

SANDRIDGE ENERGY INC  
Form 10-Q  
May 07, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2012

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: 001-33784

**SANDRIDGE ENERGY, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)  
**123 Robert S. Kerr Avenue**  
**Oklahoma City, Oklahoma**  
(Address of principal executive offices)  
**20-8084793**  
(I.R.S. Employer  
Identification No.)  
**73102**  
(Zip Code)  
**Registrant's telephone number, including area code:**  
**(405) 429-5500**

**Former name, former address and former fiscal year, if changed since last report: Not applicable**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the registrant's common stock, par value \$0.001 per share, as of the close of business on April 30, 2012, was 489,429,991.

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**SANDRIDGE ENERGY, INC.**

**FORM 10-Q**

**Quarter Ended March 31, 2012**

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**DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q ( Quarterly Report ) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These statements express a belief, expectation or intention and generally are accompanied by words that convey projected future events or outcomes. These forward-looking statements may include projections and estimates concerning capital expenditures, the Company s liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, elements of the Company s business strategy, effects of the acquisition of Dynamic Offshore Resources, LLC ( Dynamic ) on the Company s financial condition and financial results and other statements concerning the Company s operations, economic performance and financial condition. Forward-looking statements are generally accompanied by words such as estimate, assume, target, project, predict, believe, expect, anticipate, potential, plan, goal, should, intend or other words that convey the uncertainty of future events or outcomes. The Company has based these forward-looking statements on its current expectations and assumptions about future events. These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors the Company believes are appropriate under the circumstances. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on the Company s business or operations. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. The forward-looking statements in this respect speak only as of the date hereof. The Company disclaims any obligation to update or revise any forward-looking statements, unless required by law, and it cautions readers not to rely on them unduly. While the Company s management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties relating to, among other matters, the risks discussed in Risk Factors in Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the

2011  
Form 10-K ).

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**SANDRIDGE ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

	March 31, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 127,842	\$ 207,681
Accounts receivable, net	240,636	206,336
Derivative contracts	7,526	4,066
Inventories	9,491	6,903
Costs in excess of billings	1,621	
Other current assets	32,324	16,854
<b>Total current assets</b>	<b>419,440</b>	<b>441,840</b>
Oil and natural gas properties, using full cost method of accounting		
Proved	9,159,518	8,969,296
Unproved	748,953	689,393
Less: accumulated depreciation, depletion and impairment	(4,874,325)	(4,791,534)
	5,034,146	4,867,155
Other property, plant and equipment, net	576,668	522,269
Restricted deposits	27,904	27,912
Derivative contracts	1,109	26,415
Goodwill	235,396	235,396
Other assets	83,436	98,622
<b>Total assets</b>	<b>\$ 6,378,099</b>	<b>\$ 6,219,609</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Current maturities of long-term debt	\$ 1,070	\$ 1,051
Accounts payable and accrued expenses	601,785	506,784
Billings and estimated contract loss in excess of costs incurred	34,310	43,320
Derivative contracts	97,462	115,435
Asset retirement obligation	32,906	32,906
<b>Total current liabilities</b>	<b>767,533</b>	<b>699,496</b>
Long-term debt	2,813,484	2,813,125
Derivative contracts	292,110	49,695
Asset retirement obligation	100,126	95,210
Other long-term obligations	13,787	13,133

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Total liabilities	3,987,040	3,670,659
Commitments and contingencies (Note 11)		
Equity		
SandRidge Energy, Inc. stockholders' equity		
Preferred stock, \$0.001 par value, 50,000 shares authorized		
8.5% Convertible perpetual preferred stock; 2,650 shares issued and outstanding at March 31, 2012 and December 31, 2011; aggregate liquidation preference of \$265,000	3	3
6.0% Convertible perpetual preferred stock; 2,000 shares issued and outstanding at March 31, 2012 and December 31, 2011; aggregate liquidation preference of \$200,000	2	2
7.0% Convertible perpetual preferred stock; 3,000 shares issued and outstanding at March 31, 2012 and December 31, 2011; aggregate liquidation preference of \$300,000	3	3
Common stock, \$0.001 par value, 800,000 shares authorized; 416,478 issued and 415,544 outstanding at March 31, 2012 and 412,827 issued and 411,953 outstanding at December 31, 2011	401	399
Additional paid-in capital	4,632,544	4,568,856
Treasury stock, at cost	(6,617)	(6,158)
Accumulated deficit	(3,169,153)	(2,937,094)
Total SandRidge Energy, Inc. stockholders' equity	1,457,183	1,626,011
Noncontrolling interest	933,876	922,939
Total equity	2,391,059	2,548,950
Total liabilities and equity	\$ 6,378,099	\$ 6,219,609

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

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**SANDRIDGE ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	Three Months Ended March 31, 2012                      2011 (Unaudited)	
<b>Revenues</b>		
Oil and natural gas	\$ 341,365	\$ 266,942
Drilling and services	29,309	21,034
Midstream and marketing	8,306	22,258
Other	2,655	2,614
<b>Total revenues</b>	<b>381,635</b>	<b>312,848</b>
<b>Expenses</b>		
Production	83,310	73,957
Production taxes	12,254	10,575
Drilling and services	17,560	15,041
Midstream and marketing	7,954	22,283
Depreciation and depletion    oil and natural gas	87,066	71,460
Depreciation and amortization    other	14,513	13,093
Accretion of asset retirement obligation	2,607	2,426
General and administrative	50,301	34,414
Loss on derivative contracts	254,646	277,628
Loss (gain) on sale of assets	3,080	(201)
<b>Total expenses</b>	<b>533,291</b>	<b>520,676</b>
<b>Loss from operations</b>	<b>(151,656)</b>	<b>(207,828)</b>
<b>Other income (expense)</b>		
Interest expense	(66,965)	(59,438)
Loss on extinguishment of debt		(36,181)
Other income, net	2,468	1,197
<b>Total other expense</b>	<b>(64,497)</b>	<b>(94,422)</b>
<b>Loss before income taxes</b>	<b>(216,153)</b>	<b>(302,250)</b>
Income tax expense	71	88
<b>Net loss</b>	<b>(216,224)</b>	<b>(302,338)</b>
Less: net income attributable to noncontrolling interest	1,954	6
<b>Net loss attributable to SandRidge Energy, Inc.</b>	<b>(218,178)</b>	<b>(302,344)</b>
Preferred stock dividends	13,881	13,940
<b>Loss applicable to SandRidge Energy, Inc. common stockholders</b>	<b>\$ (232,059)</b>	<b>\$ (316,284)</b>

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Loss per share			
Basic	\$	(0.58)	\$ (0.79)
Diluted	\$	(0.58)	\$ (0.79)
Weighted average number of common shares outstanding			
Basic		400,597	398,251
Diluted		400,597	398,251

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



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**SANDRIDGE ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In thousands)

	SandRidge Energy, Inc. Stockholders								
	Convertible Perpetual Preferred Stock		Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount	(Unaudited)				
<b>Three months ended March 31, 2011</b>									
Balance, December 31, 2010	7,650	\$ 8	406,360	\$ 398	\$ 4,528,912	\$ (3,547)	\$ (2,989,576)	\$ 11,288	\$ 1,547,483 &n