

SANDRIDGE ENERGY INC

Form S-1/A

December 05, 2007

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As filed with the Securities and Exchange Commission on December 4, 2007
Registration No. 333-145386

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SandRidge Energy, Inc.
(Exact name of 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.)*

1601 N.W. Expressway, Suite 1600
Oklahoma City, Oklahoma 73118
(405) 753-5500
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Tom L. Ward
Chairman, Chief Executive Officer and President
1601 N.W. Expressway, Suite 1600
Oklahoma City, Oklahoma 73118
(405) 753-5500
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Vinson & Elkins L.L.P.
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Houston, Texas 77002
(713) 758-2222
Attn: T. Mark Kelly

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, please check the following box.

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.

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.

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.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant 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 of 1933 or until the Registration Statement shall become effective on such date as the 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. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 4, 2007

Prospectus

57,601,952 Shares

SandRidge Energy, Inc.

Common Stock

This prospectus relates to up to 57,601,952 shares of the common stock of SandRidge Energy, Inc., which may be offered for sale by the selling stockholders named in this prospectus. The shares of common stock offered by this prospectus were acquired by the selling stockholders, or are issuable upon conversion of securities acquired by the selling stockholders, in connection with our December 2005, November 2006 and March 2007 private placements. We are registering the offer and sale of the shares of common stock to satisfy registration rights we have granted.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Please read Plan of Distribution.

Our common stock is listed on the New York Stock Exchange under the symbol SD.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 13.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2007

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You should rely only on the information contained in this prospectus or to which we have referred you. We and the selling stockholders have not authorized anyone to provide you with different information. We and the selling stockholders are not making an offer of these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus is part of a shelf registration statement that we filed with the Securities and Exchange Commission (the SEC) for a continuous offering. Under this prospectus, the selling stockholders may, from time to time, sell the shares of our common stock described in this prospectus in one or more offerings. This prospectus may be supplemented from time to time to add, update or change information in this prospectus. Any statement contained in this prospectus will be deemed to be modified or superseded for the purposes of this prospectus to the extent that a statement contained in a prospectus supplement modifies such statement. Any statement so modified will be deemed to constitute a part of this prospectus only as so modified, and any statement so modified will be deemed to constitute a part of this prospectus.

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The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us, the selling stockholders and the shares of our common stock offered under this prospectus. The registration statement, including the exhibits, can be read on the SEC website or at the SEC offices mentioned under the heading **Where You Can Find More Information.**

Information contained in our website does not constitute part of this prospectus.

SandRidge Energy, Inc., our logo and other trademarks mentioned in this prospectus are the property of their respective owners.

This prospectus includes market share and industry data that we obtained from internal research, publicly available information and industry publications and surveys. Our internal research and forecasts are based upon management's understanding of industry conditions. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable.

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SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the heading Risk Factors and the consolidated and pro forma condensed combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. We have provided definitions for some of the natural gas and oil industry terms used in this prospectus in the Glossary of Natural Gas and Oil Terms on page A-1 of this prospectus. Natural gas equivalents are determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids. Unless otherwise noted, all natural gas amounts are net of CO₂ or have CO₂ levels within pipeline specifications.

On December 29, 2006, we merged with and into a newly formed Delaware corporation and changed our name from Riata Energy, Inc. to SandRidge Energy, Inc. The purpose of the merger was to change our jurisdiction of incorporation from Texas to Delaware. Except as otherwise indicated or required by the context, references in this prospectus to we, us, our, SandRidge, Riata, or the Company refer to the business of SandRidge Energy, Inc. subsidiaries after the merger and its predecessor, Riata Energy, Inc., and its subsidiaries prior to the merger.

Overview

SandRidge is a rapidly expanding independent natural gas and oil company concentrating in exploration, development and production activities. We are focused on expanding our continuing exploration and exploitation of our significant holdings in an area of West Texas that we refer to as the West Texas Overthrust, or WTO, a natural gas prone geological region where we have operated since 1986 that includes the Piñon Field and our South Sabino and Big Canyon prospects. We intend to add to our existing reserve and production base in this area by increasing our development drilling activities in the Piñon Field and our exploration program in other prospects that we have identified. As a result of our 2006 acquisitions, including the NEG acquisition, we have nearly tripled our net acreage position in the WTO since January 2006. We believe that we are the largest operator and producer in the WTO and have assembled the largest acreage position in the area. We also operate significant interests in the Cotton Valley Trend in East Texas, the Gulf Coast area, the Gulf of Mexico and the Piceance Basin of Colorado.

We have assembled an extensive natural gas and oil property base in which we have identified over 4,500 potential drilling locations including over 2,600 in the WTO. As of June 30, 2007, our proved reserves were 1,174.0 Bcfe, of which 82% were natural gas and 97.5% of which were prepared by independent petroleum engineers. We had 1,469 gross (1,040 net) producing wells, substantially all of which we operate. As of June 30, 2007, we had interests in approximately 959,958 gross (651,308 net) natural gas and oil leased acres. We had 30 rigs drilling in the WTO as of September 30, 2007.

We also operate businesses that are complementary to our primary exploration, development and production activities, which provides us with operational flexibility and an advantageous cost structure. We own a fleet of 32 drilling rigs, five of which are currently being retrofitted. In addition, we are party to a joint venture that owns an additional twelve rigs, eleven of which are currently operating. We own related oil field services businesses, gas gathering and treating facilities and a marketing business. We also capture and supply CO₂ to support our tertiary oil recovery projects undertaken by us or third-parties. These assets are primarily located in our primary operating area in West Texas.

We expanded our management team significantly in 2006. Tom L. Ward, the co-founder and former President and Chief Operating Officer of Chesapeake Energy Corporation (Chesapeake), purchased a significant ownership interest in us June 2006 and joined us as Chief Executive Officer and Chairman of the Board. During Mr. Ward's 17 year

tenure at Chesapeake, Chesapeake became one of the most active onshore drillers in the United States. From 1998 to 2005, Chesapeake drilled over 6,500 wells. Since Mr. Ward joined us, we have added eight new executive officers, substantially all of whom have experience at public

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exploration and production companies. We have also added key professionals in exploration, operations, land, accounting and finance.

In addition, we significantly increased our proved reserves and producing properties through the acquisition of NEG Oil and Gas LLC, or NEG, in November 2006. NEG owned core assets in the Val Verde and Permian Basins of West Texas, including overlapping or contiguous interests in the properties that we own in the WTO.

Our estimated capital expenditures for 2007 of approximately \$1,200 million include \$943 million allocated to exploration and development (including land and seismic acquisitions and our tertiary recovery operations), \$115 million allocated to drilling and oil field services and \$103 million allocated to midstream operations. Approximately \$704 million of our 2007 capital expenditures will be spent on our Piñon Field development and our exploratory projects in the WTO (including land and seismic acquisitions). Under this capital budget, we plan to drill approximately 296 gross (256 net) wells in 2007, including approximately 207 gross (177 net) wells in the WTO. The actual number of wells drilled and the amount of our 2007 capital expenditures will be dependent upon market conditions, availability of capital and drilling and production results. We have made capital expenditures of \$492.1 million in the first six months of 2007.

Our Strategy

Our primary objective is to achieve long-term growth and maximize stockholder value over multiple business cycles by pursuing the following strategies:

Grow Through Exploration and Aggressive Drilling and Development of Existing Acreage. We expect to generate long-term reserve and production growth by exploring and aggressively drilling and developing our large acreage position. Our primary exploration and development focus will be in the WTO, where we have identified over 2,600 potential drilling locations and had 30 rigs operating as of September 30, 2007.

Apply Technological Improvements to Our Exploration and Development Program. We intend to enhance our drilling success rate and completion efficiency with improved 3-D seismic acquisition and interpretation technologies, together with advanced drilling, completion and production methods that historically have not been widely used in the under-explored WTO.

Seek Opportunistic Acquisitions in Our Core Geographic Area. Since January 2006, through acquisitions and leasing activities, we have nearly tripled our net acreage position in the WTO. We intend to continue to seek other opportunities to optimize and enhance our exploratory acreage position in the WTO and other strategic areas.

Reduce Costs, Enhance Returns and Maintain Operating Flexibility by Controlling Drilling Rigs and Midstream Assets. Our rig fleet enables us to aggressively develop our own acreage while maintaining the flexibility of a third-party contract drilling business. By controlling our fleet of drilling rigs and gathering and treating assets, we believe we will be able to better control overall costs and maintain a high degree of operational flexibility.

Capture and Utilize CO₂ for Tertiary Oil Recovery. We intend to capitalize on our access to CO₂ reserves and CO₂ flooding expertise to pursue enhanced oil recovery in mature oil fields in West Texas. By utilizing this CO₂ in our own tertiary recovery projects, we expect to recover additional oil that would have otherwise been abandoned following traditional waterfloods.

Competitive Strengths

We have a number of strengths that we believe will help us successfully execute our strategies:

Large Asset Base with Substantial Drilling Inventory. Our producing properties are characterized by long-lived predominantly natural gas reserves with established production profiles. Our estimated proved reserves of 1,174.0 Bcfe as of June 30, 2007 had a proved reserves to production ratio of

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approximately 19 years. Our core area of operations in the WTO has expanded to 499,607 gross (404,397 net) acres as of June 30, 2007. We have identified over 2,600 potential drilling locations in the WTO and believe that we will be able to expand the number of drilling locations in the remainder of the WTO through exploratory drilling and our use of 3-D seismic technology.

Geographically Concentrated Exploration and Development Operations. We intend to focus our drilling and development operations in the near term on the WTO to fully exploit this unique geological region. This geographic concentration allows us to establish economies of scale in both drilling and production operations to achieve lower production costs and generate increased cash flows from our producing properties. We believe our concentrated acreage position will enable us to organically grow our reserves and production for the next several years.

Experienced Management Team Focused on Delivering Long-term Stockholder Value. During 2006, we significantly expanded our management team when Tom L. Ward, co-founder and former president of Chesapeake, purchased a significant interest in us and became our Chairman and Chief Executive Officer. We also hired a new chief financial officer, three additional executive vice presidents and other additional senior executives. Our management team, board of directors and employees own % of our capital stock on a fully-diluted basis as of , 2007, which we believe aligns their objectives with those of our stockholders.

High Degree of Operational Control. We operate over 95% of our production in the WTO, East Texas and the Gulf Coast area, which permits us to manage our operating costs and better control capital expenditures and the timing of development and exploitation activities.

Large Modern Fleet of Drilling Rigs. By controlling a large, modern and more efficient drilling fleet, we can develop our existing reserves and explore for new reserves on a more economic basis.

Our Businesses and Primary Operations**Exploration and Production**

We explore for, develop and produce natural gas and oil reserves, with a focus on increasing our reserves and production in the WTO. We operate substantially all of our wells in the WTO. We also have significant operated leasehold positions in the Cotton Valley Trend in East Texas and the Gulf Coast area, as well as other non-core operating areas.

The following table identifies certain information concerning our exploration and production business as of June 30, 2007 unless otherwise noted:

Area	Estimated Net Proved Reserves (Bcfe)	PV-10 (in millions)(1)	Daily Production (Mmcfe/d)(2)	Proved Reserves/ Production	Gross Acreage	Net Acreage	Number of Identified
							Potential Drilling Locations
WTO	648.3	\$ 1,190.9	68.2	26.0(3)	499,607	404,397	2,658
East Texas	156.3	310.2	26.8	16.0	48,606	32,557	566

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Gulf Coast	104.5	410.7	35.0	8.3	53,464	34,765	51
Other(4)	265.9	646.9	38.9	18.6	358,281	179,589	1,298(4)
Total	1,174.0	\$ 2,558.8	168.9	19.0	959,958	651,308(6)	4,573

(1) PV-10 generally differs from Standardized Measure of Discounted Net Cash Flows, or Standardized Measure, which is measured only at fiscal year end, because it does not include the effects of income taxes on future net revenues. For a reconciliation of PV-10 to Standardized Measure as of December 31, 2006, see Summary Historical Operating and Reserve Data. Our Standardized Measure was \$1,440.2 million at December 31, 2006.

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- (2) Represents average daily net production for the month of June 2007. Average daily net production for the month of September 2007 was 191.2 Mmcfe per day.
- (3) Our proved reserves to production ratio in the WTO is significantly higher than our other areas of operation because of the high volume of our proved undeveloped reserves in this area. We expect this ratio to decrease as our production in the WTO increases.
- (4) Includes our properties located offshore in the Gulf of Mexico, the Piceance Basin of Colorado, Other West Texas areas, including our tertiary oil recovery projects, and the Arkoma and Anadarko Basins and other non-strategic areas.
- (5) Includes 828 identified potential drilling locations in the Piceance Basin.
- (6) Our total net acreage as of September 30, 2007 was 763,031 acres.

West Texas Overthrust (WTO)

We have drilled and developed natural gas in the WTO since 1986. This area is located in Pecos and Terrell Counties in West Texas and provides for multi-pay exploration and development opportunities. The WTO has historically been largely under-explored due primarily to the remoteness and lack of infrastructure in the region, as well as historical limitations of conventional subsurface geological and geophysical methods. However, several fields including our prolific Piñon Field have been discovered. These fields have produced more than 250 Bcfe from less than 350 wells through June 30, 2007. We believe our access to and control of the necessary infrastructure combined with application of modern seismic techniques will allow us to identify further exploration and development opportunities in the WTO.

In May 2007, we began the first phase of 3-D seismic data acquisition in the WTO. This is the first of six phases planned over the next three years to acquire 1,300 square miles of 3-D seismic data in the WTO. We believe this 3-D seismic program may identify structural details of potential reservoirs, thus lowering the risk of exploratory drilling and improving completion efficiency. The first two phases of the seismic program will cover 360 square miles and should both be completed by the end of 2007.

We have aggressively acquired leasehold acreage in the WTO, nearly tripling our position since January 2006. As of June 30, 2007, we owned 499,607 gross (404,397 net) acres in the WTO, substantially all of which are along the leading edge of the WTO.

Piñon Field. The Piñon Field, located in Pecos County, is our most significant producing field, and accounts for 55% of our proved reserve base as of June 30, 2007, and approximately 75% of our 2007 exploration and development budget (including land and seismic acquisitions). The Piñon Field lies along the leading edge of the WTO.

As of June 30, 2007, our estimated proved natural gas and oil reserves in the Piñon Field were 648.3 Bcfe, 66% of which were proved undeveloped reserves. This field has produced approximately 200 Bcfe through June 30, 2007 and currently produces in excess of 110 gross Mmcfe per day.

Our interests in the Piñon Field included 331 producing wells as of June 30, 2007. We had an 84.3% average working interest in the producing area of Piñon Field and were running 30 drilling rigs in the Piñon Field as of June 30, 2007. We estimate that we will drill approximately 205 wells in the field during 2007, the majority of which will be development wells. As of June 30, 2007, we have identified 2,658 potential well locations in the Piñon Field, including 406 proved undeveloped drilling locations.

West Texas Overthrust Prospects. Through our exploratory drilling program, we have identified two prospect areas in the WTO, the South Sabino Prospect and the Big Canyon Prospect areas, on which we will drill exploratory wells in late 2007 or early 2008:

South Sabino Prospect Area. The South Sabino prospect area is located approximately twelve miles east of the Piñon Field. We have drilled two wells that appear to be on trend with the Piñon Field and are structurally higher against one of several thrust faults that make up the WTO. We began the first phase of our 3-D seismic program in this area in 2007 and may drill additional wells in late 2007 following the integration of this data and new subsurface well control.

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Big Canyon Prospect Area. Located approximately 20 miles east of the Piñon Field along the WTO, this prospect area represents potential opportunities for future development. We plan to conduct a 3-D seismic survey over the Big Canyon prospect area as part of Phase II of our 3-D seismic program in 2007. Exploratory wells may be planned in late 2007 and early 2008 to further evaluate both the Tesnus and the Caballos in a location structurally updip to the Big Canyon Ranch 106-1 well.

WTO Development Opportunities. The following table provides additional information concerning our development in the WTO:

Estimated Net PUD Reserves	Estimated Gross PUD Reserves	Gross PUD Drilling Locations(1)	Total Gross Drilling Locations (1)	Gross 2007 Drilling Locations	2007	2006	Rigs Working at 3Q 2007 End
					Capital Expenditures Budget (in millions)(2)	Year End Rigs Working	
431.1	675.2	406	2,658	207	\$ 537	9	30

(1) As of June 30, 2007.

(2) Excludes capital expenditures related to land and seismic acquisitions.

East Texas Cotton Valley Trend. We own significant interests in the natural gas bearing Cotton Valley Trend, which covers a portion of East Texas and Northern Louisiana. The production in this region is generally characterized as long-lived. We intend to target the tight sands reservoirs and plan to have five rigs running in this region during the remainder of 2007. As of June 30, 2007, East Texas accounted for 156.3 Bcfe of proved reserves, 566 potential drilling locations of which 49 are anticipated to be drilled in 2007, and approximately \$110 million of budgeted 2007 capital expenditures.

Gulf Coast Area. We own natural gas and oil interests in the Gulf Coast area, which encompasses the large coastal plain from the southernmost tip of Texas through the southern portion of Louisiana. Operations in this area are generally characterized as being comparatively higher risk and higher potential than in the other primary areas in which we operate, with successful wells typically having relatively higher initial production rates with steeper declines and shorter production lives. As of June 30, 2007, the Gulf Coast area accounted for 105.7 Bcfe of proved reserves, 51 potential drilling locations and approximately \$28 million of budgeted 2007 capital expenditures.

Other Exploration and Production Areas. We own significant natural gas and oil assets in the Gulf of Mexico and the Piceance Basin. Our Gulf of Mexico properties are located in bay and other shallow waters and produce a significant amount of natural gas and oil. Our acreage in the Piceance Basin of northwestern Colorado, a sedimentary basin in one of the country's most prolific natural gas producing regions, is substantially undeveloped. We intend to manage our investments in the Gulf of Mexico and the Piceance Basin area to maximize returns without increasing future capital expenditures significantly.

We also own natural gas and oil interests in West Texas other than the WTO, including our tertiary oil recovery operations. In addition, we own interests in properties in the Arkoma and Anadarko Basins and other non-strategic areas that are primarily operated by third-parties.

Drilling and Oil Field Services

We drill onshore for our own interests through our drilling and oil field services subsidiary, Lariat Services, Inc. (Lariat Services). We also drill wells for other natural gas and oil companies, primarily in West Texas. We own or operate a total of 38 operational rigs, including eleven operational rigs owned by Larclay, L.P. (Larclay), a joint venture with Clayton Williams Energy, Inc. (CWEI). We also own five rigs that are currently being retrofitted. Our rig fleet is designed to drill in our specific areas of operation in West Texas and the WTO. The rigs average in excess of 800 horsepower and have an average depth capacity greater than 10,500 feet.

Our oil field services divisions provide services that complement our exploration and production operations. These services include location and road construction, trucking, roustabout services, pulling units,

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coiled tubing units, rental tools and air drilling equipment. These services are primarily used for our own account, however, some of our service divisions also perform work for third parties. We also provide under-balanced drilling systems services for our own account.

Midstream Gas Services and Other Operations

To complement our exploration and production operations, particularly in the Piñon Field and surrounding areas, we provide gathering, compression, processing and treating services of natural gas. We have a 92.5% interest in and operate the Pike's Peak gas treatment plant in West Texas and a 50% interest in the partnership that leases and operates the Grey Ranch gas treatment plant located in the WTO. The Pike's Peak and Grey Ranch gas treatment plants have capacity of 58 Mmcf per day and 85 Mmcf per day of high CO₂ gas, respectively. These two gas treatment plants, along with two third-party plants in this area, serve as the primary source of CO₂ for our current and planned tertiary oil recovery operations. We also operate or own approximately 275 miles of West Texas natural gas gathering pipelines. At June 30, 2007 we operated or owned approximately 27,000 horsepower of gas compression.

In order to ensure sufficient capacity for our existing and future Piñon Field production, we plan to install an additional 26,000 horsepower of compression and approximately 40 miles of large diameter pipeline by the end of 2007.

Additionally, with our anticipated increase of high CO₂ gas production from the WTO over the next several years, we intend to build supplemental treating capacity, pipeline gathering infrastructure and compression facilities to accommodate our aggressive growth plans.

Our CO₂ gathering and tertiary oil recovery operations are conducted through our subsidiary, PetroSource Energy Company, L.P. (PetroSource). PetroSource is the sole gatherer of CO₂ from the four natural gas treatment plants located in the WTO. PetroSource owns 161 miles of CO₂ pipelines in West Texas with approximately 92,000 horsepower of owned and leased CO₂ compression. CO₂ injection has proven to be ideal in recovering additional oil that remains after traditional water flooding has been completed. We have interests in four current or potential CO₂ flood tertiary oil recovery projects in the West Texas region, the Wellman Unit, the George Allen Unit, the South Mallet Unit and the Jones Ranch area. We believe we have a competitive advantage in identifying, acquiring and developing these properties because of our strong expertise and available CO₂ supply.

Initial Public Offering

On November 9, 2007, we completed the initial public offering of our common stock. We sold 28,700,000 shares of our common stock, including 4,170,000 shares sold directly to an entity controlled by Tom L. Ward. The shares were sold at a price of \$26 per share. We received net proceeds of approximately \$705.4 million after deducting underwriting discounts of approximately \$38.3 million and estimated offering expenses of approximately \$2.5 million net. In conjunction with the offering, we granted the underwriters an option to purchase 3,679,500 additional shares of our common stock, which was exercised in full. After deducting underwriting discounts of approximately \$5.7 million, we received net proceeds of approximately \$89.9 million from these additional shares. The aggregate net proceeds of approximately \$795.3 million were utilized as follows (in millions):

Repayment of outstanding balance on senior credit facility	\$ 515.9
Repayment of note payable and accrued interest incurred in connection with recent acquisition	49.1
Excess cash to fund future capital expenditures	230.3
Total	\$ 795.3

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Risk Factors

Investing in our common stock involves risks, including, without limitation:

natural gas and oil prices are volatile, and a decline in natural gas and oil prices can significantly affect our financial results and impede our growth;

our estimated reserves are based on many assumptions that may turn out to be inaccurate, and any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves;

unless we replace our natural gas and oil reserves, our reserves and production will decline, which would adversely affect our business, financial condition and results of operations;

our potential drilling location inventories are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling;

the development of the proved undeveloped reserves in the WTO may take longer and may require higher levels of capital expenditures than we currently anticipate;

a significant portion of our operations are located in the WTO, making us vulnerable to risks associated with operating in one major geographic area;

we have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business; and

certain stockholders' shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly.

Our Offices

Our company was founded in 1984 and is incorporated in Delaware. Our principal executive offices are located at 1601 N.W. Expressway, Suite 1600, Oklahoma City, Oklahoma 73118, and our telephone number at that address is (405) 753-5500.

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The Offering

Common stock offered by the selling stockholders(1)	57,601,952 shares
Common stock outstanding(2)	141,845,601 shares
Common Stock to be outstanding assuming the conversion of our convertible preferred stock	164,121,472 shares
Dividend policy	We do not anticipate that we will pay cash dividends in the foreseeable future.
Use of Proceeds	We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.
New York Stock Exchange Symbol	SD

(1) See Selling Stockholders for information on the selling stockholders.

(2) As of November 30, 2007. The shares exclude 22,275,871 shares issuable upon conversion of our convertible preferred stock and the exercise of all warrants for convertible preferred stock.

Table of Contents**Summary Consolidated Historical and Pro Forma Combined Financial Data**

Set forth below is our summary consolidated historical and unaudited pro forma combined financial data for the periods indicated. The historical financial data for the periods ended December 31, 2004, 2005 and 2006 and the balance sheet data as of December 31, 2005 and 2006 have been derived from our audited financial statements. Our historical financial data as of September 30, 2007 and for the nine months ended September 30, 2006 and 2007 are derived from our unaudited financial statements and, in our opinion, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of this information. The pro forma financial data have been derived from our unaudited pro forma financial statements included in this prospectus, which give pro forma effect to the transactions described in

Unaudited Pro Forma Condensed Combined Financial Statements. You should read the following summary financial data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical and pro forma financial statements and related notes thereto appearing elsewhere in this prospectus.

	Historical			Pro Forma			
	Years Ended December 31,			Nine Months Ended		Nine Months	Year
	2004(1)	2005	2006	September 30,	2007	Ended	Ended
				September 30,		September 30, December 31,	December 31,
				2006	2007	2006	2006
	(In thousands)						
Statement of Operations Data:							
Revenues	\$ 175,995	\$ 287,693	\$ 388,242	\$ 263,177	\$ 461,775	\$ 439,557	\$ 565,256
Expenses:							
Production	10,230	16,195	35,149	21,625	77,707	64,009	84,895
Production taxes	2,497	3,158	4,654	2,579	12,328	2,579	9,770
Drilling and services	26,442	52,122	98,436	72,670	30,935	56,556	77,453
Midstream and marketing	96,180	141,372	115,076	85,525	61,191	44,307	66,848
Depreciation, depletion and amortization natural gas and crude oil	4,909	9,313	26,321	13,932	115,876	174,101	217,013
Depreciation, depletion and amortization other	7,765	14,893	29,305	22,106	36,545	22,106	29,701
General and administrative	6,554	11,908	55,634	32,024	45,781	38,126	67,629
Loss (gain) on derivative contracts	878	4,132	(12,291)	(16,176)	(55,228)	(107,039)	(111,998)
Loss (gain) on sale of assets	(210)	547	(1,023)	(849)	(1,704)	(851)	(1,023)

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Total expenses	155,245	253,640	351,261	233,436	323,431	293,894	440,288
Income from operations	20,750	34,053	36,981	29,741	138,344	145,663	124,968
Other income (expense):							
Interest income	56	206	1,109	448	4,201	5,236	5,984
Interest expense	(1,678)	(5,277)	(16,904)	(4,090)	(88,630)	(59,774)	(74,056)
Minority interest	(262)	(737)	(296)	(281)	(321)	(170)	(185)
Income (loss) from equity investments	(36)	(384)	967	40	3,399	40	967
Total other income (expense)	(1,920)	(6,192)	(15,124)	(3,883)	(81,351)	(54,668)	(67,290)
Income before income taxes	18,830	27,861	21,857	25,858	56,993	90,995	57,678
Income tax expense	6,433	9,968	6,236	6,931	21,002	33,668	21,341
Income from continuing operations	12,397	17,893	15,621	18,927	35,991	57,327	36,337
Income from discontinued operations, net of tax	451	229					
Extraordinary gain	12,544						
Net income	25,392	18,122	15,621	18,927	35,991	57,327	36,337
Preferred stock dividends and accretion			3,967		30,573	27,155	40,174
Income (loss) available (applicable) to common stockholders	\$ 25,392	\$ 18,122	\$ 11,654	\$ 18,927	\$ 5,418	\$ 30,172	\$ (3,837)

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	Historical					Pro Forma		
	Years Ended December 31,			Nine Months Ended		Nine Months	Year	
	2004(1)	2005	2006	September 30, 2006	2007	Ended September 30, 2006	Ended December 31, 2006	
	(In thousands except per share data)							
Earnings Per Share Information:								
Basic								
Income from continuing operations	\$ 0.22	\$ 0.31	\$ 0.21	\$ 0.26	\$ 0.35	\$ 0.47	\$ 0.30	
Income from discontinued operations, net of income tax	0.01	0.01						
Extraordinary gain on acquisition	0.22							
Preferred stock dividends			(0.05)		(0.30)	(0.22)	(0.33)	
Income (loss) per share available (applicable) to common stockholders	\$ 0.45	\$ 0.32	\$ 0.16	\$ 0.26	\$ 0.05	\$ 0.25	\$ (0.03)	
Weighted average number of shares outstanding(2):	56,312	56,559	73,727	71,692	102,562	122,429	122,426	
Diluted								
Income from continuing operations	\$ 0.22	\$ 0.31	\$ 0.21	\$ 0.26	\$ 0.35	\$ 0.47	\$ 0.30	
Income from discontinued operations, net of income tax	0.01	0.01						
Extraordinary gain on acquisition	0.22							
Preferred stock dividends			(0.05)		(0.30)	(0.22)	(0.33)	
Income (loss) per share available (applicable) to common stockholders	\$ 0.45	\$ 0.32	\$ 0.16	\$ 0.26	\$ 0.05	\$ 0.25	\$ (0.03)	

Weighted average number of outstanding shares(2):	56,312	56,737	74,664	72,633	103,778	123,370	123,363
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- (1) We recognized an extraordinary gain from the recognition of the excess of fair value over acquisition cost of \$12.5 million related to an acquisition we made in 2004.
- (2) The number of shares has been adjusted to reflect a 281.552-to-1 stock split in December 2005.

	Historical		
	At December 31, 2005	2006	At September 30, 2007
	(In thousands)		
Balance Sheet Data:			
Cash and cash equivalents	\$ 45,731	\$ 38,948	\$ 32,013
Property, plant and equipment, net	\$ 337,881	\$ 2,134,718	\$ 2,889,495
Total assets	\$ 458,683	\$ 2,388,384	\$ 3,170,456
Long-term debt	\$ 43,133	\$ 1,066,831	\$ 1,451,504
Redeemable convertible preferred stock	\$	\$ 439,643	\$ 450,356
Total stockholders equity	\$ 289,002	\$ 649,818	\$ 965,123
Total liabilities and stockholders equity	\$ 458,683	\$ 2,388,384	\$ 3,170,456

Table of Contents**Summary Historical Operating and Reserve Data**

The following historical estimates of net proved natural gas and oil reserves are based on reserve reports dated December 31, 2005 and 2006 and June 30, 2007, substantially all of which were prepared by our independent petroleum engineers. You should refer to Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Business Exploration and Production in evaluating the material presented below.

	At December 31, 2005	At December 31, 2006	At June 30, 2007
Estimated Proved Reserves(1)			
Natural Gas (Bcf)(2)	237.4	850.7	967.6
Oil (MmBbls)	10.4	25.2	34.4
Total (Bcfe)	300.0	1,001.8	1,174.0
PV-10 (in millions)	\$ 733.3(3)	\$ 1,734.3(3)	\$ 2,558.8(3)
Standardized Measure of Discounted Net Cash Flows (in millions)(4)	\$ 499.2	\$ 1,440.2	n/a(5)

- (1) Our estimated proved reserves and the future net revenues, PV-10, and Standardized Measure of Discounted Net Cash Flows were determined using end of the period prices for natural gas and oil that we realized as of December 31, 2005, December 31, 2006 and June 30, 2007, which were \$8.40 per Mcf of natural gas and \$54.04 per barrel of oil at December 31, 2005, \$5.64 per Mcf of natural gas and \$57.75 per barrel of oil at December 31, 2006 and \$6.70 per Mcf of natural gas and \$63.78 per barrel of oil at June 30, 2007.
- (2) Given the nature of our natural gas reserves, a significant amount of our production, primarily in the WTO, contains natural gas high in CO₂ content. These figures are net of volumes of CO₂ in excess of pipeline quality specifications.
- (3) PV-10 is a non-GAAP financial measure and represents the present value of estimated future cash inflows from proved natural gas and oil reserves, less future development and production costs, discounted at 10% per annum to reflect timing of future cash flows and using pricing assumptions in effect at the end of the period. PV-10 differs from Standardized Measure of Discounted Net Cash Flows because it does not include the effects of income taxes and other items on future net revenues. Neither PV-10 nor Standardized Measure represent an estimate of fair market value of our natural gas and oil properties. PV-10 is used by the industry and by our management as an arbitrary reserve asset value measure to compare against past reserve bases and the reserve bases of other business entities that are not dependent on the taxpaying status of the entity.

The following table provides a reconciliation of our Standardized Measure to PV-10:

At December 31, 2005	At December 31, 2006
(In millions)	