

SANDRIDGE ENERGY INC
Form 10-Q
August 09, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from _____ to _____

Commission File Number: 001-33784

SANDRIDGE ENERGY, INC.

(Exact name of registrant as specified in its charter)

Edgar Filing: SANDRIDGE ENERGY INC - Form 10-Q

Delaware
(State or other jurisdiction of

20-8084793
(I.R.S. Employer

incorporation or organization)

Identification No.)

123 Robert S. Kerr Avenue

Oklahoma City, Oklahoma
(Address of principal executive offices)

73102
(Zip Code)

Registrant's telephone number, including area code:

(405) 429-5500

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

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

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

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

Large accelerated filer Accelerated filer

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

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

The number of shares outstanding of the registrant's common stock, par value \$0.001 per share, as of the close of business on July 30, 2010, was 405,104,814.

Table of Contents

SANDRIDGE ENERGY, INC.

FORM 10-Q

Quarter Ended June 30, 2010

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1.	<u>Financial Statements (Unaudited)</u>	4
	<u>Condensed Consolidated Balance Sheets</u>	4
	<u>Condensed Consolidated Statements of Operations</u>	5
	<u>Condensed Consolidated Statement of Changes in Equity</u>	6
	<u>Condensed Consolidated Statements of Cash Flows</u>	7
	<u>Notes to Condensed Consolidated Financial Statements</u>	8
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
ITEM 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	57
ITEM 4.	<u>Controls and Procedures</u>	60

PART II. OTHER INFORMATION

ITEM 1.	<u>Legal Proceedings</u>	61
ITEM 1A.	<u>Risk Factors</u>	62
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
ITEM 6.	<u>Exhibits</u>	63

Table of Contents

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (Quarterly Report) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements express a belief, expectation or intention and are generally accompanied by words that convey projected future events or outcomes. 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, convey the uncertainty of future events or outcomes. We 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. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including risks associated with our ability to realize the benefits anticipated from the acquisition of Arena, as well as the risk factors discussed in Item 1A of this Quarterly Report and of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the 2009 Form 10-K). 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.

Table of Contents**PART I. Financial Information****ITEM 1. Financial Statements**

SANDRIDGE ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,083	\$ 7,861
Accounts receivable, net	103,409	105,476
Derivative contracts	63,737	105,994
Inventories	4,295	3,707
Costs in excess of billings	46,452	12,346
Other current assets	6,150	20,580
Total current assets	226,126	255,964
Oil and natural gas properties, using full cost method of accounting		
Proved	6,356,837	5,913,408
Unproved	249,840	281,811
Less: accumulated depreciation, depletion and impairment	(4,322,819)	(4,223,437)
	2,283,858	1,971,782
Other property, plant and equipment, net	499,915	461,861
Restricted deposits	27,860	32,894
Derivative contracts	25,792	
Other assets	65,112	57,816
Total assets	\$ 3,128,663	\$ 2,780,317
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 9,610	\$ 12,003
Accounts payable and accrued expenses	315,893	203,908
Derivative contracts	7,480	7,080
Asset retirement obligation	2,553	2,553
Total current liabilities	335,536	225,544
Long-term debt	2,749,423	2,566,935
Other long-term obligations	15,348	14,099
Derivative contracts	31,419	61,060
Asset retirement obligation	115,475	108,584
Total liabilities	3,247,201	2,976,222
Commitments and contingencies (Note 14)		
Equity:		

Edgar Filing: SANDRIDGE ENERGY INC - Form 10-Q

SandRidge Energy, Inc. stockholders' equity:

Preferred stock, \$0.001 par value, 50,000 shares authorized:

8.5% Convertible perpetual preferred stock; 2,650 shares issued and outstanding at June 30, 2010 and December 31, 2009; aggregate liquidation preference of \$265,000	3	3
6.0% Convertible perpetual preferred stock; 2,000 shares issued and outstanding at June 30, 2010 and December 31, 2009; 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 at June 30, 2010 and 210,581 issued and 208,715 outstanding at December 31, 2009	204	203
Additional paid-in capital	2,978,252	2,961,613
Treasury stock, at cost	(28,726)	(25,079)
Accumulated deficit	(3,079,210)	(3,142,699)
Total SandRidge Energy, Inc. stockholders' (deficit) equity	(129,475)	(205,957)
Noncontrolling interest	10,937	10,052
Total (deficit) equity	(118,538)	(195,905)
Total liabilities and equity	\$ 3,128,663	\$ 2,780,317

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

Table of Contents

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

(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Unaudited)			
Revenues:				
Oil and natural gas	\$ 149,995	\$ 103,039	\$ 319,580	\$ 224,280
Drilling and services	3,901	5,097	9,661	11,408
Midstream and marketing	22,598	19,642	50,587	45,598
Other	5,945	6,321	13,606	11,826
Total revenues	182,439	134,099	393,434	293,112
Expenses:				
Production	56,009	41,591	106,281	87,325
Production taxes	5,404	593	10,242	2,084
Drilling and services	1,024	5,791	8,233	10,716
Midstream and marketing	19,779	18,933	45,285	42,821
Depreciation and depletion oil and natural gas	54,319	34,350	106,597	94,443
Depreciation, depletion and amortization other	11,820	14,034	24,123	26,760
Impairment				1,304,418
General and administrative	33,865	23,632	65,539	52,117
(Gain) loss on derivative contracts	(119,621)	18,992	(181,573)	(187,655)
Loss on sale of assets	388	26,170	84	26,350
Total expenses	62,987	184,086	184,811	1,459,379
Income (loss) from operations	119,452	(49,987)	208,623	(1,166,267)
Other income (expense):				
Interest income	98	188	167	199
Interest expense	(64,259)	(42,419)	(126,348)	(83,167)
Income from equity investments		200		434
Other (expense) income, net	(530)	483	706	1,243
Total other (expense) income	(64,691)	(41,548)	(125,475)	(81,291)
Income (loss) before income taxes	54,761	(91,535)	83,148	(1,247,558)
Income tax expense (benefit)	150	(365)	162	(1,534)
Net income (loss)	54,611	(91,170)	82,986	(1,246,024)
Less: net income attributable to noncontrolling interest	1,096	4	2,234	7
Net income (loss) attributable to SandRidge Energy, Inc.	53,515	(91,174)	80,752	(1,246,031)
Preferred stock dividends	8,631		17,263	
Income available (loss applicable) to SandRidge Energy, Inc. common stockholders	\$ 44,884	\$ (91,174)	\$ 63,489	\$ (1,246,031)

Earnings (loss) per share:
Basic