SANDRIDGE ENERGY INC
Form S-1/A
April 05, 2012

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As filed with the Securities and Exchange Commission on April 4, 2012

Registration No. 333-178894

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REGISTRATION STATEMENT

UNDER
THE SECURITIES ACT OF 1933

Amendment No. 4
to
FORM S-1

SandRidge Mississippian Trust II
(Exact name of co-registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

1311
(Primary Standard Industrial Classification Code Number)

30-0709968
(I.R.S. Employer Identification No.)

919 Congress Avenue, Suite 500
Austin, Texas 78701
(512) 236-6599
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael J. Ulrich
The Bank of New York Mellon Trust Company, N.A.
919 Congress Avenue, Suite 500
Austin, Texas 78701
(512) 236-6599
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Amendment No. 4
to
FORM S-3

SandRidge Energy, Inc.
(Exact name of co-registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

1311
(Primary Standard Industrial Classification Code Number)

20-8084793
(I.R.S. Employer Identification No.)

123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102
(405) 429-5500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Tom L. Ward
Chairman and Chief Executive Officer
SandRidge Energy, Inc.
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102
(405) 429-5500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Philip T. Warman, Esq. SandRidge Energy, Inc. 123 Robert S. Kerr Avenue Oklahoma City, Oklahoma 73102 (405) 429-5500	**David H. Engvall, Esq.** Covington & Burling LLP 1201 Pennsylvania Avenue, N.W. Washington, D.C. 20004 (202) 662-6000	**David P. Oelman, Esq.** **Matthew R. Pacey, Esq.** Vinson & Elkins L.L.P. First City Tower 1001 Fannin Street, Suite 2500 Houston, Texas 77002-6760 (713) 758-2222

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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. (Check one):

SandRidge Mississippian Trust II

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

SandRidge Energy, Inc.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Common Units representing Beneficial Interests in SandRidge Mississippian Trust II	$627,900,000	$71,957.34

(1) Includes common units issuable upon exercise of the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o).

(3) $69,189.75 of this amount has been previously paid.

The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with

Section 8(a) of the Securities Act, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and no solicitation of offers to buy these securities in any state where the offer or sale is not permitted will be made.

PROSPECTUS (Subject to Completion)
Issued April 4, 2012

26,000,000 Common Units

SandRidge Mississippian Trust II

Representing Beneficial Interests

This is an initial public offering of common units representing beneficial interests in SandRidge Mississippian Trust II. The trust is selling all of the units offered hereby. SandRidge Energy, Inc. ("SandRidge") will convey to the trust certain royalty interests in exchange for the net proceeds of this offering and common and subordinated units collectively representing a 47.7% beneficial interest in the trust (without giving effect to the exercise of the underwriters' over-allotment option). SandRidge anticipates that the initial public offering price will be between $19.00 and $21.00 per common unit.

The common units representing beneficial interests have been approved for listing on the New York Stock Exchange under the symbol "SDR."

The Trust Units. ***Trust units, consisting of common and subordinated units, are units representing beneficial interests in the trust and represent undivided beneficial interests in the property of the trust. They do not represent any interest in SandRidge.***

The Trust. ***The trust will own overriding royalty interests in certain of SandRidge's properties in the Mississippian formation in northern Oklahoma and southern Kansas. These royalty interests will entitle the trust to receive, after the deduction of certain costs, (a) 80% of the proceeds attributable to SandRidge's net revenue interest in the sale of production from 67 producing wells and (b) 70% of the proceeds attributable to SandRidge's net revenue interest in the sale of production from 206 development wells to be drilled within an area of mutual interest consisting of approximately 81,200 gross acres (53,000 net acres) held by SandRidge. The trust will not be responsible for any costs related to the operation of the producing wells or the drilling or operation of the development wells. The trust will be treated as a partnership for U.S. federal income tax purposes.***

The Trust Unitholders. ***As a trust unitholder, you will receive quarterly distributions of cash from the proceeds that the trust receives from SandRidge's sale of oil and natural gas subject to the royalty interests to be held by the trust. The distributions will also reflect hedges entered into pursuant to a derivatives agreement between the trust and SandRidge, as well as hedges entered into by the trust directly with unaffiliated hedge counterparties. For information on target distributions and related matters pertinent to trust unitholders, please see "Target Distributions and Subordination and Incentive Thresholds."***

Investing in the common units involves risks. See "Risk Factors" beginning on page 20.

These risks include the following:

- ***Drilling for and producing oil and natural gas involves many risks that could delay the anticipated drilling schedule for the development wells to be drilled by SandRidge, which could adversely affect future production and decrease cash distributions to unitholders.***

- ***Oil and natural gas price fluctuations could reduce proceeds to the trust and cash distributions to unitholders.***

- ***Actual reserves and future production may be less than current estimates.***

Estimates of target distributions to unitholders are based on assumptions that are inherently subjective and are subject to significant risks and uncertainties.

The hedging arrangements will cover only a portion of the expected production attributable to the trust, and such arrangements will limit the trust's ability to benefit from commodity price increases for hedged volumes above the corresponding hedge price.

If the trust were treated as a corporation for U.S. federal income tax purposes, then its cash available for distribution to unitholders would be substantially reduced.

If the IRS contests the tax positions the trust takes, the value of the trust units may be adversely affected, the cost of any IRS contest will reduce the trust's cash available for distribution and income, gain, loss and deduction may be reallocated among trust unitholders.

The tax treatment of an investment in trust units could be affected by potential legislative changes, possibly on a retroactive basis.

PRICE $ A COMMON UNIT

	Price to Public	***Underwriting Discounts and Commissions(1)***	***Proceeds to Trust(2)***
Per Common Unit	*$*	*$*	*$*
Total	*$*	*$*	*$*

(1) *Excludes a structuring fee equal to .5% of the gross proceeds of this offering, or approximately $ million, payable to Morgan Stanley & Co. LLC and Raymond James & Associates, Inc.*

(2) *The trust will deliver all of the proceeds it receives in this offering to one or more SandRidge subsidiaries. See "Use of Proceeds."*

The trust has granted the underwriters the right to purchase up to an additional 3,900,000 common units to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the common units to purchasers on , 2012.

MORGAN STANLEY *RAYMOND JAMES* *BofA MERRILL LYNCH*
CITIGROUP *RBC CAPITAL MARKETS*
UBS Investment Bank *Oppenheimer & Co.* *Wunderlich Securities*
Sanders Morris Harris Inc. *Stifel Nicolaus Weisel* *Johnson Rice & Company L.L.C.*

, 2012

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus or in any free writing prospectus the trust may authorize to be delivered to you. Until , 2012 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in the common units, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

The trust and SandRidge have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell or a solicitation of an offer to buy the common units in any jurisdiction where such offer and sale would be unlawful. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this document. The trust's and SandRidge's business, financial condition, results of operations and prospects may have changed since such date.

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SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus. To understand this offering fully, you should read the entire prospectus carefully, including the risk factors and the financial statements and notes to those statements. Definitions for terms relating to the oil and natural gas business can be found in "Glossary of Certain Oil and Natural Gas Terms and Terms Related to the Trust." Netherland, Sewell & Associates, Inc., referred to in this prospectus as "Netherland Sewell," an independent engineering firm, provided the estimates of proved and probable oil and natural gas reserves as of December 31, 2011 included in this prospectus. These estimates are contained in summaries prepared by Netherland Sewell of its reserve reports for (1) the oil and natural gas properties held by SandRidge from which the royalty interests will be conveyed to the trust (the "Underlying Properties"), dated January 2, 2012, and (2) the royalty interests to be held by the trust, dated January 3, 2012. These summaries are included as Annex A to this prospectus and are referred to in this prospectus as the "reserve report."

References to "SandRidge" in this prospectus are to SandRidge Energy, Inc. and, where the context requires, one or more of its subsidiaries. The royalty interests to be conveyed to the trust are sometimes referred to as the "trust properties."

Unless otherwise indicated, all information in this prospectus assumes an initial public offering price of $20.00 per common unit and no exercise of the underwriters' over-allotment option.

SandRidge Mississippian Trust II

SandRidge Mississippian Trust II is a Delaware statutory trust formed in December 2011 to own (a) overriding royalty interests to be conveyed to the trust by SandRidge in 67 producing horizontal wells, including 13 wells currently awaiting completion (the "Producing Wells"), in the Mississippian formation in northern Oklahoma and southern Kansas, and (b) overriding royalty interests in 206 horizontal development wells (calculated as described under " The Development Wells") to be drilled in the Mississippian formation (the "Development Wells") on properties within an Area of Mutual Interest (the "AMI"). The AMI, which is limited to the Mississippian formation and consists of approximately 81,200 gross acres (53,000 net acres) held by SandRidge, is depicted by the area identified on the inside front cover of this prospectus. The top of the Mississippian formation is encountered at depths between approximately 4,000 feet and 7,000 feet and lies stratigraphically between the Pennsylvanian-aged Morrow formation and the Devonian-aged Woodford Shale formation. SandRidge intends to drill, or cause to be drilled, the Development Wells in the AMI by December 31, 2015 and is obligated to complete such drilling by December 31, 2016. Until SandRidge has satisfied its drilling obligation to the trust, it will not be permitted to drill and complete any wells for its own account within the AMI. See "The Trust Development Agreement and Drilling Support Lien Additional Provisions."

The royalty interests will be conveyed from SandRidge's interest in the Producing Wells and the Development Wells effective as of January 1, 2012. The royalty interest in the Producing Wells (the "PDP Royalty Interest") entitles the trust to receive 80% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of production of oil and natural gas attributable to SandRidge's net revenue interest in the Producing Wells. The royalty interest in the Development Wells (the "Development Royalty Interest") entitles the trust to receive 70% of the proceeds (exclusive of any production or development costs but after deducting post-production costs and any applicable taxes) from the sale of oil and natural gas production attributable to SandRidge's net revenue interest in the Development Wells.

As of December 31, 2011, the total proved reserves estimated to be attributable to the trust were 26.1 million barrels of oil equivalent ("MMBoe"). This amount includes 10.2 MMBoe attributable to the PDP Royalty Interest and 15.9 MMBoe attributable to the Development Royalty Interest. The proved reserves consist of 46.8% oil and 53.2% natural gas. In addition, as of December 31, 2011, there were 9.8 MMBoe of probable reserves estimated to be attributable to the trust, all of which were attributable to the Development Royalty Interest. The probable reserves consist of 46.9% oil and 53.1% natural gas. Please see "The Underlying Properties Oil and Natural Gas Reserves" and "The Underlying Properties The Reserve Report" for information about the estimated reserves attributable to the trust.

The percentage of production proceeds to be received by the trust with respect to a well will equal the product of (a) the percentage of proceeds to which the trust is entitled under the terms of the conveyances (80% for the Producing Wells and 70% for the Development Wells) multiplied by (b) SandRidge's net revenue interest in the well. SandRidge on average owns a 53.6% net revenue interest in the Producing Wells. Therefore, the trust will have an average 42.9% net revenue interest in the Producing Wells. SandRidge on average owns a 47.4% net revenue interest in the properties in the AMI on which it expects to drill the Development Wells, and based on this net revenue interest, the trust would have an average 33.2% net revenue interest in the Development Wells. SandRidge's actual net revenue interest in any particular Producing Well or Development Well may differ from these averages.

The trust will not be responsible for any costs related to the drilling of the Development Wells or any other operating and capital costs, except for certain taxes and other post-production costs. The trust's cash receipts in respect of the trust properties will be determined after deducting post-production costs and any applicable taxes associated with the PDP Royalty Interest and the Development Royalty Interest. Post-production costs and applicable taxes will generally consist of production and severance taxes and costs incurred to gather, store, compress, transport, process, treat, dehydrate and market the oil and natural gas produced. However, the trust will not be responsible for costs of marketing services provided by SandRidge. Cash distributions to unitholders will reflect hedging arrangements, as well as trust general and administrative expenses.

Hedging arrangements covering a portion of expected production will be implemented in two ways. First, SandRidge will enter into a derivatives agreement with the trust to provide the trust with the economic effect of specified hedge contracts entered into between SandRidge and unaffiliated counterparties. Under the derivatives agreement, SandRidge will pay the trust amounts it receives from its hedge counterparties, and the trust will pay SandRidge any amounts that SandRidge is required to pay such counterparties. Second, the trust will enter into hedge contracts directly with unaffiliated hedge counterparties. As a party to these contracts, the trust will receive payments directly from its counterparties, and be required to pay any amounts owed directly to its counterparties. Under the combined hedging arrangements, approximately 42% of the expected production and 69% of the expected revenues upon which the target distributions are based from April 1, 2012 through December 31, 2014 will be hedged. Under the derivatives agreement, as Development Wells are drilled, SandRidge will have the right to novate to the trust any of the SandRidge-provided hedges in certain circumstances. Please see "The Trust Hedging Arrangements" and "Target Distributions and Subordination and Incentive Thresholds."

The trust will make quarterly cash distributions of substantially all of its cash receipts, after deducting the trust's administrative expenses, on or about 60 days following the completion of each quarter through (and including) the quarter ending December 31, 2031. The first distribution, which will cover the first quarter of 2012 (consisting of proceeds attributable to two months of production due to the timing of payment of production proceeds to the trust), is expected to be made on or about May 30, 2012 to record unitholders as of May 15, 2012. The trustee intends to withhold $1.0 million from the first distribution to establish a cash reserve available for trust administrative expenses.

The PDP Royalty Interest and the Development Royalty Interest will each consist of two separate royalty interests conveyed by SandRidge to the trust: (a) a term overriding royalty interest for a period of 20 years commencing on January 1, 2012 and ending on December 31, 2031 (the "Term Royalties") and (b) an overriding royalty interest in all oil and natural gas that may be produced from the subject properties (the "Perpetual Royalties"). The trust will dissolve and begin to liquidate on December 31, 2031 (such date is referred to as the "Termination Date") and will soon thereafter wind up its affairs and terminate. At the Termination Date, the Term Royalties will revert automatically to SandRidge. Following the Termination Date, the Perpetual Royalties will be sold by the trust, and the net proceeds of the sale, as well as any remaining trust cash reserves, will be distributed to the unitholders pro rata. SandRidge will have a right of first refusal to purchase the Perpetual Royalties from the trust following the Termination Date.

SandRidge will retain 20% of the proceeds from the sale of oil and natural gas attributable to its net revenue interest in the Producing Wells, as well as 30% of the proceeds from the sale of future production attributable to its net revenue interest in the Development Wells. SandRidge initially will own 47.7% of the trust units (without giving effect to the exercise of the underwriters' over-allotment option). By virtue of SandRidge's retained interest in the Producing Wells and the Development Wells, as well as its ownership of 47.7% of the trust units, it will have an effective average net revenue interest of 31.2% in the Producing Wells and 30.1% in the Development Wells, compared with an effective average net revenue interest for the holders of trust units other than SandRidge of 22.4% in the Producing Wells and 17.4% in the Development Wells.

SandRidge operates 79% of the Producing Wells and expects to operate approximately 67% of the Development Wells during the subordination period described herein. In addition, for those wells it operates, SandRidge has agreed to operate the properties and cause to be marketed oil and natural gas produced from these properties in the same manner it would if such properties were not burdened by the royalty interests.

The business and affairs of the trust will be managed by The Bank of New York Mellon Trust Company, N.A., as trustee. However, the trustee will have no ability to manage or influence the operation of the Underlying Properties. SandRidge expects to operate substantially all of the Underlying Properties, but will have no ability to manage or influence the management of the trust except through its limited voting rights as a holder of trust units and its limited ability to manage the hedging program. Please see "The Trust Hedging Arrangements," "The Trust Administrative Services Agreement" and "Description of the Trust Units Voting Rights of Trust Unitholders."

The principal offices of the trust are located at 919 Congress Avenue, Suite 500, Austin, Texas 78701, and its telephone number is (512) 236-6599.

The Development Wells

Pursuant to a development agreement with the trust, SandRidge intends to drill, or cause to be drilled, 206 Development Wells in the AMI by December 31, 2015 and is obligated to complete such drilling by December 31, 2016. SandRidge will be credited for drilling one full Development Well if the perforated length of the well bore (or the length of the well bore that is otherwise made ready to commence stimulation, which is also referred to in this prospectus as the "perforated length") is between 3,500 feet and 4,500 feet and SandRidge's net revenue interest in the well is equal to 47.4%. For wells with a perforated length of less than 3,500 feet, SandRidge will receive credit in the proportion that the well's perforated length bears to 3,500 feet, and for wells with a perforated length of more than 4,500 feet, SandRidge will receive credit in the proportion that the well's perforated length bears to 4,500 feet. For wells in which SandRidge has a net revenue interest greater than or less than 47.4%, SandRidge will receive credit for such well in the proportion that its net revenue interest in the well bears to 47.4%. As a result, SandRidge may be required to drill more or less than 206 wells in order to fulfill its drilling obligation. See "The Trust Development Agreement and Drilling Support Lien."

Under the development agreement, SandRidge is required to adhere to a reasonably prudent operator standard, which requires that it act with respect to the Underlying Properties as it would act with respect to its own properties, disregarding the existence of the royalty interests as burdens affecting such property. Accordingly, SandRidge expects that the average perforated length of future well bores will be generally consistent with the perforated length of the completed Producing Wells and other Mississippian wells outside of the AMI that have been drilled and completed by SandRidge or for its account. However, due to the complexity of well completions and future developments in completion technologies, it may be appropriate in some instances to complete longer or shorter wells. The completed Producing Wells and 121 other Mississippian wells outside of the AMI that have been completed by SandRidge have an average perforated length of approximately 4,200 feet.

SandRidge Exploration and Production, LLC ("SandRidge E&P"), a wholly owned subsidiary of SandRidge, will grant to the trust a lien on its interests in the AMI (except the Producing Wells and any other wells that are already producing and not subject to the royalty interests) in order to secure the estimated amount of the drilling costs for the trust's interests in the Development Wells (the "Drilling Support Lien"). The amount obtained by the trust pursuant to the Drilling Support Lien may not exceed approximately $269.1 million. As SandRidge fulfills its drilling obligation over time, Development Wells that are completed or that are perforated (or made ready to commence stimulation) for completion and then plugged and abandoned will be released from the Drilling Support Lien. After SandRidge has drilled 103 Development Wells, the total dollar amount that may be recovered by the trust for any failure by SandRidge to fulfill its drilling obligation will be proportionately reduced as SandRidge completes the remaining Development Wells. After SandRidge has satisfied its drilling obligation under the development agreement, it may sell, without the consent or approval of the trust unitholders, all or any part of its interest in the Underlying Properties, as long as such sale is subject to and burdened by the royalty interests.

Underlying Properties

The Underlying Properties are located in Noble, Kay, Alfalfa, Grant and Woods counties in northern Oklahoma and Harper, Comanche, Sumner and Barber counties in southern Kansas in the Mississippian formation, which is an expansive carbonate hydrocarbon system located on the Anadarko Shelf. The top of the formation is encountered between 4,000 feet and 7,000 feet and lies stratigraphically between the Pennsylvanian-aged Morrow formation and the Devonian-aged Woodford Shale formation. The Mississippian formation can reach 1,000 feet in gross thickness and the targeted porosity zone is between 50 and 100 feet in thickness. The formation's geology is well understood as a result of the thousands of vertical wells drilled and produced there since the 1940s, including approximately 73 vertical wells drilled on the Underlying Properties, and over 500 horizontal wells drilled in the region in the Mississippian formation, as discussed below.

In 2007, the application of horizontal cased-hole drilling and multi-stage hydraulic fracturing treatments demonstrated the potential for extracting significant additional quantities of oil and natural gas from the formation. Since the beginning of 2009, there have been over 500 horizontal wells drilled in the Mississippian formation in northern Oklahoma and southern Kansas, including 272 drilled by SandRidge. From December 31, 2010 to December 31, 2011, the number of producing horizontal wells in the Mississippian formation in which SandRidge had an interest increased by 156 wells. As of December 31, 2011, there were approximately 43 horizontal rigs drilling in the formation, with 19 of those rigs drilling for SandRidge. While horizontal wells are more expensive than vertical wells, a horizontal well bore increases the production of hydrocarbons and adds significant recoverable reserves per well. In addition, one horizontal well is the effective equivalent of several vertical wells and, as a result, better returns on drilling investments may be achieved with horizontal drilling.

As of December 31, 2011, SandRidge had approximately 1.3 million net acres leased in the Mississippian formation in northern Oklahoma and Kansas.

Target Distributions and Subordination and Incentive Thresholds

SandRidge has calculated quarterly target levels for cash distributions to unitholders for the life of the trust as set forth on Annex B to this prospectus. The amount of actual quarterly distributions may fluctuate

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from quarter to quarter, depending on the proceeds received by the trust, payments under the hedge arrangements, the trust's administrative expenses and other factors. Annex B reflects that while target distributions initially increase as SandRidge completes its drilling obligation and production increases, over time target distributions decline as the rate of production decreases over the life of each well as a result of the depletion of the reserves in the Underlying Properties. The target distributions were derived by assuming that oil and natural gas production from the trust properties will equal the volumes reflected in the reserve report, adjusted for estimated volumes and prices realized in January, February and March 2012, and NYMEX settled prices for April 2012. The target distributions also assume that prices received for such production after April 2012 were based on monthly NYMEX forward pricing as of March 30, 2012 for the 32-month period ending December 31, 2014, and assume price increases after December 31, 2014 of 2.5% annually, capped at $120.00 per Bbl of oil and $7.00 per MMBtu of natural gas. Using these assumptions, the price of oil would reach the $120.00 per Bbl cap in June 2023, and the price of natural gas would not reach the $7.00 per MMBtu cap before the trust's termination. The target distributions also give effect to estimated post-production expenses and assumed trust general and administrative expenses. While these target distributions do not represent the actual distributions you will receive with respect to your common units, they were used to calculate the subordination and incentive thresholds described in more detail below. For a description of the significant assumptions used to prepare the target distributions, see "Target Distributions and Subordination and Incentive Thresholds Significant Assumptions Used to Calculate the Target Distributions."

In order to provide support for cash distributions on the common units, SandRidge has agreed to subordinate 12,431,250 of the trust units it will retain following this offering, which will constitute 25% of the total trust units outstanding. The subordinated units will be entitled to receive pro rata distributions from the trust each quarter if and to the extent there is sufficient cash to provide a cash distribution on the common units that is no less than the applicable quarterly subordination threshold. If there is not sufficient cash to fund such a distribution on all of the common units, the distribution to be made with respect to the subordinated units will be reduced or eliminated for such quarter in order to make a distribution, to the extent possible, of up to the subordination threshold amount on all the common units, including the common units held by SandRidge. Each quarterly subordination threshold is 20% below the target distribution level for the corresponding quarter (each, a "subordination threshold").

In exchange for agreeing to subordinate a majority of its trust units, and in order to provide additional financial incentive to SandRidge to satisfy its drilling obligation and perform operations on the Underlying Properties in an efficient and cost-effective manner, SandRidge will be entitled to receive incentive distributions equal to 50% of the amount by which the cash available for distribution on all of the trust units in any quarter is 20% greater than the target distribution for such quarter (each, an "incentive threshold"). The remaining 50% of cash available for distribution in excess of the incentive thresholds will be paid to trust unitholders, including SandRidge, on a pro rata basis.

By way of example, if the target distribution per unit for a particular quarterly period is $.50, then the subordination threshold would be $.40 and the incentive threshold would be $.60 for such quarter. This means that if the cash available for distribution to all holders for that quarter would result in a per unit distribution below $.40, the distribution to be made with respect to subordinated units will be reduced or eliminated in order to make a distribution, to the extent possible, up to the amount of the subordination threshold, on the common units. If, on the other hand, the cash available for distribution to all holders would result in a per unit distribution above $.60, then SandRidge would receive 50% of the amount by which the cash available for distribution on all the trust units exceeds $.60, with all trust unitholders (including SandRidge on a pro rata basis) sharing in the other 50% of such excess amount. See "Target Distributions and Subordination and Incentive Thresholds."

At the end of the fourth full calendar quarter following SandRidge's satisfaction of its drilling obligation with respect to the Development Wells, the subordinated units will automatically convert into common units on a one-for-one basis and SandRidge's right to receive incentive distributions will

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terminate. After such time, the common units will no longer have the protection of the subordination threshold, and all trust unitholders will share on a pro rata basis in the trust's distributions. SandRidge currently expects that it will complete its drilling obligation on or before December 31, 2015 and that, accordingly, the subordinated units will convert into common units on or before December 31, 2016. SandRidge is obligated to complete its drilling obligation by December 31, 2016, in which event the subordinated units would convert into common units on or before December 31, 2017. The period during which the subordinated units are outstanding is referred to as the "subordination period."

SandRidge's management has prepared the prospective financial information set forth below to present the target distributions to the holders of the trust units based on the estimates and assumptions described under "Target Distributions and Subordination and Incentive Thresholds." The accompanying prospective financial information was not prepared with a view toward complying with the guidelines of the U.S. Securities and Exchange Commission ("SEC") or the guidelines established by the American Institute of Certified Public Accountants with respect to preparation and presentation of prospective financial information. More specifically, such information omits items that are not relevant to the trust. SandRidge's management believes the prospective financial information was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the royalty interests. However, this information is based on estimates and judgments, and readers of this prospectus are cautioned not to place undue reliance on the prospective financial information.

The prospective financial information included in this prospectus has been prepared by, and is the responsibility of, SandRidge's management. PricewaterhouseCoopers LLP, the trust's and SandRidge's independent registered public accountant, has not examined, compiled or performed any procedures with respect to the accompanying prospective financial information and, accordingly, PricewaterhouseCoopers LLP expresses no opinion or any other form of assurance with respect thereto. The reports of PricewaterhouseCoopers LLP included in this prospectus relate to the Statement of Assets and Trust Corpus of the trust and the historical Statement of Revenues and Direct Operating Expenses of the Underlying Properties. The foregoing reports do not extend to the prospective financial information and should not be read to do so.

The following table sets forth the target distributions and subordination and incentive thresholds for each calendar quarter through the fourth quarter of 2017. The effective date of the conveyance of the royalty interests is January 1, 2012, which means that the trust will be credited with the proceeds of production attributable to the royalty interests from that date even though the trust properties will not be conveyed to the trust until the closing of this offering. Please see " Calculation of Target Distributions" below. The first distribution, which will cover the first quarter of 2012, is expected to be made on or about May 30, 2012 to record unitholders as of May 15, 2012. Due to the timing of the payment of production proceeds to the trust, the trust expects that the first distribution will include sales for oil and natural gas for two months. Thereafter, quarterly distributions will generally include royalties attributable to sales of oil and natural gas for three months, including one month of the prior quarter. The trustee intends to

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withhold $1.0 million from the first distribution to establish a cash reserve available for trust administrative expenses.

Period	Subordination Threshold(1)	Target Distribution	Incentive Threshold(1)
		(per unit)	
2012:			
First Quarter(2)	$ .21	$ .26	$.32
Second Quarter	.37	.46	.56
Third Quarter	.45	.56	.68
Fourth Quarter	.48	.60	.71
2013:			
First Quarter	.52	.65	.78
Second Quarter	.55	.69	.83
Third Quarter	.54	.67	.81
Fourth Quarter	.56	.71	.85
2014:			
First Quarter	.58	.72	.86
Second Quarter	.60	.74	.89
Third Quarter	.60	.75	.90
Fourth Quarter	.58	.72	.87
2015:			
First Quarter	.63	.79	.95
Second Quarter	.64	.81	.97
Third Quarter	.64	.80	.96
Fourth Quarter	.64	.80	.96
2016:			
First Quarter	.67	.84	1.00
Second Quarter	.64	.80	.96
Third Quarter	.58	.73	.87
Fourth Quarter	.54	.68	.81
2017:			
First Quarter	.51	.64	.77
Second Quarter	.48	.60	.73
Third Quarter	.46	.58	