

ARENA RESOURCES INC
Form 425
April 06, 2010

Filed by SandRidge Energy, Inc.
pursuant to Rule 425 under the Securities
Act of 1933, as amended, and deemed filed
pursuant to Rule 14a-12 under the Securities
Exchange Act of 1934, as amended
Subject Company: Arena Resources, Inc.
Commission File No.: 001-31657

IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC

This communication is being made in respect of the proposed business combination involving SandRidge Energy, Inc. and Arena Resources, Inc. In connection with the proposed transaction, SandRidge Energy, Inc. plans to file with the Securities and Exchange Commission (the SEC) a Registration Statement on Form S-4 containing a Joint Proxy Statement/Prospectus, and each of SandRidge Energy, Inc. and Arena Resources, Inc. may file with the SEC other documents regarding the proposed transaction. The definitive Joint Proxy Statement/Prospectus will be mailed to stockholders of SandRidge Energy, Inc. and Arena Resources, Inc. **Investors and security holders of SandRidge Energy, Inc. and Arena Resources, Inc. are urged to read the Joint Proxy Statement/Prospectus and other documents filed with the SEC carefully in their entirety when they become available because they will contain important information about the proposed transaction.** Investors and security holders will be able to obtain free copies of the Registration Statement and the Joint Proxy Statement/Prospectus (when available) and other documents filed with the SEC by SandRidge Energy, Inc. and Arena Resources, Inc. through the web site maintained by the SEC at www.sec.gov. Free copies of the Registration Statement and the Joint Proxy Statement/Prospectus (when available) and other documents filed with the SEC can also be obtained by directing a request to SandRidge Energy, Inc., 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, Attention: Investor Relations, or by directing a request to Arena Resources, Inc., 6555 South Lewis Avenue, Tulsa, Oklahoma 74136, Attention: Investor Relations.

SandRidge Energy, Inc., Arena Resources, Inc and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding SandRidge Energy, Inc.'s directors and executive officers is available in its Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 1, 2010, and its proxy statement for its 2009 annual meeting of stockholders, which was filed with the SEC on April 22, 2009, and information regarding Arena Resources, Inc.'s directors and executive officers is available in its Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the SEC on March 1, 2010 and its proxy statement for its 2009 annual meeting of stockholders, which was filed with the SEC on October 29, 2009. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the Joint Proxy Statement/Prospectus and other relevant materials to be filed with the SEC when they become available.

Safe Harbor Language on Forward Looking Statements:

This communication includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements express a belief, expectation or intention and are generally accompanied by words that convey projected future events or outcomes. The forward-looking statements include statements relating to the impact SandRidge Energy, Inc. expects the proposed merger with Arena Resources, Inc. to have on the combined entity's operations, financial condition, and financial results, and SandRidge Energy, Inc.'s expectations about its ability to successfully integrate the combined businesses and the amount of cost savings and overall operational efficiencies SandRidge Energy, Inc. expects to realize as a result of the proposed merger. The forward-looking statements also include statements about SandRidge Energy, Inc.'s future operations, estimates of reserve and resource volumes, reserve values, future drilling locations, costs, cash flow, hedging transactions, and anticipated timing for filings with regulatory agencies, shareholder meetings and closing of the proposed merger. We have based these forward-looking statements on our current expectations and assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including the ability to obtain governmental approvals of the merger on the proposed terms and schedule, the failure of SandRidge Energy, Inc. or Arena Resources, Inc. stockholders to approve the merger, the risk that the businesses will not be integrated successfully, the risk that the cost savings and any synergies from the merger may not be fully realized or may take longer to realize than expected, disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers, the volatility of natural gas and oil prices, our success in discovering, estimating, and developing natural gas and oil reserves, the availability and terms of capital, our timely execution of hedge transactions, credit conditions of global capital markets, changes in economic conditions, regulatory changes, including those related to carbon dioxide and greenhouse gas emissions, and other factors, many of which are beyond our control. We refer you to the discussion of risk factors in Part I, Item 1A - Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2009 and the Annual Report on Form 10-K filed by Arena Resources, Inc. and in comparable risk factors sections of our and Arena Resources, Inc.'s Quarterly Reports on Form 10-Q filed after the date of this communication. All of the forward-looking statements made in this communication are qualified by these cautionary statements. 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 our company or our business or operations. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise any forward-looking statements.

The following is a slide presentation that will be made available to certain shareholders of SandRidge Energy, Inc. and Arena Resources, Inc. beginning April 6, 2010.

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Disclaimer
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1
of
2)

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Transaction

Summary

Strategy: Why Arena?

Increases exposure to oil (8,500 Boepd

86% Oil)

Single asset focus in the Central Basin Platform

Low risk drilling (2,700 locations)

Shallow vertical wells (less than 6,000 feet)

Proven production history (discovered in 1930)
Seamless integration by SandRidge

Extensive existing operations in Permian Basin

Close proximity to Ft. Stockton service base (33 rigs)

Long term cost control with rig ownership
SandRidge
post acquisition plans to have over \$3.0 billion of hedges

Hedges for 2H10 -
2013

Natural Gas upside for 2011 and beyond
Transaction:
\$1.6 billion acquisition yields post acquisition SandRidge
value of \$6.2 billion
191 MM new SandRidge
shares issued, no assumed debt
Post acquisition 58% of SandRidge
will be owned by current shareholders
Relative PV-10 (debt adjusted) supports ownership percentage
Accretive to cash flow per share in 2011
Expected closing June/July 2010

5
Transaction
Arena Key Attributes
Production/Reserves
86%
Oil
Concentrated, operated oil-weighted Permian Basin position
March
2

disclosed
net
production
8,500
Boepd
with
significant
growth
potential
69.3 Mmboe
proven reserves YE 2009
Permian Basin Oil
Approximately 67,600 Net Acres (85% Permian Basin)

High
Working
Interests
(
95%
WI)
Predictable Production Growth (from 200 to 8,500 Boepd
in 5 years)
Value
Generation
Driven
by
developing
low
risk
San
Andres
wells
@
4,300

Large, multi-year inventory with over 2,700 San Andres locations
Clear
Fork
potential
@
6,000
Future Secondary and Tertiary Potential

6
San Andres
(4,300)
Clear Fork
(6,000)
Concentrated West Texas Asset Base
SandRidge
Arena
Delaware Basin

Midland Basin
MIDLAND
Ft. Stockton
Service Base
(33 drilling rigs)
ODESSA
WTO
CENTRAL BASIN
PLATFORM
San Andres / Clear Fork
Formations
Combined
West Texas
Net Acreage
Position
770,000 acres
PIÑON FIELD

7

Permian Basin (Fuhrman
Mascho
Field)
Fuhrman-Mascho
/ San Andres

2,700 low risk, 10 acre locations

35 Mboe
gross per primary location

94.5 Mmboe
EUR gross

950 Producing Wells

700 Wells Drilled Since 2005

Well Costs \$500,000

Average Well Depth

4,300 feet

SandRidge

Arena

CENTRAL BASIN PLATFORM

San Andres / Clear Fork

Formations

8
SandRidge
Combined Asset Analysis
(1)
(1)
(1)
(4)
(1)
(2)

(3)

(1)

2009 SEC 12 month average; \$3.87/Mcf, \$57.65/Bbl

(2)

Dec. 31, 2009 spot prices; \$5.79/Mcf, \$79.34/Bbl

(3)

Average 10 year NYMEX strip; \$6.94/Mcf, \$92.24/Bbl

(4)

Dec. 2009 average for SD, Mar. 2, 2010 for ARD

Post-Acquisition

Total Proven Reserves

(MMBoe)

219

69

288

Proved Developed

%

63%

37%

57%

Proven Oil Value

%

69%

99%

82%

Current Production

(MBoepd)

49.3

8.5

57.8

PV10 PROVEN (SEC)

\$MM

1,561

\$

1,121

\$

2,682

\$

PV10 PROVEN (12/31 SPOT)

\$MM

3,590

\$

1,820

\$

5,410

\$

PV10 PROVEN (NYMEX 10 yr avg)

\$MM

5,240

\$

2,234

\$

7,474

\$

9
Permian Production
(MBoepd)
4.3
13.0
21.5
Net Acres
(M Acres)
56
148
205
Total Proven Reserves
(MMBoe)
43
117
183
Drilling Locations
(#)

740
2,694
5,700
PV10 PROVEN (SEC)
\$MM
424
\$
990
\$
2,053
\$

PV10 PROVEN (12/31 SPOT)
\$MM
778
\$
1,823
\$
3,557
\$

PV10 PROVEN (NYMEX 10 yr avg)
\$MM
1,025
\$
2,414
\$
4,546
\$

Permian Metrics
as of YE 2009

SandRidge

Permian Progression

(1)

SandRidge: February 2010 Permian average; Arena: March 2, 2010

(2)

2009 SEC 12 month average; \$3.87/Mcf, \$57.65/Bbl

(3)

Dec 31, 2009 spot prices; \$5.79/Mcf, \$79.34/Bbl

(4)

Average 10 year NYMEX strip; \$6.94/Mcf, \$92.24/Bbl

12/09

Permian

Acquisition

12/09

Permian

Acquisition

(2)

(2)

(1)

(3)

(4)

10

Acquisition Financial Review

Goals of Transaction

Increase exposure to oil

Hedge significant amount of production through 2013

Cash flow per share accretion

Balance sheet improvement

Major Steps to Complete

File S-4

File HSR

Shareholder Vote (both SD and ARD)

Expected Closing: June/July

11
Transaction
Hedge Review
Q3 & Q4
2H10 -2013
2010
TOTAL
Current
SandRidge

Crude Oil (Mmbo)

2.3

14.8

Price

\$82.08

\$85.88

Natural Gas (Bcf)

40.0

40.0

Price

\$7.76

\$7.76

Total Revenue Hedged

\$499

\$1,578

Arena

Crude Oil (Mmbo)

0.6

0.6

Price (Floor)

\$66.67

\$66.67

Natural Gas (Bcf)

0.9

0.9

Price (Floor)

\$4.00

\$4.00

Total Revenue Hedged

\$40

\$40

Revenue Hedged

\$540

\$1,619

Revenue To Be Hedged

\$59

\$1,416

Total Revenue Hedged

\$599

\$3,034

12
Transaction
Share Analysis
SandRidge
SandRidge
Pre-Acquisition
Arena
Post-Acquisition
SD Shares Outstanding -
March 26, 2010
210,797,254
SD 8.5% Preferred Stock
33,083,645
SD 6.0% Preferred Stock
18,416,206
Total SD Fully Diluted
262,297,105
262,297,105
ARD Shares Outstanding -
March 15, 2010

39,018,737

ARD Options/Restricted Grants

(1)

954,224

Total ARD Fully Diluted

39,972,961

Merger Conversion Ratio

(2)

4.7771x

Total ARD Merger Fully Diluted

190,953,633

190,953,633

New SandRidge

Fully Diluted

453,250,738

(1) Assumes options settled cashless

(2) Merger Conversion Ratio: $\$37.50/\$7.85 = 4.7771x$

13
Transaction
Balance Sheet
(as of December 31, 2009)
SandRidge
Estimated
SandRidge
Pre-Acquisition
Arena
Adjustments
Post-Acquisition
Cash
\$7.9
\$63.6
-\$15.0
\$56.5
Debt
Bank Debt
\$0.0
\$0.0
\$100.0
\$100.0

Other Senior Debt	
35.3	
35.3	
Floating Senior Notes	
350.0	
350.0	
8.625% Senior Notes	
650.0	
650.0	
9.875% Senior Notes	
351.0	
351.0	
8.0% Senior Notes	
750.0	
750.0	
8.75% Senior Notes	
442.6	
442.6	
Total Debt	
\$2,578.9	
\$0.0	
\$100.0	
\$2,678.9	
Equity	
-\$195.9	
\$522.7	
\$976.3	
\$1,303.1	
Total Capitalization	
\$2,390.9	
\$586.3	
\$1,061.3	
\$4,038.5	

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SandRidge

Who We Are
(1)
Using December 31, 2009 Pricing

15
Vertical / Fracturing
Horizontal
Drilling
Horizontal
w/ Fracing
Is There Risk?

16

US Natural Gas Drilling Activity Will Challenge Natural Gas Price

Assumes 22% US decline

900

950 Current Gas Rigs

Horizontal Drilling 60%

efficiency increase

Rig count continues to increase

17
Simple Macro Oil Theory on Why?

BG

BP

Devon

Exxon-Mobil

Mitsui

StatOil

Total

Oil is difficult to find.

Companies Focusing on North American Gas:

18

Oil Delivers 10X More Value

Oil wells are significantly VALUE

advantaged in today's pricing environment

Oil Well

.77 Bcfe

Reserves

\$950M Capex

Gas Well

.77 Bcfe

Reserves

\$950M Capex

19
(a)
Includes WAHA and HSC Basis Swaps in 2011 and 2012
Natural
Gas
Swaps
assume
a
ratio

of
1:1
for
Mcf
to
MMBtu
Hedging
Quarter Ending
Ending
3/31/2010
6/30/2010
9/30/2010
12/31/2010
12/31/2010
12/31/2011
12/31/2012
12/31/2013
Natural Gas Swaps:
Volume (Bcf)
20.48
19.79
20.01
20.01
80.29
0.00
0.00
0.00
Swap
\$7.95
\$7.32
\$7.55
\$7.97
\$7.70
NM
NM
NM
Natural Gas Basis Swaps:
(a)
Volume (Bcf)
20.25
20.48
20.70
20.70
82.13
104.03
113.46
14.60
Swap
\$0.74
\$0.74

\$0.74

\$0.74

\$0.74

\$0.47

\$0.55

\$0.46

Crude Oil Swaps:

Volume (MMBbls)

0.99

1.09

1.10

1.20

4.38

5.48

6.99

0.00

Swap

\$81.95

\$82.05

\$82.05

\$82.11

\$82.04

\$86.07

\$86.98

NM

20
SandRidge
Operating Areas
West Texas Overthrust
Over 550,000 acres
5,500 drilling locations
Exploration
Permian Basin
Oil

Over 150,000 acres
2,700 drilling locations
4 Main oil plays:

Clear Fork (CBP)

San Andres (CBP)

Wolfberry

Delaware Group (Bone Springs / Bell Canyon / Cherry Canyon)
Oklahoma / Developing Plays
Mississippian Horizontal

Over 115,000 Acres

280 drilling locations
Woodford Play

Over 45,000 Acres

280 drilling locations

21

Piñon

Development: Century Plant

Phase I Completion: July

August 2010

Triple Treating Capacity

Largest

Single

Industrial

Source

CO

2

Capture Facility in North America

Currently Qualifies for Tax Credits

Will Benefit from Most Cap & Trade Proposals

*Century Plant in partnership with Occidental Petroleum as of February 2010.

22
-
20,000
40,000
60,000
80,000
100,000
120,000
1

13

25

37

49

61

73

85

97

109

121

133

145

MCFE per Month

MONTHS

SandRidge

Energy

Average for Formation vs. Type Curve

Warwick Type Curve Wells

Piñon

Compares Favorably Against ANY U.S. Gas Play

*NYMEX 10 Year Average \$6.94/Mcf \$92.24/Bbl

Warwick/Tesnus

7.3 Bcfe

wet gas

2.46 Bcfe

net

*53% ROR

Finding Costs

\$.99/Mcfe

Tier 1 Economics

All HBP

Mature Field

High Perm Reservoir

In-Fill Development

Daily

Production

--

MCFE

23

Gross Thickness Map of the Warwick Caballos

Piñon

Field: 2009 Wells Drilled / 2010 Development Drilling

24

Maljamar

Vermejo

Spraberry

WTO

GAU

P.M.

Delaware Basin

Midland Basin

Central Basin

Platform

Robertson Field

Fullerton Field

Goldsmith Field

Tex-Mex Field

Brooklaw

Field

MIDLAND

ODESSA

FT. STOCKTON

Production

12,000

Boe/d

Land

150,000

acres

(net)

Resource

potential

287

Mmboe

2,700 drilling locations

Estimated drilling costs

\$0.5MM to \$1.2MM

SandRidge

Permian Basin / TX

Areas of Operations

San Andres

(4,300)
Clear Fork
(6,000)
Wichita-
Albany
(7,200)

25

Permian Production Forecast

-

10,000

20,000

30,000

SandRidge

PDP

Acquisition PDP

Drilling

Jan 07 to Feb 09

1.5 Rigs Drilling Program

Production Increased from

900 Boe/d

to 4100 Boe/d

26
SandRidge
Potential
MISSISSIPPIAN
HORIZONTAL
POTENTIAL

Land 115,000 acres (net)

280 drilling locations

> 320 acre spacing assumption

EUR/WELL 160 Mbo, .45 Bcf

NW Oklahoma

Mississippian Horizontal Play

MISSISSIPPIAN FAIRWAY

TARGETED HORIZONTAL

INTERVAL > 40

SandRidge

Operated

WILEY 1-32H 35Bopd, 1,500 Mcfpd

TALON 1-6H Waiting on Completion

Non Op / Industry Activity

12 wells producing

Avg

First Month IP -

150 Bopd, 400 Mcfpd

27
SandRidge
Position
WOODFORD HORIZONTAL
POTENTIAL

Land
45,000
acres

280
drilling
locations

5-8 Bcfe/well
WOODFORD FAIRWAY
DEVON ACTIVITY
109,000 net acres
6 Tcfe
potential
Western Oklahoma
Woodford Play
WOODFORD INTERVAL > 100
CIMAREX ACTIVITY
94,000 net acres
2-3 Tcfe
potential
WOODFORD FAIRWAY
Downdip
Limit
CLR: Brown 1-2H
7 day test: 4,200 Mcfpd
, 100 Bopd
CLR: Doris 1-25H
Currently Drilling
Siliceous is delicious

Dirk Van Doren
Tonkawa
Cleveland
Cherokee Sand
Redfork
Atoka
Morrow
Springer
Chester
Osage
Woodford
Hunton
Meramac

28
SD Controls > 550,000 Net Acres
\$20MM

\$25MM
Drilling
Budget
in
2010

WTO Exploration: Prospects and Leads

Piñon

Field

65 MILES

1,300

SQUARE

MILES OF 3-D

SEISMIC

COVERAGE

Warwick Caballos

Prospects / Leads

Sub-Thrust Prospects / Leads

(Fusselman

& Ellenburger)

Leading

Edge

Note: Diagram is not to scale and is for illustration purposes only

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6 Exploration Risks in WTO / High Reward

30
Base
Cretaceous
Top Chert
Interval
Penn Interval
Penn Interval
Exploration Well #1
Western WTO: Warwick Caballos

Prospect

Note: Diagram is not to scale and is for illustration purposes only

Warwick/Caballos

Prospect

24,000

Acres

Drill Depth

10,000 Feet

5000

Gross Thrusted

Interval

Unrisked

Potential

14 Tcfe

Top Caballos

Interval Time

Structure Map

31
18 Miles
Exploration Well #1
Top of Cab 8,558
Gross interval thickness 904
Avg
x-plot porosity of 2-3%
High Resistivity in the Chert
On the back-limb of a structural high

Down dip from the crest of the structure

Background gas to 85 units

Type

Well

(Piñon

Field)

Top of Cab 8,357

Gross interval thickness 637

Avg

x-plot porosity of 2-3%

High Resistivity in the Chert

On the back-limb of a structural high

Down dip from the crest of a structure

Background gas to 70 units

Production from the Chert

EUR 7.5B wet

Type

Well

(Piñon

Field)

Top of Cab 8,357

Gross interval thickness 637

Avg

x-plot porosity of 2-3%

High Resistivity in the Chert

On the back-limb of a structural high

Down dip from the crest of a structure

Background gas to 70 units

Production from the Chert

EUR 7.5B wet

Caballos

Chert

Reservoir Comparison: Piñon

Field to Exploration Well #1

Exploration Well #1

TD = 9654

Type Well (Piñon

Field)

TD = 9200

32

Warwick Prospect
23,000 Acres

Drill Depth
9,000
11,000 Feet

5000
of Structural Closure

Unrisked
Potential 16 Tcfe
W

E
Eastern WTO: Warwick Caballos
Prospect
Top Caballos
Interval

Depth Structure Map
C. I. = 500 ft
Thrust Fault

Top Cab Interval
E
W

Note: Diagram is not to
scale and is for illustration
purposes only

LOC
LOC

33
35 Miles
Exploration Well #2
Piñon
Tesus
Well
Tesus
Reservoir Sand Comparison: Piñon
Field to Exploration Well #2

Exploration Well #2

419

Gross Section

177

Net Pay

10%~~Avg~~

X-Plot Porosity

1597u Max Gas

Piñon

Tesnus

Well

464

Gross Section

190

Net Pay

13%~~Avg~~

X-Plot Porosity

1222u Max Gas

IP: 2,200 MCF

EUR: 1.5 BCF

