

SANDRIDGE ENERGY INC  
Form 8-K  
April 02, 2012  
[Table of Contents](#)

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

**FORM 8-K**

**CURRENT REPORT**

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

**Date of Report (Date of earliest event reported): April 2, 2012**

**SANDRIDGE ENERGY, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction)

1-33784  
(Commission)

20-8084793  
(I.R.S. Employer)

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(State of incorporation)

(File Number)

(Identification No.)

**123 Robert S. Kerr Avenue**

**Oklahoma City, Oklahoma**  
(Address of principal executive offices)

**73102**  
(Zip Code)

**Registrant's telephone number, including area code: (405) 429-5500**

**Not Applicable**

**Former name or former address, if changed since last report**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

**Table of Contents**

**Item 7.01 Regulation FD Disclosure.**

As previously reported, on February 1, 2012, SandRidge Energy, Inc. (the Company) and Dynamic Offshore Holding, LP (the Seller) entered into an Equity Purchase Agreement (the Equity Purchase Agreement), pursuant to which the Company will acquire 100% of the outstanding equity interests of Dynamic Offshore Resources, LLC, a Delaware limited liability company and wholly owned subsidiary of Seller (Dynamic). The Equity Purchase Agreement provides that, at the closing, the Company will pay to the Seller 73,961,554 shares of Company common stock and \$681,828,337 in cash. Consummation of the transaction is subject to customary conditions, including the absence of any material adverse effect relating to Dynamic. The Company anticipates that the closing will occur during the quarter ended June 30, 2012.

This Current Report on Form 8-K is being furnished to provide additional information about the Company and Dynamic. It includes Dynamic's audited historical financial statements for the three years ended December 31, 2011, as well as audited historical financial statements for the two years ended December 31, 2010 of certain oil and natural gas interests in the Gulf of Mexico (the XTO Properties) that Dynamic acquired in 2011 from Exxon Mobil Corporation, and Dynamic's unaudited pro forma condensed statement of operations for the year ended December 31, 2011 showing the effects of Dynamic's acquisition of the XTO Properties. See Index to Financial Statements. Unless otherwise specifically stated, the information included in this Current Report on Form 8-K does not include information related to our pending acquisition of Dynamic.

Dynamic is an oil and natural gas exploration, development and production company with operations in the Gulf of Mexico. As of December 31, 2011, Dynamic's estimated net proved reserves were 62.5 MMBoe, of which 51% was oil and 81% were proved developed, with an associated PV-10 of approximately \$1.895 billion, based on SEC pricing of \$96.19 per Bbl for oil and \$4.118 per MMBtu for natural gas. During February 2012, Dynamic's properties had aggregate average net daily production of approximately 25,500 Boe per day. The oil and gas reserve estimates for Dynamic are based on a December 31, 2011 reserve report prepared by Netherland, Sewell & Associates, Inc., an independent petroleum engineer.

As of December 31, 2011, Dynamic had interests in approximately 295 net productive wells and over 217 offshore oil and gas leases in federal and state waters of the Gulf of Mexico, representing approximately 731,600 gross (423,500 net) acres. Dynamic's properties are predominantly located in water depths of less than 300 feet. In addition, Dynamic owns a 49% interest in and operates the deepwater Bullwinkle field and associated platform, located in approximately 1,350 feet of water. Similar to Dynamic's shallow water properties, the Bullwinkle field produces from a fixed-leg platform utilizing surface wellheads and blowout preventers and, consequently, is not subject to recent regulations instituted for deepwater drilling.

Pro forma financial information showing our results of operations and financial condition as of and for the year ended December 31, 2011 on a pro forma basis giving effect to the Dynamic acquisition is not yet available. We plan to file such unaudited pro forma financial information by mid-April. We expect that, on a pro forma basis, the Dynamic acquisition will be accretive to our cash flows from operations and that pro forma EBITDA for the year ended December 31, 2011 will approximate the combined amounts of our pro forma EBITDA and Dynamic's pro forma EBITDAX for that period. In

**Table of Contents**

preparing such unaudited pro forma financial information, we will make a number of adjustments to Dynamic's historical financial results to reflect the acquisition and its effects. These adjustments are expected to include, but not be limited to, the following:

The unaudited pro forma balance sheet will reflect adjustments to the historical book values of Dynamic's assets and liabilities as of December 31, 2011 to their estimated fair values, in accordance with acquisition accounting. The fair value of Dynamic's oil and natural gas properties will be estimated using a discounted cash flow model, with future cash flows estimated based upon oil and gas reserve quantities and forward strip oil and natural gas prices. Any difference between the value of consideration given and the fair market value of net assets acquired and liabilities assumed will be reflected as either goodwill (excess consideration given over fair value of net assets acquired and liabilities assumed) or a bargain purchase gain (excess fair value of net assets acquired and liabilities assumed over consideration given).

Liabilities assumed upon our acquisition of Dynamic will include asset retirement obligations associated with Dynamic's oil and natural gas properties. Asset retirement obligations represent estimates of costs to plug, abandon and remediate oil and natural gas properties at the end of their productive lives, in accordance with applicable state laws. Retirement obligations associated with Dynamic's properties are higher than those associated with our properties due to the offshore location of Dynamic's operations.

Because we use the full cost method of accounting for costs related to oil and natural gas properties and Dynamic uses the successful efforts method of accounting, we will need to adjust various line items in Dynamic's historical statement of operations to present such statements as if the full cost method of accounting had been used throughout the periods presented. As a result, we expect that certain operating costs of Dynamic that were charged to expense, such as unsuccessful exploration drilling costs, geological and geophysical costs, delay rental on leases, and abandonment costs, will not be deducted in the calculation of pro forma combined net income or loss.

The pro forma financial statements will reflect the issuance of additional long-term debt and the associated pro forma additional interest expense related to the application of proceeds to fund the cash portion of the Dynamic purchase price. Pro forma financial information, including Dynamic's pro forma EBITDAX for the year ended December 31, 2011, is necessarily illustrative only and does not purport to present what our results of operations and financial condition would have been had the Dynamic acquisition actually occurred on or before December 31, 2011.

**Table of Contents**

**SUMMARY HISTORICAL CONSOLIDATED AND PRO FORMA FINANCIAL DATA**

**Summary Historical Consolidated and Pro Forma Condensed Financial Data SandRidge**

The following table presents our summary historical consolidated financial data and summary unaudited pro forma condensed statement of operations data for the periods shown. The summary historical consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 has been derived from our audited consolidated financial statements for those dates and periods. The following summary historical financial data should be read in conjunction with Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and related notes thereto included in our 2011 Annual Report on Form 10-K, as amended. The summary unaudited pro forma condensed statement of operations data for the year ended December 31, 2011 have been derived from our unaudited pro forma condensed financial statements included in a Current Report on Form 8-K, which is being filed on the date hereof. The summary unaudited pro forma condensed statement of operations data does not give effect to the Dynamic acquisition. You should read the following summary unaudited pro forma statement of operations data in conjunction with the complete unaudited pro forma condensed financial statements and the related notes thereto.

The summary unaudited pro forma condensed statement of operations data reflects our historical results for the year ended December 31, 2011 adjusted on a pro forma basis to give effect to (i) our proposed conveyance of royalty interests in certain oil and natural gas properties located in northern Oklahoma and southern Kansas to the SandRidge Mississippian Trust II (the Trust) in connection with the Trust's initial public offering, (ii) the sale of certain producing properties located in eastern Texas in November 2011 and (iii) our conveyance of royalty interests in certain oil and natural gas properties located in Andrews County, Texas to SandRidge Permian Trust in August 2011. The summary unaudited pro forma condensed financial information also adjusts our historical results to give effect to final adjustments recorded in 2011 with respect to our July 2010 acquisition of Arena Resources, Inc., as if they had occurred prior to 2011. We refer to the transactions giving rise to the pro forma adjustments collectively as the SandRidge Transactions. The summary unaudited pro forma condensed financial information does not include our receipt of the proceeds of the Trust's public offering, which we will receive as consideration for the conveyance of royalty interests to the Trust.

The summary unaudited pro forma condensed statement of operations data have been presented for illustrative purposes only and do not purport to present what our results of operations and financial condition would have been had these transactions actually occurred on the relevant dates, nor do they project our results of operations for any future period or our financial condition at any future date. We therefore caution you not to place undue reliance on the following summary unaudited pro forma statement of operations data.

**Table of Contents**

	Pro Forma 2011	Historical Years Ended December 31, 2011      2010 (in thousands)		2009
<b>Statement of Operations Data:<sup>(1)</sup></b>				
Revenues	\$ 1,375,678	\$ 1,415,213	\$ 931,736	\$ 591,044
Expenses:				
Production	309,367	322,877	237,863	169,880
Production taxes	44,850	46,069	29,170	4,010
Drilling and services	65,654	65,654	22,368	28,380
Midstream and marketing	66,007	66,007	90,149	80,608
Depreciation and depletion oil and natural gas	320,674	326,614	275,335	176,027
Depreciation and amortization other	53,630	53,630	50,776	50,865
Impairment	2,825	2,825		1,707,150
General and administrative	150,143	148,643	179,565	100,256
(Gain) loss on derivative contracts	(44,075)	(44,075)	50,872	(147,527)
(Gain) loss on sale of assets	(2,044)	(2,044)	2,424	26,419
Total expenses	967,031	986,200	938,522	2,196,068
Income (loss) from operations	408,647	429,013	(6,786)	(1,605,024)
Other income (expense):				
Interest income	240	240	296	375
Interest expense	(234,440)	(237,572)	(247,738)	(185,691)
Loss on extinguishment of debt	(38,232)	(38,232)		
Income from equity investments				1,020
Other income, net	970	3,122	2,558	7,272
Total other expense	(271,462)	(272,442)	(244,884)	(177,024)
Income (loss) before income taxes	137,185	156,571	(251,670)	(1,782,048)
Income tax expense (benefit)	377	(5,817)	(446,680)	(8,716)
Net income (loss)	\$ 136,808	\$ 162,388	\$ 195,010	\$ (1,773,332)
Less: net income attributable to noncontrolling interest	95,336	54,323	4,445	2,258
Net income (loss) attributable to SandRidge Energy, Inc.	\$ 41,472	\$ 108,065	\$ 190,565	\$ (1,775,590)

(1) SandRidge historical and pro forma information was prepared using the full cost method of accounting.

	As of December 31, 2011      2010 (in thousands)	
<b>Balance Sheet Data (as of the end of the period):</b>		
Cash and cash equivalents	\$ 207,681	\$ 5,863
Property, plant and equipment, net	\$ 5,389,424	\$ 4,733,865
Total assets	\$ 6,219,609	\$ 5,231,448
Total debt	\$ 2,814,176	\$ 2,909,086
Total equity	\$ 2,548,950	\$ 1,547,483
Total liabilities and equity	\$ 6,219,609	\$ 5,231,448

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	Years Ended December 31,		
	2011	2010	2009
(in thousands)			
<b>Cash Flow Data:</b>			
Net cash provided by operating activities	\$ 475,485	\$ 390,128	\$ 311,559
Net cash used in investing activities	\$ (918,860)	\$ (962,753)	\$ (1,247,059)
Net cash provided by financing activities	\$ 645,193	\$ 570,627	\$ 942,725
<b>Other Financial Data:</b>			
EBITDA <sup>(a)</sup>	\$ 726,310	\$ 309,339	\$ (1,371,277)
Pro forma EBITDA <sup>(b)</sup>	\$ 656,839	n/a	n/a

- (a) EBITDA is a non-GAAP financial measure. We define EBITDA as net income (loss) before income tax expense (benefit), interest expense and depreciation, depletion and amortization.

**Table of Contents**

EBITDA is a supplemental financial measure used by our management and securities analysts, investors, lenders, rating agencies and others who follow the industry as an indicator of our ability to internally fund exploration and development activities and to service or incur additional debt. EBITDA allows us to compare our operating performance and return on capital with those of other companies without regard to financing methods and capital structure. EBITDA should not be considered in isolation or as a substitute for net income, operating income or any other measure of financial performance prepared in accordance with generally accepted accounting principles. EBITDA excludes some, but not all, items that affect net income and operating income and we may define EBITDA differently than other companies. Therefore, our EBITDA may not be comparable to similarly titled measures used by other companies.

- (b) Pro forma EBITDA adjusts 2011 historical EBITDA to give effect to the SandRidge Transactions. Pro forma EBITDA is calculated in the same manner as EBITDA, as described in note (a) to this table. Pro forma EBITDA is presented to reflect the SandRidge Transactions effect on our 2011 operating performance.

**Reconciliation of Net Income (Loss) to EBITDA**

	Pro	Historical		
	Forma <sup>(1)</sup>	Years Ended December 31,		
	2011	2011	2010	2009
	(in thousands)			
<b>Net income (loss)</b>	\$ 41,472	\$ 108,065	\$ 190,565	\$ (1,775,590)
Adjusted for:				
Income tax expense (benefit)	377	(5,817)	(446,680)	(8,716)
Interest expense <sup>(2)</sup>	240,686	243,818	239,343	186,137
Depreciation and amortization other	53,630	53,630	50,776	50,865
Depreciation and depletion oil and natural gas	320,674	326,614	275,335	176,027
<b>EBITDA</b>	\$ 656,839	\$ 726,310	\$ 309,339	\$ (1,371,277)

- (1) This column consists of a reconciliation of net income to EBITDA, with all amounts calculated on a pro forma basis to give effect to the SandRidge Transactions.
- (2) Excludes unrealized (gain) loss on interest rate swaps of (\$6.2) million, \$8.4 million and (\$0.4) million for the years ended December 31, 2011, 2010 and 2009, respectively.



**Table of Contents****Summary Historical Consolidated and Pro Forma Condensed Financial Information Dynamic**

The following table presents Dynamic's summary audited historical consolidated financial data for the periods shown, as well as summary unaudited pro forma condensed statement of operations data for the year ended December 31, 2011 showing the effects of Dynamic's acquisition of the XTO Properties. The summary consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 has been derived from Dynamic's audited consolidated financial statements, which are attached hereto, for those dates and periods. The summary unaudited pro forma condensed statement of operations data for the year ended December 31, 2011 have been derived from Dynamic's unaudited pro forma condensed statements of operations for such period, which are also attached hereto. You should read the following summary financial data in conjunction with Dynamic's audited historical consolidated financial statements and related notes thereto and Dynamic's unaudited pro forma condensed statements of operations and related notes thereto.

The summary unaudited pro forma condensed statement of operations data have been presented for illustrative purposes only and do not purport to present what Dynamic's results of operations and financial condition would have been had these transactions actually occurred on the relevant dates, nor do they project our results of operations for any future period or our financial condition at any future date. We therefore caution you not to place undue reliance on the following summary unaudited pro forma condensed statement of operations data.

	Pro Forma	Historical Years Ended December 31,		
	2011	2011	2010	2009
		(in thousands)		
<b>Statement of Operations Data:<sup>(1)</sup></b>				
Revenues	\$ 616,420	\$ 520,782	\$ 358,627	\$ 181,009
Expenses:				
Lease operating expense	133,094	113,487	89,399	60,618
Exploration expense	15,085	15,085	2,100	8,999
Depreciation, depletion and amortization	203,457	173,585	195,122	88,573
General and administrative expense	24,400	24,400	22,547	24,481
Other operating expense	84,124	77,505	73,047	51,142