SANDRIDGE ENERGY INC
Form 424B3
September 28, 2010
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Filed pursuant to Rule 424(b)(3)
Registration No. 333-169465

PROSPECTUS

SandRidge Energy, Inc.

Offer to Exchange $450,000,000 of 8.750% Senior Notes due 2020

We are offering to exchange, on the terms and subject to the conditions described in this prospectus and the accompanying letter of transmittal, 8.750% Senior Notes due 2020 that we will register under the Securities Act of 1933, as amended (the Securities Act), for all of our outstanding unregistered 8.750% Senior Notes due 2020. We refer to these registered notes as the new notes and all outstanding unregistered 8.750% Senior Notes due 2020 as the old notes. We refer to the new notes and the old notes collectively as the notes.

We are offering the new notes in order to satisfy our obligations under the registration rights agreement entered into in connection with the private placement of the old notes. In the exchange offer, we will exchange an equal principal amount of new notes that are freely tradable for all old notes that are validly tendered and not validly withdrawn. The exchange offer expires at 5:00 p.m., Eastern time, on October 28, 2010, unless extended. You may withdraw tenders of outstanding old notes at any time prior to the expiration of the exchange offer. We will accept for exchange any and all old notes validly tendered and not withdrawn prior to the expiration of the exchange offer.

The exchange offer is subject to the conditions discussed under The Exchange Offer Conditions to the Exchange Offer, including, among other things, the effectiveness of the registration statement of which this prospectus forms a part.

The exchange of old notes for new notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. We will not receive any proceeds from the exchange offer.

The old notes are, and the new notes will be, unconditionally guaranteed, jointly and severally, on an unsecured basis, by our material existing and future domestic restricted subsidiaries.

The new notes are being issued under the indenture under which we previously issued the old notes and the terms of the new notes are identical in all material respects to the terms of the old notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the old notes do not apply to the new notes.

The new notes will not be listed on any national securities exchange. Currently, there is no public market for the old notes. As of the date of this prospectus, $450 million in aggregate principal amount of old notes are outstanding.

See Risk Factors beginning on page 7 for a discussion of certain risks that you should consider in connection with an investment in the new notes.

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

The date of this prospectus is September 28, 2010.

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We are incorporating by reference into this prospectus important business and financial information that is not included in or delivered with this prospectus. In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We are not making an offer to sell these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

The information incorporated herein by reference is available without charge to holders upon written or oral request to: SandRidge Energy, Inc., 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, Attention: Corporate Secretary, (405) 429-5500. In order to ensure timely delivery of such documents, holders must request this information no later than five days before the date they must make their investment decision. The exchange offer is expected to expire on October 28, 2010 and you must make your exchange decision by the expiration date. Accordingly, any request for documents should be made by October 21, 2010 to ensure timely delivery of the documents prior to the expiration of the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to an exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the SEC) (File No. 001-33784) pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). Our SEC filings are available to the public through the SEC s website at *http://www.sec.gov*. You may read and copy any document we file at the SEC s public reference room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

The SEC allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you to documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus, and the information that we later file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below that we have filed with the SEC and any future filing that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Item 2.02 or Item 7.01 on any Current Report on Form 8-K) after the date of filing of the initial registration statement relating to the offering of the new notes and prior to the termination of such offering:

Our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 1, 2010;

Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2010 and June 30, 2010, which were filed with the SEC on May 7, 2010 and August 9, 2010, respectively;

Our Current Report on Form 8-K/A filed with the SEC on March 8, 2010 and Current Reports on Form 8-K filed with the SEC on each of April 5, 2010 (two filings), April 28, 2010, May 28, 2010, June 2, 2010, June 8, 2010 and July 16, 2010 (as amended on September 20, 2010);

Our definitive proxy statement on Schedule 14A, filed with the SEC on April 26, 2010.

You may request a copy of these filings at no cost by writing or telephoning us at the address and telephone number below. We will not send exhibits to such documents unless such exhibits are specifically incorporated by reference in such documents. Please direct requests for documents incorporated by reference to:

Philip T. Warman

Corporate Secretary

SandRidge Energy, Inc.

123 Robert S. Kerr Avenue

Oklahoma City, Oklahoma 73102-6406

(405) 429-5500

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus. **In order to ensure timely delivery of documents, holders must request this information no later than five business days before the date they must make their investment decision. Accordingly, any request for documents should be made by October 21, 2010 to ensure timely delivery of the documents prior to the expiration of the exchange offer.**

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents we incorporate by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements express a belief, expectation or intention and are generally accompanied by words that convey projected future events or outcomes. These forward-looking statements include statements about our projections and estimates concerning capital expenditures, our liquidity and capital resources, effects of the acquisition of Arena Resources, Inc. (Arena) on our financial condition and financial results, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes and elements of our business strategy. Our forward-looking statements are generally accompanied by words such as estimate, project, predict, believe, expect, anticipate, potential, could, may, foresee, plan, goal or other words that convey the uncertainty of future events o have based these forward-looking statements on our current expectations, 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. 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, business or operations. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including the risks and uncertainties discussed under the heading Risk Factors in this prospectus and those that are summarized below:

- the volatility of oil and natural gas prices;
- uncertainties in estimating oil and natural gas reserves;
- the need to replace the oil and natural gas reserves we produce;
- our ability to execute our growth strategy by drilling wells as planned;
- the need to drill productive, economically viable oil and natural gas wells;
- cash requirements for capital expenditures and availability and terms of capital;
- risks and liabilities associated with acquired properties and our ability to integrate acquisitions, including Arena;
- amount, nature and timing of capital expenditures, including future development costs, required to develop the West Texas Overthrust (WTO), the Permian Basin and other undeveloped areas;
- concentration of operations in west Texas;
- economic viability of WTO production with high CO_2 content;
- availability of natural gas production for our midstream services operations;

limitations of seismic data;

risks associated with drilling oil and natural gas wells;

availability of satisfactory oil and natural gas marketing and transportation;

substantial existing indebtedness;

limitations on operations resulting from debt restrictions and financial covenants;

potential financial losses or earnings reductions from commodity derivatives;

competition in the oil and gas industry;

general economic conditions, either internationally or domestically or in the jurisdictions in which we operate;

costs to comply with current and future governmental regulation of the oil and gas industry, including environmental, health and safety laws and regulations; and

the need to maintain adequate internal control over financial reporting.

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PROSPECTUS SUMMARY

The following summary may not contain all of the information you should consider before investing in the new notes and should be read in conjunction with the more detailed information, financial statements and related notes appearing elsewhere in or incorporated by reference in this prospectus. References in this prospectus to SandRidge, the Company, we, our, or us, refer to SandRidge Energy, Inc. and its subsidiaries on a consolidated basis, unless otherwise indicated or the context requires otherwise.

Our Company

We are an independent oil and natural gas company concentrating on exploration, development and production activities related to the exploitation of our significant holdings in west Texas. Our primary areas of focus are the WTO and the Permian Basin. The WTO is a natural gas-prone geological region where we have operated since 1986. The WTO includes the Piñon gas field. Additionally, we focus on the exploration, development and production of our oil properties in the Permian Basin, including properties acquired in December 2009 from Forest Oil Corporation and one of its subsidiaries (collectively, Forest) and properties formerly owned by Arena, which we acquired in July 2010. We also operate interests in the Mid-Continent, Cotton Valley Trend in east Texas, Gulf Coast and Gulf of Mexico.

Our principal executive offices are located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102 and our telephone number is (405) 429-5500. Our website is *http://www.sandridgeenergy.com*.

The Exchange Offer

On December 16, 2009, we completed a private placement of the outstanding, unregistered old notes. In connection with that issuance, we entered into a registration rights agreement in which we agreed, among other things, to deliver this prospectus to you and to use our best efforts to complete the exchange offer. The following is a summary of the exchange offer. See The Exchange Offer on page 28 for a full description of the terms of the exchange offer.

Old Notes	Our 8.750% Senior Notes due 2020, which were issued on December 16, 2009.
New Notes	Our 8.750% Senior Notes due 2020. The terms of the new notes are identical to the terms of the old notes, except that the transfer restrictions, the registration rights and provisions for additional interest relating to the old notes do not apply to the new notes.
The Exchange Offer	We are offering to exchange up to $450.0 million aggregate principal amount of our new notes, which will be registered under the Securities Act, for up to $450.0 million aggregate principal amount of our old notes, on the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, which we refer to as the exchange offer. You may tender old notes only in denominations of $1,000 and integral multiples of $1,000 in excess thereof. The old notes we are offering to exchange hereby were issued under an indenture dated as of December 16, 2009.

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Resale of New Notes	Based on interpretations of the SEC staff in no-action letters issued to third parties, we believe that you may resell and transfer the new notes issued pursuant to the exchange offer in exchange for old notes without compliance with the registration and prospectus delivery provisions of the Securities Act if: you are acquiring the new notes in the ordinary course of your business; you have no arrangement or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act; you are not an affiliate of ours, as such term is defined in Rule 405 under the Securities Act; and you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the new notes. If you fail to satisfy any of these conditions, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with resales of the new notes, unless an exemption therefrom is applicable to you. Broker-dealers that acquired the old notes directly from us, but not as a result of market-making activities or other trading activities, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with resales of the new notes. Each broker-dealer that receives new notes for its own account pursuant to the exchange offer in exchange for old notes that it acquired as a result of market-making or other trading activities must deliver a prospectus in connection with any resale of the new notes and provide us with a signed acknowledgement of this obligation.
Consequences If You Do Not Exchange Your Old Notes	Old notes that are not tendered in the exchange offer or that are not accepted for exchange will continue to bear legends restricting their transfer. You will not be able to offer or sell the old notes unless: an exemption from the registration requirements of the Securities Act is available to you; we register the resale of old notes under the Securities Act; or the transaction requires neither an exemption from nor registration under the requirements of the Securities Act.

	After the completion of the exchange offer, we will no longer have an obligation to register the old notes, except in limited circumstances.
Expiration Date	The exchange offer will expire at 5:00 p.m., Eastern time, on October 28, 2010, unless we decide to extend it.
Conditions to the Exchange Offer	The registration rights agreement we entered into in connection with the issuance of the old notes does not require us to accept old notes

for exchange if the exchange offer or the making of any exchange by a holder of the old notes would not be permissible under applicable law or SEC policy. The exchange offer is also conditioned upon the effectiveness of this registration statement and certain other customary conditions, as discussed in The Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering Old Notes

If you wish to accept the exchange offer, you must deliver to the exchange agent:

- either a completed and signed letter of transmittal or, for old notes tendered electronically, an agent s message from The Depository Trust Company, or DTC, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the exchange offer;
- your old notes, either by tendering them in certificated form or by timely confirmation of book-entry transfer through DTC; and
- all other documents required by the letter of transmittal.

These actions must be completed before the expiration of the exchange offer. If you hold old notes through DTC, you must comply with its standard for electronic tenders, by which you will agree to be bound by the letter of transmittal.

There is no procedure for guaranteed late delivery of the old notes.

By signing, or by agreeing to be bound by, the letter of transmittal, you will be representing to us that:

- you will be acquiring the new notes in the ordinary course of your business;
- you have no arrangement or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act;
- you are not an affiliate of ours, as such term is defined in Rule 405 under the Securities Act; and
- if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the new notes.

See The Exchange Offer Terms of the Exchange and The Exchange Offer Procedures for Tendering.

Special Procedures for Beneficial Holders	If you beneficially own old notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should contact the registered holder promptly and instruct such person to tender on your behalf. If you wish to tender your old notes in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either

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	arrange to have the old notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.
Withdrawal Rights	You may withdraw your tender of old notes at any time prior to 5:00 p.m., Eastern time, on the expiration date. Any withdrawn old notes will be credited to the tendering holder s account at DTC or, if the withdrawn old notes are held in certificated form, will be returned to the tendering holder. We will accept for exchange any and all old notes validly tendered and not withdrawn prior to the expiration of the exchange offer.
Acceptance of Old Notes and Delivery of New Notes	If you fulfill all conditions required for proper acceptance of old notes we will accept any and all old notes that you validly tender in the exchange offer before 5:00 p.m., Eastern time, on the expiration date of the exchange offer. We will return any old note that we do not accept for exchange, without expense, promptly after the expiration date. We will deliver the new notes promptly after the expiration date and acceptance of the old notes for exchange. Please read The Exchange Offer Terms of the Exchange Offer.
U.S. Federal Income Tax Considerations	The exchange of new notes for old notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See Material U.S. Federal Tax Considerations for more information regarding the tax consequences to you of the exchange offer.
Use of Proceeds	We will not receive any proceeds from the exchange or the issuance of new notes in connection with the exchange offer.
Fees and Expenses	We will pay all of our expenses related to the exchange offer.
Accounting Treatment	We will record the new notes in our accounting records at the same carrying value as the old notes. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.
Exchange Agent	We have appointed Wells Fargo Bank, National Association, as exchange agent for the exchange offer. The address, telephone number and facsimile number of the exchange agent are set forth below under The Exchange Offer Exchange Agent.

The New Notes

The form and terms of the new notes are the same as the form and terms of the old notes, except that:

- the new notes will be registered under the Securities Act and will therefore not bear legends restricting their transfer; and

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specified rights under the registration rights agreement we entered into in connection with the issuance of the old notes, including provisions providing for registration rights and the payment of additional interest in specified circumstances, will be limited or eliminated.

The new notes will evidence the same indebtedness as the old notes for which they will be exchanged and will rank equally with the old notes. The same indenture will govern both the old notes and the new notes. Unless the context otherwise requires, when we refer to the old notes, we also refer to the guarantees associated with the old notes, and when we refer to the new notes, we also refer to the guarantees associated with the new notes.

The following is a brief summary of the material terms of the new notes. For a more complete description of the terms of the new notes, please read Description of the Notes below.

Issuer	SandRidge Energy, Inc.
Securities Offered	$450,000,000 aggregate principal amount of 8.750% Senior Notes due 2020.
	The new notes are being offered under an indenture dated as of December 16, 2009, pursuant to which we previously issued the old notes.
Maturity Date	January 15, 2020
Interest Payment Dates	Interest is payable semi-annually in cash in arrears on January 15 and July 15 of each year. Interest accrued through the expiration date of the exchange offer on old notes that are exchanged for new notes will be paid to holders of record of the new notes on the next regular payment date.
Guarantees	The new notes will be fully and unconditionally guaranteed on a senior unsecured basis by our existing material subsidiaries and by certain of our future domestic restricted subsidiaries.
Ranking	The new notes and guarantees will be our and the guarantors senior unsecured obligations and will:
	rank equally in right of payment with all our and the guarantors existing and future senior indebtedness;
	rank senior in right of payment to all our and the guarantors existing and future subordinated indebtedness;
	be effectively subordinated in right of payment to all our and the guarantors existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and

	be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that are not also a guarantor of the new notes.
Optional Redemption	We may redeem the notes, in whole or in part, prior to their maturity at the redemption prices described in this prospectus. Please see Description of the Notes Optional Redemption. The new notes will not be subject to any sinking fund provision.

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Change of Control	If we experience specific kinds of changes of control, we must offer to repurchase all of the new notes at 101% of their principal amount, plus accrued and unpaid interest, if any to the repurchase date.
Covenants	The indenture governing the notes contains restrictive covenants. For a more detailed description, please see Description of Notes Certain Covenants.

Risk Factors

Prospective investors should carefully consider all of the information set forth or incorporated by reference in this prospectus. Investing in the new notes involves substantial risk and investors should evaluate the specific factors set forth under Risk Factors beginning on page 7 for a discussion of risks involved with an investment in the new notes.

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RISK FACTORS

You should carefully consider these risk factors together with the other information included or incorporated by reference in this prospectus in evaluating us, our business and your participation in the exchange offer, which could materially affect our business, financial condition or future results.

Risks Related to Our Business

Oil and natural gas prices are volatile, and a decline in oil and natural gas prices could significantly affect our financial results and impede our growth.

Our revenues, profitability and cash flow depend upon the prices and demand for oil and natural gas. The markets for these commodities are very volatile. Even relatively modest drops in prices can significantly affect our financial results and impede our growth. Changes in oil and natural gas prices have a significant impact on the value of our reserves and on our cash flow. Prices for oil and natural gas may fluctuate widely in response to relatively minor changes in the supply of and demand for oil and natural gas and a variety of additional factors that are beyond our control, such as:

- the domestic and foreign supply of oil and natural gas;
- the price of foreign imports;
- worldwide economic conditions;
- political and economic conditions in oil producing regions, including the Middle East and South America;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the level of consumer product demand;
- weather conditions, including hurricanes and tropical storms in and around the Gulf of Mexico;
- technological advances affecting energy consumption;
- availability of pipeline infrastructure, treating, transportation and refining capacity;
- domestic and foreign governmental regulations and taxes; and
- the price and availability of alternative fuels.

Lower oil and natural gas prices, such as those experienced in recent periods, may not only decrease our revenues on a per share basis, but also may reduce the amount of oil and natural gas that we can produce economically and, therefore, could have a material adverse effect on our financial condition and results of operations. This also may result in our having to make substantial downward adjustments to our estimated proved reserves.

Future price declines may result in further reductions of the asset carrying values of our oil and natural gas properties.

We utilize the full cost method of accounting for costs related to our oil and natural gas properties. Under this accounting method, all costs for both productive and nonproductive properties are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the unit-of-production method. However, the amount of these costs that can be carried as capitalized assets is subject to a ceiling, which limits such pooled costs to the aggregate of the present value of future net revenues of proved oil and natural gas reserves attributable to proved properties, discounted at 10%, plus the lower of cost or market value of unevaluated properties. The full cost ceiling is evaluated at the end of each quarter using the most recent 12-month average prices for oil and natural gas, adjusted for the impact of derivatives accounted for as cash flow hedges. In the event any of our derivatives are accounted for as cash flow hedges, the impact of these derivative contracts will be included in the determination of our full cost ceiling.

Our ceiling limitation as of December 31, 2009 resulted in a non-cash impairment charge of $388.9 million. Further declines in oil and natural gas prices, without other mitigating circumstances, could result in additional losses of future net revenues, including losses attributable to quantities that cannot be economically produced at lower prices, which could cause us to make additional write-downs of capitalized costs of our oil and natural gas properties and non-cash charges against future earnings. The amount of such future write-downs and non-cash charges could be substantial.

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

As of June 30, 2010, our total indebtedness was approximately $2.8 billion, and we had preferred stock outstanding with an aggregate liquidation preference of $465.0 million. Our substantial level of indebtedness and preferred stock outstanding increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our indebtedness, combined with our lease and other financial obligations and contractual commitments, could have other important consequences to us. For example, it could:

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- place us at a disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness prevents us from pursuing; and

- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions could materially affect the quantities and present value of our reserves. Our current estimates of reserves could change, potentially in material amounts, in the future.

The process of estimating oil and natural gas reserves is complex and inherently imprecise. It requires interpretations of available technical data and many assumptions, including assumptions relating to production rates and economic factors such as oil and natural gas prices, drilling and operating expenses, capital expenditures and availability of funds. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in our Annual Report on Form 10-K for the year ended December 31, 2009.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any

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significant variance could materially affect the estimated quantities and present value of reserves shown in our Annual Report on Form 10-K for the year ended December 31, 2009, which in turn could have a negative effect on the value of our assets. In addition, from time to time in the future, we may adjust estimates of proved reserves, potentially in material amounts, to reflect production history, results of exploration and development, oil and natural gas prices and other factors, many of which are beyond our control.

The present value of future net cash flows from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

We base the estimated discounted future net cash flows from our proved reserves on 12-month average prices and costs. Actual future net cash flows from our oil and natural gas properties also will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- the accuracy of our reserve estimates;
- the actual cost of development and production expenditures;
- the amount and timing of actual production;
- supply of and demand for oil and natural gas; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, we use a 10% discount factor when calculating discounted future net cash flows, which may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

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

Our future oil and natural gas reserves and production, and therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire additional reserves to replace our current and future production at acceptable costs.

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

As of December 31, 2009, 610 of our approximately 12,100 identified potential future well locations and 992 of Arena s approximately 4,302 identified potential future well locations, respectively, were attributed to proved undeveloped reserves. These potential drilling locations, including those without proved undeveloped reserves, represent a significant part of our growth strategy. Our ability to drill and develop these locations is subject to a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, oil and natural gas prices, costs and drilling results. Because of these uncertainties, we do not know if the numerous potential drilling locations we have will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business.

We will not know conclusively prior to drilling whether oil or natural gas will be present in sufficient quantities to be economically viable.

We describe some of our current prospects and drilling locations and our plans to explore those prospects and drilling locations in our Annual Report on Form 10-K for the year ended December 31, 2009. A prospect is a property on which we have identified what our geoscientists believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects and drilling locations are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production from the well or abandonment of the well.

During 2009, we participated in drilling a total of 160 gross wells, of which four were identified as dry wells, while Arena participated in drilling a total of 182 gross wells, of which one was identified as a dry well. If we drill additional wells that we identify as dry wells in our current and future prospects, our drilling success rate may decline and materially harm our business. In summary, the cost of drilling, completing and operating any well is often uncertain, and new wells may not be productive.

Volatility in the capital markets could affect our ability to obtain capital, cause us to incur additional financing expense or affect the value of certain assets.

In recent periods, global financial markets and economic conditions have been disrupted and volatile due to multiple factors, including significant write-offs in the financial services sector and weak economic conditions. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers underlying financial and/or operating strength. Due to this volatility, for many companies the cost of raising money in the debt and equity capital markets has been greater in recent periods than has historically been the case. Continued market volatility may from time to time adversely affect our ability to access capital and credit markets or to obtain funds at low interest rates or on other advantageous terms. These factors may adversely affect our business, results of operations or liquidity.

These factors may adversely affect the value of certain of our assets and our ability to draw on our senior credit facility. Adverse credit and capital market conditions may require us to impair the carrying value of assets associated with derivative contracts to account for non-performance by counterparties to those contracts. If financial institutions that have extended credit commitments to us are adversely affected by volatile conditions of the United States and international capital markets, they may become unable to fund borrowings under their credit commitments to us, which could have a material adverse effect on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures and other corporate purposes.

Properties that we buy may not produce as projected, and we may be unable to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them.

Our reviews of properties we acquire are inherently incomplete because an in-depth review of every individual property involved in each acquisition generally is not feasible. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as soil or ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we may assume certain environmental and other risks and liabilities in connection with acquired properties, and such risks and liabilities could have a material adverse effect on our results of operations and financial condition.

The development of the proved undeveloped reserves in west Texas and other areas of operation may take longer and may require higher levels of capital expenditures than we currently anticipate.

Approximately 35.5% of the estimated proved reserves that we owned or had under lease in west Texas as of December 31, 2009 were proved undeveloped reserves and 37.3% of our total reserves were proved

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undeveloped reserves. Approximately 52% of the estimated proved reserves that Arena owned or had under lease in west Texas as of December 31, 2009 were proved undeveloped reserves. Development of these reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Therefore, ultimate recoveries from these fields may not match current expectations. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the present value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves.

A significant portion of our operations are located in west Texas, making us vulnerable to risks associated with operating in one major geographic area.

As of December 31, 2009, approximately 69.7% of our proved reserves and 64.5% of our production and approximately 80% of Arena s proved reserves and 86% of its production were located in the WTO and Permian Basin in west Texas. In addition, a substantial portion of our WTO natural gas contains a high concentration of CO_2 and requires treating. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by transportation and treatment capacity constraints, curtailment of production or treatment plant closures for scheduled maintenance or unanticipated occurrences. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

Many of our prospects in the WTO may contain natural gas that is high in CO_2 content, which can negatively affect our economics.

The reservoirs of many of our prospects in the WTO may contain natural gas that is high in CO_2 content. The natural gas produced from these reservoirs must be treated for the removal of CO_2 prior to marketing. If we cannot obtain sufficient capacity at treatment facilities for our natural gas with a high CO_2 concentration, or if the cost to obtain such capacity significantly increases, we could be forced to delay production and development or experience increased production costs. We will not know the amount of CO_2 we will encounter in any well until it is drilled. As a result, sometimes we encounter CO_2 levels in our wells that are higher than expected. Since the treatment expenses are incurred on a Mcf basis, we will incur a higher effective treating cost per MMBtu of natural gas sold for natural gas with a higher CO_2 content. As a result, high CO_2 gas wells must produce at much higher rates than low CO_2 gas wells to be economic, especially in a low natural gas price environment.

Furthermore, when we treat the gas for the removal of CO_2, some of the methane is used to run the treatment plant as fuel gas and other methane and heavier hydrocarbons, such as ethane, propane and butane, cannot be separated from the CO_2 and is lost. This is known as plant shrink. Historically our plant shrink has been approximately 14% in the WTO. After giving effect to plant shrink, as many as 4 Mcf of high CO_2 natural gas must be produced to sell one MMBtu of natural gas. We report our volumes of natural gas reserves and production net of CO_2 volumes that are removed prior to sales.

All of our consolidated drilling and services revenues are derived from companies in the oil and gas industry.

Companies to which we provide drilling and related services are affected by the oil and gas industry risks mentioned above. Market prices of oil and natural gas, limited access to capital and reductions in capital expenditures could result in oil and gas companies canceling or curtailing their drilling programs, which could reduce the demand for our drilling and related services. Any prolonged reduction in the overall level of exploration and development activities, whether resulting from changes in oil and natural gas prices or otherwise, could impact our drilling and services segment by negatively affecting:

- revenues, cash flow and profitability;
- our ability to retain skilled rig personnel whom we would need in the event of an upturn in the demand for drilling and related services; and
- the fair value of our rig fleet.

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A significant decrease in natural gas production in our areas of operations, due to declines in production from existing wells, depressed commodity prices or otherwise, would adversely affect our ability to satisfy certain contractual obligations and revenues and cash flow from our midstream gas services segment.

In June 2009, we sold an entity, Piñon Gathering Company, LLC, referred to as PGC, holding our gathering and compression assets located in the Piñon Field, which is part of the WTO in Pecos County, Texas, to an unaffiliated third party. In conjunction with the sale, we entered into a gas gathering agreement pursuant to which we dedicated our Piñon Field acreage to PGC for gathering services for 20 years. During that period, we have minimum throughput and delivery obligations to PGC. In addition, we continue to construct and acquire our own gathering and compression assets in the Piñon Field. Most of the reserves supporting our contractual obligations to PGC and our own midstream assets are operated by our exploration and production segment. A material decrease in natural gas production in our areas of operation would result in a decline in the volume of natural gas delivered to PGC s and our pipelines and facilities for gathering, transporting and treating. We have no control over many factors affecting production activity, including prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulation and the availability and cost of capital. We are obligated to pay minimum fees under the gas gathering agreement with PGC if we do not satisfy the contractual throughput and delivery commitments to PGC, due, for example, to our failure to connect new wells to PGC s gathering systems or when there is a decline in the amount of natural gas that we produce from the Piñon Field. In addition, if we fail to connect new wells to our own gathering systems, the amount of natural gas we gather, transport and treat will decline substantially over time and could, upon exhaustion of the current wells, cause us to abandon our gathering systems and, possibly cease gathering, transporting and treating operations.

Our use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of oil and natural gas. In addition, the use of such technology requires greater predrilling expenditures, which could adversely affect the results of our drilling operations.

A significant aspect of our exploration and development plan involves seismic data. Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are present in those structures. Other geologists and petroleum professionals, when studying the same seismic data, may have significantly different interpretations than our professionals.

In addition, the use of 2-D and 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses due to such expenditures. As a result, our drilling activities may not be geologically successful or economical, and our overall drilling success rate or our drilling success rate for activities in a particular area may not improve.

We may often gather 2-D and 3-D seismic data over large areas. Our interpretation of seismic data delineates for us those portions of an area that we believe are desirable for drilling. Therefore, we may choose not to acquire option or lease rights prior to acquiring seismic data, and in many cases, we may identify hydrocarbon indicators before seeking option or lease rights in the location. If we are not able to lease those locations on acceptable terms, we will have made substantial expenditures to acquire and analyze 2-D and 3-D data without having an opportunity to attempt to benefit from those expenditures.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our drilling and operating activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for oil and natural gas can be unprofitable if dry wells are drilled and if productive wells do not produce sufficient revenues to return a profit. In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

- unusual or unexpected geological formations and miscalculations;

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- pressures;
- fires;
- blowouts;
- loss of drilling fluid circulation;
- title problems;
- facility or equipment malfunctions;
- unexpected operational events;
- shortages of skilled personnel;
- shortages or delivery delays of equipment and services;
- compliance with environmental and other regulatory requirements; and
- adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and regulatory fines or penalties.

Insurance against all operational risks is not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. We could incur losses for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not covered in full or in part by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

Our development and exploration operations require substantial capital, and we may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in our oil and natural gas reserves.

The oil and gas industry is capital intensive. We make substantial capital expenditures in our business and operations for the exploration, development, production and acquisition of oil and natural gas reserves. Historically, we have financed capital expenditures primarily with proceeds from asset sales and from the sale of equity, debt and cash generated by operations. We will finance future capital expenditures with the sale of equity and debt securities, cash flow from operations, asset sales and current and new financing arrangements. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;

- the level of oil and natural gas we are able to produce from existing wells;
- the prices at which oil and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

If our revenues decrease as a result of lower oil and natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels. In order to fund capital expenditures, we may seek additional financing. Our senior credit facility and senior note indentures, however, contain covenants restricting our ability to incur additional indebtedness without the consent of the lenders. Our lenders may withhold this consent at their sole discretion.

Continuing disruptions in the global financial and capital markets also could adversely affect our ability to obtain debt or equity financing on favorable terms, or at all. The failure to obtain additional financing could result in a curtailment of our operations relating to exploration and development of our prospects, which in turn could lead to a possible loss of properties and a decline in our oil and natural gas reserves.

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The high cost or unavailability of drilling rigs, equipment, supplies, personnel and other oil field services could adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget.

Our industry is cyclical and, from time to time, there is a shortage of drilling rigs, equipment, supplies or qualified personnel. During these periods, the costs of rigs, equipment, supplies and personnel are substantially greater and their availability may be limited. Additionally, these services may not be available on commercially reasonable terms.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay our production.

Market conditions or a lack of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay our production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends, in substantial part, on the availability and capacity of gathering systems, pipelines and treating facilities. For example, in 2009 we experienced capacity limitations on high CO_2 gas treating in the Piñon Field. Our failure to obtain such services on acceptable terms in the future or expand our midstream assets could have a material adverse effect on our business. We may be required to shut in wells for a lack of a market or because access to natural gas pipelines, gathering system capacity or treating facilities may be limited or unavailable. We would be unable to realize revenue from any shut-in wells until production arrangements were made to deliver the production to market.

The agreements governing our existing indebtedness have restrictions, financial covenants and borrowing base redeterminations, which could adversely affect our operations.

Our senior credit facility and the indentures governing our senior notes restrict our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations. We also are required to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. If commodity prices decline, this could adversely affect our ability to meet covenants. Our failure to comply with any of the restrictions and covenants under the senior credit facility, senior notes or other debt financing could result in a default under those instruments, which could cause all of our existing indebtedness to be immediately due and payable.

Our senior credit facility limits the amounts we can borrow to a borrowing base amount. The borrowing base is subject to review semi-annually; however, the lenders reserve the right to have one additional re-determination of the borrowing base per calendar year. Unscheduled re-determinations may be made at our request, but are limited to two requests per year. Borrowing base determinations are based upon proved developed producing reserves, proved developed non-producing reserves and proved undeveloped reserves. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other oil and natural gas properties as additional collateral. Because of this, we may not have the financial resources in the future to make any mandatory principal prepayments under the senior credit facility, which are required, for example, when the committed line of credit is exceeded, proceeds of asset sales in new oil and natural gas properties are not reinvested or indebtedness that is not permitted by the terms of the senior credit facility is incurred. If the indebtedness under our senior credit facility and senior notes were to be accelerated, our assets may not be sufficient to repay such indebtedness in full.

Our derivative activities could result in financial losses and could reduce our earnings.

To achieve a more predictable cash flow and to reduce our exposure to adverse fluctuations in the prices of oil and natural gas, we currently have, and may in the future, enter into derivative contracts for a portion of our oil and natural gas production, including collars, basis swaps and fixed-price swaps.

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We have not and do not plan to designate any of our derivative contracts as hedges for accounting purposes and, as a result, record all derivative contracts on our balance sheet at fair value. Changes in the fair value of our derivative contracts are recognized in current period earnings. Accordingly, our earnings may fluctuate significantly as a result of changes in fair value of our derivative contracts. Derivative contracts also expose us to the risk of financial loss in some circumstances, including when:

- production is less than expected;
- the counterparty to the derivative contract defaults on its contract obligations; or
- there is a change in the expected differential between the underlying price in the derivative contract and actual prices received.

In addition, these types of derivative contracts limit the benefit we would receive from increases in the prices for oil and natural gas.

Repercussions from terrorist activities or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts or other armed conflict involving the United States or its interests abroad may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If events of this nature occur and persist, the attendant political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on prevailing oil and natural gas prices and causing a reduction in our revenues. Oil and natural gas production facilities, transportation systems and storage facilities could be direct targets of terrorist attacks, and or operations could be adversely impacted if infrastructure integral to our operations is destroyed by such an attack. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Competition in the oil and gas industry is intense, which may adversely affect our ability to succeed.

The oil and gas industry is intensely competitive, and we compete with companies that have greater resources than we do. Many of these companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or identify, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Our larger competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing oil and natural gas properties.

Downturns in oil and natural gas prices can result in decreased oil field activity, which in turn can result in an oversupply of service providers and drilling rigs. This oversupply can result in severe reductions in prices received for oil field services or a complete lack of work for crews and equipment.

The Century Plant may not operate or perform as intended.

We have constructed a CO_2 treatment plant in Pecos County, Texas (the Century Plant), and associated compression and pipeline facilities pursuant to an agreement with a subsidiary of Occidental Petroleum Corporation (Occidental). Upon start-up, the Century Plant will be owned and operated by Occidental for the purpose of separating and removing CO_2 from natural gas delivered by us. Pursuant to a 30-year treating agreement executed simultaneously with the construction agreement, Occidental will remove CO_2 from our delivered production volumes. There are significant risks associated with the operation and performance of a facility such as the Century Plant. In addition, there is no guarantee that we will be able to find, produce and deliver enough high CO_2 gas to satisfy our delivery obligations or that the Century Plant will operate at its designed capacity or otherwise perform as anticipated.

Our integration of Arena will present significant challenges.

Our integration of the operations of Arena requires the dedication of management resources, which temporarily detracts attention from our day-to-day business. The difficulties of assimilation may be increased by the necessity of coordinating geographically separated organizations, integrating operations and systems and personnel with disparate business backgrounds and combining different corporate cultures. The process of combining the organizations may cause an interruption of, or a loss of momentum in, the activities of any or all of our business, which could have an adverse effect on our revenues and operating results, at least in the near term. The failure to successfully integrate Arena or to successfully manage the challenges presented by the integration process may result in our inability to achieve the anticipated potential benefits of the merger.

We may not realize the anticipated benefits of past or future acquisitions, and integration of these acquisitions may disrupt our business and management.

We have in the past and may in the future acquire other companies or large asset packages. We may not realize the anticipated benefits of an acquisition and each acquisition has numerous risks. These risks include:

- difficulty in assimilating the operations and personnel of the acquired company;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- disruption of our ongoing business and distraction of our management and employees from other opportunities and challenges;
- difficulty integrating the acquired company s accounting, management information, human resources and other administrative systems;
- inability to retain key personnel of the acquired business;
- inability to achieve the financial and strategic goals for the acquired and combined businesses;
- inability to take advantage of anticipated tax benefits;
- potential failure of the due diligence processes to identify significant problems, liabilities or other shortcomings or challenges of an acquired business;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition, including but not limited to, claims from terminated employees, customers, former stockholders or other third-parties;

- potential inability to assert that internal controls over financial reporting are effective; and

- potential incompatibility of business cultures.

We are subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations.

Our oil and natural gas exploration, production, transportation and treatment operations are subject to complex and stringent laws and regulations. In order to conduct our operations in compliance with these laws and regulations, we must obtain and maintain numerous permits, approvals and certificates from various federal, state and local governmental authorities. We may incur substantial costs in order to maintain compliance with these

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existing laws and regulations. In addition, our costs of compliance may increase if existing laws and regulations are revised, or if new laws and regulations become applicable to our operations. For instance, we may be unable to obtain all necessary permits, approvals and certificates for proposed projects. Alternatively, we may have to incur substantial expenditures to obtain, maintain or renew authorizations to conduct existing projects. If a project is unable to function as planned due to changing requirements or public opposition, we may suffer expensive delays, extended periods of non-operation or significant loss of value in a project. Such costs may have a negative effect on our business and results of operations.

Our business is subject to federal, state and local laws and regulations as interpreted and enforced by governmental agencies and other bodies vested with authority relating to the exploration for, and the development, production and transportation of, oil and natural gas. Failure to comply with such laws and regulations, as interpreted and enforced, could have a material adverse effect on us. For instance, the Minerals Management Service may suspend or terminate our operations on federal leases for failure to pay royalties or comply with safety and environmental regulations.

Our operations expose us to potentially substantial costs and liabilities with respect to environmental, health and safety matters.

We may incur substantial costs and liabilities as a result of environmental, health and safety requirements applicable to our oil and natural gas exploration, development, production, transportation, treatment, and other activities. These costs and liabilities could arise under a wide range of environmental, health and safety laws that cover, among other things, emissions into the air and water, habitat and endangered species protection, the containment and disposal of hazardous substances, oil field waste and other waste materials, the use of underground injection wells, and wetlands protection. These laws and regulations are complex, change frequently and have tended to become increasingly strict over time. Failure to comply with environmental, health and safety laws or regulations may result in assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens and the issuance of orders enjoining or limiting our current or future operations. Compliance with these laws and regulations also increases the cost of our operations and may prevent or delay the commencement or continuance of a given operation. Specifically, we may incur increased expenditures in the future in order to maintain compliance with laws and regulations governing emissions of air pollutants from our natural gas treatment plants.

Certain environmental laws impose strict joint and several liability that may require us to pay for or incur the costs to remediate contaminated properties regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were or were not in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons, property or natural resources may result from environmental and other impacts of our operations. Moreover, new or modified environmental, health or safety laws, regulations or enforcement policies could be more stringent and impose unforeseen liabilities or significantly increase compliance costs. Therefore, the costs to comply with environmental, health or safety laws or regulations or the liabilities incurred in connection with such compliance could significantly and adversely affect our business, financial condition or results of operations.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Congress is currently considering legislation to require the disclosure of chemicals used by the oil and gas industry in the hydraulic fracturing process and impose additional regulatory burdens on our industry. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into rock formations to stimulate natural gas production. Sponsors of bills currently pending before Congress have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. Proposed legislation would require the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, these bills, if adopted, could establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could result in additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase our costs of compliance and doing business.

Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for the oil and natural gas that we produce.

Many countries as well as several states and regions of the United States have begun implementing legal measures to reduce emissions of greenhouse gases, including carbon dioxide and methane, a primary component of natural gas, in response to scientific studies suggesting that these gases may be contributing to the warming of the Earth s atmosphere. In the United States, the Environmental Protection Agency, or EPA, announced findings in December 2009 that emissions of carbon dioxide, methane and other greenhouse gases endanger human health and the environment because emissions of such gases, according to the EPA, contribute to the warming of the Earth s atmosphere and other climate changes. These findings by the EPA allow it to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. In September 2009, the EPA proposed two sets of regulations in anticipation of finalizing its findings. The proposed regulations would require a reduction in emissions of greenhouse gases from motor vehicles and also could require permits for emitting greenhouse gases from stationary sources. In addition, on September 22, 2009, the EPA issued a final rule requiring annual reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, beginning in 2011 for emissions occurring in 2010. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations or could adversely affect demand for the oil and natural gas we produce.

In addition, Congress is currently considering and President Obama has expressed support for legislation to restrict or regulate emissions of greenhouse gases. Legislation may include a cap-and-trade system, whereby the EPA would issue a capped and steadily declining number of tradable emissions allowances to certain major sources of greenhouse gas emissions so that such sources could continue to emit greenhouse gases, or a carbon tax. The net effect of any federal laws or implementing regulations that may be adopted to reduce greenhouse gas emissions could require us to incur increased operating costs and could adversely affect demand for the oil and natural gas that we produce.

Certain U.S. federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of future legislation.

President Obama s Proposed Fiscal Year 2011 Budget included proposed legislation that would, if enacted into law, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether any such changes will be enacted or how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could negatively affect our financial condition and results of operations.

New derivatives legislation and regulation could adversely affect our ability to hedge risks associated with our business.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act creates a new regulatory framework for oversight of derivatives transactions by the Commodity Futures Trading Commission (the CFTC) and the SEC. Among other things, the Dodd-Frank Act subjects certain swap participants to new capital, margin and business conduct standards. In addition, the Dodd-Frank Act contemplates that where appropriate in light of outstanding exposures, trading liquidity and other factors, swaps (broadly defined to include most hedging instruments other than futures) will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While SandRidge may qualify for one or more of such exceptions, the scope of these exceptions is uncertain and will be further defined through rulemaking proceedings at the CFTC and SEC in the coming months. Further, although we may qualify for exceptions, our derivatives counterparties may be subject to new capital, margin and business conduct requirements imposed as a result of the new legislation, which may increase our transaction costs or make it more difficult for us to enter into hedging transactions on favorable terms. Our inability to enter into hedging transactions on favorable terms, or at all, could increase our operating expenses and put us at increased exposure to risks of adverse changes in oil and natural gas prices, which could adversely affect the predictability of cash flows from sales of oil and natural gas.

The Dodd-Frank Act also expands the CFTC s power to impose position limits on specific categories of swaps (excluding swaps entered into for *bona fide* hedging purposes), and establishes a new Energy and Environmental Markets Advisory Committee to make recommendations to the CFTC regarding matters of concern to exchanges, firms, end users and regulators with respect to energy and environmental markets.

Additionally, in January 2010, the CFTC proposed rules to establish position limits on derivatives that reference major energy commodities, including oil and natural gas. The proposed all-months-combined position limits would be 10% of the first 25,000 contracts of open interest and 2.5% of open interest beyond 25,000 contracts. Although the current version of the CFTC s proposal includes an exemption for *bona fide* hedges relating to inventory or anticipatory purchases or sales of the commodity, the CFTC is evaluating whether position limits should be applied consistently across all markets and participants.

If we fail to maintain an adequate system of internal control over financial reporting, it could adversely affect our ability to accurately report our results.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. A material weakness is a deficiency, or a combination of deficiencies, in our internal control over financial reporting that results in a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent material fraud. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain adequate controls over our financial processes and reporting in the future, including future compliance with the obligations under Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to develop or maintain effective controls, or difficulties encountered in their implementation, including those related to acquired businesses, or other effective improvement of our internal controls could harm our operating results. Ineffective internal controls could also cause investors to lose confidence in our reported financial information.

Risks Relating to the Exchange Offer

If you fail to exchange your old notes, they will continue to be restricted securities and may become less liquid.

Because we anticipate that most holders of old notes will elect to exchange their old notes, we expect that the liquidity of the market for any old notes remaining after the completion of the exchange offer may be substantially limited. Any old note tendered and exchanged in the exchange offer will reduce the aggregate principal amount of the old notes outstanding. Following the exchange offer, if you did not validly tender your old notes, you generally will not have any further registration rights and your old notes will continue to be subject to transfer restrictions. Old notes that you do not tender or that we do not accept will, following the exchange offer, continue to be restricted securities. You may not offer of sell any old notes you own following the exchange offer except under an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the liquidity of the market for any old notes could be adversely affected.

You may not receive new notes in the exchange offer if the procedures for the exchange offer are not followed.

We will issue the new notes in exchange for your old notes only if you tender the old notes and deliver a properly completed and duly executed letter of transmittal and consent or the electronic transmittal through DTC s Automated Tender Offer Program, which binds holders of the old notes to the terms of the letter of transmittal and consent, and other required documents before expiration of the exchange offer. You should allow sufficient time to ensure timely delivery of the necessary documents. Neither the exchange agent nor we are under any duty to give notification of defects or irregularities with respect to the tenders of old notes for exchange. If you are the beneficial owner of old notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee and you wish to tender in the exchange offer, you should promptly contact the person in whose name your old notes are registered and instruct that person to tender on your behalf.

We may repurchase any old notes that are not tendered in the exchange offer on terms that are more favorable to the holders of the old notes than the terms of the exchange offer.

Although we do not currently intend to do so, we may, to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions, through subsequent tender or exchange offers or otherwise. Any other purchases may be made on the same terms or on terms that are more or less favorable to holders than the terms of this exchange offer. We also reserve the right to repurchase any existing notes not tendered. If we decide to repurchase old notes on terms that are more favorable than the terms of the exchange offer, those holders who decide not to participate in the exchange offer could be better off than those who participate in the exchange offer.

Risks Relating to the New Notes

We may incur substantial additional indebtedness, including debt ranking equal to the new notes.

Subject to the restrictions in the indenture governing the new notes and in other instruments governing our other outstanding debt (including our senior credit facility), we and our subsidiaries may be able to incur substantial additional debt in the future. Although the indenture governing the new notes and the instruments governing certain of our other outstanding debt contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and debt incurred in compliance with these restrictions could be substantial. To the extent new debt is added to our current debt levels, the substantial leverage-related risks described above would increase.

If we or any of our subsidiaries that is a guarantor of the new notes incur any additional debt that ranks equally with the new notes (or with the guarantee thereof), including trade payables, the holders of that debt will be entitled to share ratably with noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us or such guarantor. This may have the effect of reducing the amount of proceeds paid to holders of the new notes in connection with such a distribution.

We may not be able to generate sufficient cash to service all of our indebtedness, including the new notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the new notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the new notes. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the new notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior credit facility, existing indentures and the indenture governing the new notes offered for exchange hereby restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

Your right to receive payments on the new notes is effectively junior to the right of lenders who have a security interest in our assets to the extent of the value of those assets.

Our obligations under the new notes and the guarantors obligations under their guarantees of the new notes will be unsecured, but our obligations under our senior credit facility and each guarantor s obligations under its guarantee of our senior credit facility are secured by a security interest in substantially all of our domestic tangible and intangible assets, including the stock of substantially all of our wholly-owned subsidiaries. If we are declared bankrupt or insolvent, or if we default under our senior credit facility, the funds borrowed thereunder, together with accrued interest, could become immediately due and payable. If we were unable to repay such indebtedness, the lenders under our senior credit facility could foreclose on the pledged assets to the exclusion of holders of the new notes, even if an event of default exists under the indenture governing the new notes at such time. Furthermore, if the lenders foreclose and sell the pledged equity interests in any guarantor in a transaction permitted under the terms of the indenture governing the new notes, then such guarantor will be released from its guarantee of the new notes automatically and immediately upon such sale. In any such event, because the new notes are not secured by any of such assets or by the equity interests in any such guarantor, it is possible that there would be no assets from which your claims could be satisfied or, if any assets existed, they might be insufficient to satisfy your claims in full.

As of June 30, 2010 we had $186.0 million outstanding under our senior credit facility, which has a borrowing base of $850.0 million. Please see Description of Other Indebtedness. As of June 30, 2010, we had approximately $2.6 billion of other outstanding secured long-term debt in addition to amounts outstanding on the senior credit facility. Subject to the limits set forth in the indenture, we may also incur additional secured debt.

Our ability to repay our debt, including the new notes, is affected by the cash flow generated by our subsidiaries.

Our subsidiaries own some of our assets and conduct some of our operations. Accordingly, repayment of our indebtedness, including the new notes, will be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors, our subsidiaries will not have any obligation to pay amounts due on the new notes or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the new notes. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the new notes limits the ability of our subsidiaries to incur consensual encumbrances or restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the new notes.

Claims of new noteholders will be structurally subordinated to claims of creditors of certain of our subsidiaries that will not guarantee the new notes.

We conduct some of our operations through our subsidiaries and our Grey Ranch joint venture, an entity in which we have a 50% equity investment, the results of which are consolidated with our results. Certain of our immaterial domestic subsidiaries and our Grey Ranch joint venture do not guarantee the old notes and will not guarantee the new notes. Subject to certain limitations, the indenture governing the new notes permits us to form or acquire additional subsidiaries that are not guarantors of the new notes and to permit such non-guarantor subsidiaries to acquire additional assets and incur additional indebtedness. Noteholders would not have any claim as a creditor against any of our non-guarantor subsidiaries to the assets and earnings of those subsidiaries. The claims of the creditors of those subsidiaries, including their trade creditors, banks and other lenders, would have priority over any of our claims or those of our other subsidiaries as equity holders of the non-guarantor subsidiaries. Consequently, in any insolvency, liquidation, reorganization, dissolution or other winding-up of any of the non-guarantor subsidiaries or our Grey Ranch joint venture, creditors of those subsidiaries would be paid before any amounts would be distributed to us or to any of the guarantors as equity, and thus be available to satisfy our obligations under the new notes and other claims against us or the guarantors.

For the six months ended June 30, 2010, our non-guarantor subsidiaries and our Grey Ranch joint venture accounted for approximately $14.7 million, or 3.7%, of our revenues over this period. As of June 30, 2010, our non-guarantor subsidiaries and our Grey Ranch joint venture accounted for approximately $112.0 million, or 3.4%, of our consolidated total assets and approximately $28.3 million, or 0.9%, of our total liabilities, in each case after giving effect to intercompany eliminations. The indenture governing the new notes permits these subsidiaries and our Grey Ranch joint venture to incur certain additional debt and does not limit their ability to incur other liabilities that are not considered indebtedness under the Indenture.

If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the new notes.

Any default under the agreements governing our indebtedness, including a default under our senior credit facility, that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the new notes and substantially decrease the market value of the new notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants in the instruments governing our indebtedness (including covenants in our senior credit facility and the indenture governing the new notes), we could be in default under the terms of the agreements governing such indebtedness, including our senior credit facility and the indenture governing the new notes. In the event of such default,

- the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;

- the lenders under our senior credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and

- we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior credit facility to avoid being in default. If we breach our covenants under our senior credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

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We may not be able to repurchase the new notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, we may be required to offer to repurchase all outstanding new notes at 101% of their principal amount plus accrued and unpaid interest, if any. The source of funds for any such purchase of the new notes will be our available cash or cash generated from our operations or the operations of our subsidiaries or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the new notes upon a change of control because we may not have sufficient financial resources to purchase all of the new notes that are tendered upon a change of control. Our failure to repurchase the new notes upon a change of control would cause a default under the indenture governing the new notes and could lead to a cross default under our senior credit facility.

Insolvency and fraudulent transfer laws and other limitations may preclude the recovery of payment under the new notes and the guarantees.

Federal and state fraudulent transfer laws permit a court, if it makes certain findings, to avoid all or a portion of the obligations of the guarantors pursuant to their guarantees of the new notes, or to subordinate a guarantor s obligations under such guarantee to claims of its other creditors, reducing or eliminating the noteholders ability to recover under such guarantees. Although laws differ among these jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, the new notes or guarantees could be voided as a fraudulent transfer or conveyance if: (1) we or any of the guarantors, as applicable, issued the new notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors; or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the new notes or incurring the guarantees and, in the case of (2) only, one of the following is also true:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the new notes or the incurrence of the guarantees or subsequently become insolvent for other reasons;

- the issuance of the new notes or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business;

- we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor s ability to pay such debts as they mature; or

- we or any of the guarantors was a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

An active trading market for the new notes may not develop.

There is no existing market for the old notes. The new notes will not be listed on any securities exchange. There can be no assurance that a trading market for the new notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the new notes, your ability to sell your new notes or the price at which you will be able to sell your new notes. Future trading prices of the new notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then-current ratings assigned to the new notes and the market for similar securities. Any trading market that develops would be affected by many factors independent of and in addition to the foregoing, including:

- time remaining to the maturity of the new notes;

- outstanding amount of the new notes;

- the terms related to optional redemption of the new notes; and level, direction and volatility of market interest rates generally.

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement we entered into in connection with the issuance of the old notes. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated in this prospectus, we will receive in exchange old notes in like principal amount. We will cancel and retire all old notes surrendered in exchange for new notes in the exchange offer. As a result, the issuance of the new notes will not result in any increase or decrease in our indebtedness.

We received net proceeds of approximately $432.8 million, after deducting the initial purchasers discounts and our expenses, from the December 16, 2009 private placement of the old notes. Proceeds received in the private placement were used to finance a portion of the cash consideration payable in connection with the acquisition of oil and natural gas properties in the Permian Basin from Forest.

RATIO OF EARNINGS TO FIXED CHARGES

We have computed our ratio of earnings to fixed charges for the six months ended June 30, 2010 and 2009 and for each of our fiscal years ended December 31, 2009, 2008, 2007, 2006 and 2005. The computation of earnings to fixed charges is set forth on Exhibit 12.1 to the registration statement of which this prospectus forms a part.

Ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges from operations for the periods indicated. For purposes of calculating the ratio of earnings to fixed charges, (a) earnings represents pre-tax income from continuing operations plus fixed charges and (b) fixed charges represents interest expensed and capitalized, amortization of financing costs and required dividends on preference securities.

You should read the ratio information below in conjunction with the Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2009, and Quarterly Report on Form 10-Q for the period ended June 30, 2010, which are incorporated by reference in this prospectus.

	Six months ended June 30,		Twelve months ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Consolidated Ratio of Earnings to Fixed Charges	1.7	(a)	(a)	(a)	1.6	2.0	6.0

(a) Due to our loss for the six month period ended June 30, 2009 and for the years ended December 31, 2009 and 2008, the ratio of earnings to fixed charges was less than 1:1 for these periods. We would have needed to generate additional earnings of $1,247.9 million, $1,785.1 million and $1,480.9 million to achieve a ratio of 1:1 for the six month period ended June 30, 2009 and for the years ended December 31, 2009 and 2008, respectively.

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CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and our consolidated capitalization as of June 30, 2010:

- on an actual basis; and

- on an as adjusted basis to give effect to the July 16, 2010 closing of the acquisition of Arena, pursuant to which we issued approximately 190 million shares of common stock and paid approximately $178.0 million in cash as consideration. In connection with approving the merger with Arena, our stockholders approved an amendment to our Certificate of Incorporation to increase the number of authorized shares of capital stock to 850 million and the number of authorized shares of common stock to 800 million.

You should read the following table in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus. The as adjusted information may not reflect our cash, debt and capitalization in the future.

	As of June 30, 2010	
	Actual	As Adjusted
	(in thousands, except per share amounts)	
Cash and cash equivalents	$ 2,083	$ 44,074
Long term debt, including current maturities:		
Revolving credit facility	186,000	363,946
Other secured long term debt	28,373	28,373
Senior Floating Rate Notes due 2014	350,000	350,000
8.625% Senior Notes due 2015	650,000	650,000
9.875% Senior Notes due 2016, net	351,842	351,842
8.0% Senior Notes due 2018	750,000	750,000
8.750% Senior Notes due 2020, net	442,818	442,818
Total Debt	2,759,033	2,936,979
Stockholders equity:		
Preferred stock, $0.001 par value, 50,000 shares authorized:		
8.5% Convertible perpetual preferred stock 2,650 issued and outstanding; aggregate liquidation preference of $265,000	3	3
6.0% Convertible perpetual preferred stock 2,000 issued and outstanding; aggregate liquidation preference of $200,000	2	2
Common stock, $0.001 par value, 400,000 shares authorized; 212,836 issued and 210,600 outstanding (actual); 800,000 shares authorized; 403,116 issued and 400,880 outstanding (as adjusted)	204	394
Additional paid-in capital	2,978,252	4,228,909
Treasury stock, at cost	(28,726)	(28,726)
Accumulated deficit	(3,079,210)	(2,643,705)
Total SandRidge Energy, Inc. stockholders (deficit) equity	(129,475)	1,556,877
Noncontrolling interest	10,937	10,937
Total capitalization	$ 2,640,495	$ 4,504,793

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

Set forth below is our selected historical consolidated financial data for each of the six-month periods ended June 30, 2010 and 2009 and for each of the five years in the period ended December 31, 2009. The selected financial data as of June 30, 2010 and for the six-month periods ended June 30, 2010 and 2009 is derived from unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the period ended June 30, 2010, which is incorporated by reference in this prospectus and, in the opinion of management, such data includes all adjustments necessary for a fair statement of the results for the applicable interim period. The selected financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 is derived from audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009, which is incorporated by reference in this prospectus. The selected financial data as of June 30, 2009 and December 31, 2007, 2006 and 2005 and for each of the two years in the period ended December 31, 2006 is derived from financial information not incorporated by reference in this prospectus. The selected historical financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the notes thereto, each of which is incorporated by reference in this prospectus from our 2009 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended June 30, 2010. The historical results presented are not necessarily indicative of future results.

	Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(in thousands, except per share data)						
Statement of Operations Data:							
Revenues	$ 393,434	$ 293,112	$ 591,044	$ 1,181,814	$ 677,452	$ 388,242	$ 287,693
Expenses:							
Production	106,281	87,325	169,285	159,004	106,192	35,149	16,195
Production taxes	10,242	2,084	4,010	30,594	19,557	4,654	3,158
Drilling and services	8,233	10,716	30,899	26,186	44,211	98,436	52,122
Midstream marketing	45,285	42,821	78,684	186,655	94,253	115,076	141,372
Depreciation and depletion oil and natural gas	106,597	94,443	176,027	290,917	173,568	26,321	9,313
Depreciation, depletion and amortization other	24,123	26,760	50,865	70,448	53,541	29,305	14,893
Impairment		1,304,418	1,707,150	1,867,497			
General and administrative	65,539	52,117	100,256	109,372	61,780	55,634	11,908
(Gain) loss on derivative contracts	(181,573)	(187,655)	(147,527)	(211,439)	(60,732)	(12,291)	4,132
Loss (gain) on sale of assets	84	26,350	26,419	(9,273)	(1,777)	(1,023)	547
Total operating expenses	184,811	1,459,379	2,196,068	2,519,961	490,593	351,261	253,640
Income (loss) from operations	208,623	(1,166,267)	(1,605,024)	(1,338,147)	186,859	36,981	34,053
Other income (expense):							
Interest income	167	199	375	3,569	4,694	991	206
Interest expense	(126,348)	(83,167)	(185,691)	(147,027)	(117,185)	(16,904)	(5,277)
Income (loss) from equity investments		434	1,020	1,398	4,372	967	(384)
Other income, net	706	1,243	7,272	1,454	729	118	
Total other (expense) income	(125,475)	(81,291)	(177,024)	(140,606)	(107,390)	(14,828)	(5,455)
Income (loss) before income taxes	83,148	(1,247,558)	(1,782,048)	(1,478,753)	79,469	22,153	28,598
Income tax expense (benefit)	162	(1,534)	(8,716)	(38,328)	29,524	6,236	9,968
Income (loss) from continuing operations	82,986	(1,246,024)	(1,773,332)	(1,440,425)	49,945	15,917	18,630
Income from discontinued operations, net of tax							229

Net income (loss)	82,986	(1,246,024)	(1,773,332)	(1,440,425)	49,945	15,917	18,859
Less: net income (loss) attributable to noncontrolling interest	2,234	7	2,258	855	(276)	296	737
Net income (loss) attributable to SandRidge Energy, Inc.	80,752	(1,246,031)	(1,775,590)	(1,441,280)	50,221	15,621	18,122
Preferred stock dividends and accretion	17,263		8,813	16,232	39,888	3,967	
Income available (loss applicable) to SandRidge Energy, Inc. common stockholders	$ 63,489	$ (1,246,031)	$ (1,784,403)	$ (1,457,512)	$ 10,333	$ 11,654	$ 18,122

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	Historical						
	Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(In thousands except per share data)						
Earnings Per Share Information:							
Basic							
Income (loss) from continuing operations	$ 0.38	$ (7.38)	$ (10.15)	$ (9.26)	$ 0.46	$ 0.21	$ 0.31
Income from discontinued operations, net of income tax							0.01
Preferred stock dividends	(0.08)		(0.05)	(0.10)	(0.37)	(0.05)	
Income (loss) per share available (applicable) to common stockholders	$ 0.30	$ (7.38)	$ (10.20)	$ (9.36)	$ 0.09	$ 0.16	$ 0.32
Weighted average number of SandRidge Energy., Inc. common shares outstanding (1):							
Basic	209,153	168,767	175,005	155,619	108,828	73,727	56,559
Diluted	210,022	168,767	175,005	155,619	110,041	74,664	56,737

	As of June 30,		As of December 31,				
	2010	2009	2009	2008	2007	2006	2005
	(In thousands)						
Balance Sheet Data:							
Cash and cash equivalents	$ 2,083	$ 621	$ 7,861	$ 636	$ 63,135	$ 38,948	$ 45,731
Property, plant and equipment, net	$ 2,783,773	$ 1,920,902	$ 2,433,643	$ 3,175,559	$ 3,337,410	$ 2,134,718	$ 337,881
Total assets	$ 3,128,663	$ 2,364,316	$ 2,780,317	$ 3,655,058	$ 3,630,566	$ 2,388,384	$ 458,683
Long-term debt	$ 2,759,033	$ 2,161,995	$ 2,578,938	$ 2,375,316	$ 1,067,649	$ 1,066,831	$ 43,133
Redeemable convertible preferred stock (2)	$	$	$	$	$ 450,715	$ 439,643	$
Total stockholders (deficit) equity	$ (118,538)	$ (91,794)	$ (195,905)	$ 793,551	$ 1,771,563	$ 654,910	$ 297,179
Total liabilities and stockholders equity	$ 3,128,663	$ 2,364,316	$ 2,780,317	$ 3,655,058	$ 3,630,566	$ 2,388,384	$ 458,683

(1) The number of shares has been adjusted to reflect a 281.562-to-1 stock split in December 2005.
(2) On May 7, 2008, we converted all of our then outstanding redeemable convertible preferred stock into shares of common stock.

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

On December 16, 2009, we completed the issuance and sale of the old notes in an unregistered private placement to a group of investment banks that served as the initial purchasers. Following the sale, the initial purchasers then resold the old notes pursuant an offering memorandum dated December 9, 2009