December 31, 2004	6,198	31,048	1,611
December 31, 2005	7,337	26,752	1,396
December 31, 2006	6,954	26,888	1,671

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The following is a summary of a standardized measure of discounted net cash flows related to the Company's proved oil and natural gas reserves. For these calculations, estimated future cash flows from estimated future production of proved reserves were computed using oil and natural gas prices as of the end of the period presented. Future development and production costs attributable to the proved reserves were estimated assuming that existing conditions would continue over the economic lives of the individual leases and costs were not escalated for the future. Estimated future income tax expenses were calculated by applying future statutory tax rates (based on the current tax law adjusted for permanent differences and tax credits) to the estimated future pretax net cash flows related to proved oil and natural gas reserves, less the tax basis of the properties involved.

The Company cautions against using this data to determine the fair value of its oil and natural gas properties. To obtain the best estimate of fair value of the oil and natural gas properties, forecasts of future economic conditions, varying discount rates, and consideration of other than proved reserves would have to be incorporated into the calculation. In addition, there are significant uncertainties inherent in estimating quantities of proved reserves and in projecting rates of production that impair the usefulness of the data.

The standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves at December 31 are summarized as follows (in thousands):

	2006	2005	2004
Future cash inflows	\$ 894,626	\$ 1,037,337	\$ 711,781
Future production costs	(356,961)	(336,008)	(247,314)
Future development costs	(48,605)	(45,271)	(36,495)
Future income tax expenses	(158,602)	(219,640)	(136,669)
Future net cash flows	330,458	436,418	291,303
10% annual discount for estimated timing of cash flows	(150,717)	(209,758)	(129,983)
Standardized measure of discounted future net cash flows	\$ 179,741	\$ 226,660	\$ 161,320

The following are the principal sources of change in the standardized measure of discounted future net cash flows of the Company for each of the three years in the period ended December 31 (in thousands):

	2006	2005	2004
Standardized measure of discounted future net cash flows at beginning of year	\$ 226,660	\$ 161,320	\$ 67,715
Changes during the year:			
Sales and transfers of oil and natural gas produced, net of production costs	(46,272)	(46,823)	(13,112)
Net changes in prices and production costs	(97,697)	133,301	(5,758)
Extensions and discoveries, less related costs	30,560	2,311	9,337
Development costs incurred and revisions	(3,333)	(8,777)	4,691
Sales of reserves in place		(2,551)	(21,507)
Purchases of reserves in place	4,476		152,083
Revisions of previous quantity estimates	2,107	8,219	(4,560)
Net change in income taxes	28,690	(43,960)	(38,026)
Accretion of discount	34,550	23,620	10,457
Net change	(46,919)	65,340	93,605
Standardized measure of discounted future net cash flows at end of year	\$ 179,741	\$ 226,660	\$ 161,320

Prices used in computing these calculations of future cash flows from estimated future production of proved reserves were \$58.74, \$58.63, and \$40.25 per barrel of oil at December 31, 2006, 2005, and 2004, respectively,

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\$5.51, \$9.14, and \$6.02 per thousand cubic feet of natural gas at December 31, 2006, 2005, and 2004, respectively and \$36.51, \$35.89 and \$27.56 per barrel of natural gas liquids at December 31, 2006, 2005, and 2004, respectively.

R Supplementary Data

Selected Quarterly Financial Data (unaudited)

RAM Energy Resources, Inc.

	December 31,	2006 - Quarter Ended			March 31, (Restated)
		September 30,	June 30, (Restated)	September 30, (Restated)	
(\$ in thousands except per share data)					
Net revenue	\$ 15,620	\$ 22,187	\$ 13,975	\$ 18,462	
Net operating expenses	12,255	11,084	13,230	10,421	
Operating income (loss)	3,365	11,103	745	8,041	
Interest expense	(3,837)	(3,906)	(5,778)	(3,529)	
Interest income	71	129	82	27	
Income before income taxes	(401)	7,326	(4,951)	4,539	
Income tax provision (benefit)	(1,459)	3,081	(1,882)	1,725	
Net income (loss)	\$ 1,058	\$ 4,245	\$ (3,069)	\$ 2,814	
Basic net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.10)	\$ 0.11	
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.10)	\$ 0.11	
	December 31, (Restated)	2005 - Quarter Ended			March 31, (Restated)
		September 30, (Restated)	June 30, (Restated)	September 30, (Restated)	
(\$ in thousands except per share data)					
Net revenue	\$ 22,889	\$ 5,975	\$ 11,768	\$ 14,767	
Net operating expenses	11,883	10,671	9,400	9,557	
Operating income (loss)	11,006	(4,696)	2,368	5,210	
Interest expense	(3,845)	(3,145)	(2,851)	(2,773)	
Interest income	34	19	13	9	
Income before income taxes	7,195	(7,822)	(470)	2,446	
Income tax provision (benefit)	3,028	(2,972)	(179)	929	
Net income (loss)	\$ 4,167	\$ (4,850)	\$ (291)	\$ 1,517	
Basic net income (loss) applicable to common stockholders per common share	\$ 0.16	\$ (0.18)	\$ (0.01)	\$ 0.06	
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.16	\$ (0.18)	\$ (0.01)	\$ 0.06	

S Restatement

The accompanying consolidated financial statements for the years ended December 31, 2006, 2005 and 2004 have been restated as described below.

1) *Recalculation of weighted average shares outstanding and earnings per share.*

The stockholders of RAM Energy, Inc. received 25,600,000 shares of Tremis common stock and \$30 million in cash upon consummation of a merger on May 8, 2006. The Company has accounted for the merger as a reverse acquisition, treated as a recapitalization of RAM Energy, Inc. However, the Company's statements of stockholders' deficit originally reflected the historical shares held by the Tremis shareholders, rather than the shares issued in the merger with RAM Energy, Inc., the accounting acquirer. Accounting for a reverse merger requires that the past share activity of the entity gaining control be recast using the exchange ratio to reflect the equivalent number of shares received in the acquisition, while also adjusting common stock and additional paid-in capital of any difference in par value of the stock. Accordingly, the Company has restated the shares outstanding and earnings per share.

Changes to earnings per share are summarized in the table below:

	Years ended December 31,		
	2006	2005	2004
Net Income	\$ 5,048,000	\$ 543,000	\$ 6,076,000
AS ORIGINALLY REPORTED:			
Weighted average shares - basic	24,347,607	7,700,000	5,739,057
Dilutive effect of unvested stock grants	92,148		
Dilutive effect of warrants	1,218,956		
Weighted average shares - diluted	25,658,711	7,700,000	5,739,057
Basic earnings per share	\$ 0.21	\$ 0.07	\$ 1.06
Diluted earnings per share	\$ 0.20	\$ 0.07	\$ 1.06
AS RESTATED:			
Weighted average shares - basic	30,808,065	26,492,286	29,706,104
Dilutive effect of unvested stock grants	78,864		
Dilutive effect of warrants	1,218,956		
Weighted average shares - diluted	32,105,885	26,492,286	29,706,104
Basic earnings per share	\$ 0.16	\$ 0.02	\$ 0.20
Diluted earnings per share	\$ 0.16	\$ 0.02	\$ 0.20

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Changes to quarterly information are summarized in the table below:

	December 31,	2006 - Quarter Ended		March 31,
		September 30,	June 30,	
AS ORIGINALLY REPORTED:				
Basic net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.13)	\$ 1,238.01
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.13)	\$ 1,195.41

	December 31,	2005 - Quarter Ended		March 31,
		September 30,	June 30,	
Basic net income (loss) applicable to common stockholders per common share	\$ 0.54	\$ (0.63)	\$ (0.04)	\$ 667.40
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.54	\$ (0.63)	\$ (0.04)	\$ 644.44

	December 31,	2006 - Quarter Ended		March 31,
		September 30,	June 30,	
AS RESTATED:				
Basic net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.10)	\$ 0.11
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.03	\$ 0.13	\$ (0.10)	\$ 0.11

	December 31,	2005 - Quarter Ended		March 31,
		September 30,	June 30,	
Basic net income (loss) applicable to common stockholders per common share	\$ 0.16	\$ (0.18)	\$ (0.01)	\$ 0.06
Diluted net income (loss) applicable to common stockholders per common share	\$ 0.16	\$ (0.18)	\$ (0.01)	\$ 0.06

2) *Recalculation of shares issued at December 31, 2006.*

Shares issued at December 31, 2006, as disclosed in the balance sheet and in the consolidated statement of stockholders deficit were restated to include 646,805 restricted shares issued and granted on November 1, 2006, but not vested. This change does not have any effect on earnings or earnings per share.

The change to shares issued at December 31, 2006 is summarized below:

AS ORIGINALLY REPORTED	33,630,000
Restricted shares issued November 1, 2006	646,805
AS RESTATED	34,276,805

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) The following consolidated financial statements of RAM Energy Resources, Inc. are included in Item 8:

RAM Energy Resources, Inc.

Report of Independent Registered Public Accounting Firm	15
Consolidated Balance Sheets as of December 31, 2006 and 2005	16
Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004	17
Consolidated Statements of Stockholders Deficit for the years ended December 31, 2006, 2005 and 2004	18
Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004	19
Notes to Consolidated Financial Statements	21

All other schedules have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or notes thereto.

(a) (3) Exhibits

The following exhibits are filed as a part of this report:

Exhibit	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	(1) [3.1]
3.2	Amended and Restated Bylaws of the Registrant.	(1) [3.2]
4.1	Specimen Unit Certificate.	(1) [4.1]
4.2	Specimen Common Stock Certificate.	(1) [4.2]
4.3	Specimen Warrant Certificate.	(1) [4.3]
4.4	Form of Unit Purchase Option granted to EarlyBirdCapital, Inc.	(2) [4.4]
4.5	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant.	(2) [4.5]
4.6	Indenture dated as of February 24, 1998 among RAM Energy, Inc., the Subsidiary Guarantors named therein, and United States Trust Company of New York, Trustee.	(7) [4.1]
4.6.1	Supplemental Indenture dated February 24, 1998 among RAM Energy, Inc., the Subsidiary Guarantors named therein, and United States Trust Company of New York, Trustee.	(8) [4.6.1]
4.6.2	Second Supplemental Indenture dated as of November 22, 2002 among RAM Energy, Inc., the Subsidiary Guarantors and The Bank of New York, Successor to United States Trust Company of New York, as trustee.	(8) [4.6.2]
4.6.3	Third Supplemental Indenture dated as of April 29, 2004 among RAM Energy, Inc., the Subsidiary Guarantors and The Bank of New York, Successor to United States Trust Company of New York, as trustee.	(8) [4.6.3]
4.6.4	Fourth Supplemental Indenture dated as of December 17, 2004 among RAM Energy, Inc., The Bank of New York, Successor to United States Trust Company of New York, as trustee, RWG Energy, Inc., WG Operating, Inc., WG Royalty Company, Wise County Construction Company, LLC, and WG Pipeline LLC, as Additional Subsidiary Guarantors.	(8) [4.6.4]
10.1	Form of Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders.	(2) [10.6]
10.2	Form of Registration Rights Agreement among the Registrant and the Initial Stockholders.	(2) [10.9]