

ARENA RESOURCES INC
Form 425
June 04, 2010

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

The following presentation was posted to the SandRidge Energy, Inc. website on June 4, 2010.

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Safe Harbor Language on Forward Looking Statements:

This
presentation
includes
"forward-looking
statements"
within
the
meaning

of
Section
27A
of
the
Securities
Act
of
1933,
as
amended,
and
Section
21E
of
the
Securities
Exchange
Act
of
1934,
as
amended.
These
statements
express
a
belief,
expectation
or
intention
and
are
generally
accompanied
by
words
that
convey
projected
future
events
or
outcomes.
The
forward-looking
statements
include
statements
relating

to
the
impact
SandRidge
Energy,
Inc.
expects
the
proposed
merger
with
Arena
Resources,
Inc.
to
have
on
the
combined
entity's
operations,
financial
condition,
and
financial
results,
and
SandRidge
Energy,
Inc. s
expectations
about
its
ability
to
successfully
integrate
the
combined
businesses
and
the
amount
of
cost
savings
and
overall
operational
efficiencies

SandRidge
Energy,
Inc.
expects
to
realize
as
a
result
of
the
proposed
merger.
The
forward-looking
statements
also
include
statements
about
SandRidge
Energy,
Inc.'s
future
operations,
estimates
of
reserve
and
resource
volumes,
reserve
values,
future
drilling
locations,
costs,
cash
flow,
hedging
transactions,
and
anticipated
timing
for
filings
with
regulatory
agencies,
shareholder

meetings
and
closing
of
the
proposed
merger.
We
have
based
these
forward-looking
statements
on
our
current
expectations
and
assumptions
and
analyses
made
by
us
in
light
of
our
experience
and
our
perception
of
historical
trends,
current
conditions
and
expected
future
developments,
as
well
as
other
factors
we
believe
are
appropriate

under
the
circumstances.
However,
whether
actual
results
and
developments
will
conform
with
our
expectations
and
predictions
is
subject
to
a
number
of
risks
and
uncertainties,
including
the
ability
to
obtain
governmental
approvals
of
the
merger
on
the
proposed
terms
and
schedule,
the
failure
of
SandRidge
Energy,
Inc.
or
Arena
Resources,

Inc.
stockholders
to
approve
the
merger,
the
risk
that
the
businesses
will
not
be
integrated
successfully,
the
risk
that
the
cost
savings
and
any
synergies
from
the
merger
may
not
be
fully
realized
or
may
take
longer
to
realize
than
expected,
disruption
from
the
merger
making
it
more
difficult
to

maintain
relationships
with
customers,
employees
or
suppliers,
the
volatility
of
natural
gas
and
oil
prices,
our
success
in
discovering,
estimating,
and
developing
natural
gas
and
oil
reserves,
the
availability
and
terms
of
capital,
our
timely
execution
of
hedge
transactions,
credit
conditions
of
global
capital
markets,
changes
in
economic
conditions,
regulatory

changes,
including
those
related
to
carbon
dioxide
and
greenhouse
gas
emissions,
and
other
factors,
many
of
which
are
beyond
our
control.

We
refer
you
to
the
discussion
of
risk
factors
in
Part
I,
Item
1A

-
Risk
Factors
of
our
Annual
Report
on
Form
10-K
for
the
year
ended
December

31,
2009
and
the
Annual
Report
on
Form
10-K
filed
by
Arena
Resources,
Inc.
and
in
comparable
risk
factors
sections
of
our
and
Arena
Resources,
Inc. s
Quarterly
Reports
on
Form
10-Q
filed
after
the
date
of
this
presentation.
All
of
the
forward-looking
statements
made
in
this
presentation
are
qualified
by

these
cautionary
statements.
The
actual
results
or
developments
anticipated
may
not
be
realized
or,
even
if
substantially
realized,
they
may
not
have
the
expected
consequences
to
or
effects
on
our
company
or
our
business
or
operations.
Such
statements
are
not
guarantees
of
future
performance
and
actual
results
or
developments
may

differ
materially
from
those
projected
in
the
forward-looking
statements.
We
undertake
no
obligation
to
update
or
revise
any
forward-looking
statements.
The
SEC
permits
oil
and
natural
gas
companies,
in
their
filings
with
the
SEC,
to
disclose
only
proved,
probable
and
possible
reserves,
as
each
is
defined
by
the
SEC.
At

times
we
use
the
term
"EUR"
(estimated
ultimate
recovery)
to
provide
estimates
that
the
SEC's
guidelines
prohibit
us
from
including
in
filings
with
the
SEC.
In
addition,
this
presentation
includes
a
table
demonstrating
the
sensitivity
of
proved
oil
and
natural
gas
reserves
to
price
fluctuations
by
comparing
the
reserves
calculated

under
the
price
assumptions
required
by
current
U.S.
Securities
and
Exchange
Commission
(SEC)
rules
to
(1)
spot
prices
at
December
31,
2009,
and
(2)
the
10-year
average
NYMEX
strip
prices
as
of
December
31,
2009.
The
reserves
presented
under
these
alternative
price
assumptions
are
not
calculated
in
accordance
with
current

SEC
rules,
and
they
have
not
been
reviewed
by
independent
petroleum
engineers.
These
estimates
are
by
their
nature
more
speculative
than
estimates
of
proved,
probable
or
possible
reserves
and,
accordingly,
are
subject
to
substantially
greater
risk
of
being
actually
realized
by
the
company.
For
a
discussion
of
the
company's
proved

reserves,
as
calculated
under
current
SEC
rules,
we
refer
you
to
the
company's
Annual
Report
on
Form
10-K
referenced
above,
which
is
available
on
our
website
at
www.sandridgeenergy.com
and
on
the
SEC's
website
at
www.sec.gov.

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3
IMPORTANT
ADDITIONAL
INFORMATION
WILL
BE
FILED
WITH
THE
SEC

This
communication
is
being
made
in
respect
of
the
proposed
business
combination
involving
SandRidge
Energy,
Inc.
and
Arena
Resources,
Inc.
In
connection
with
the
proposed
transaction,
SandRidge
Energy,
Inc.
plans
to
file
with
the
Securities
and
Exchange
Commission
(the
SEC)
a
Registration
Statement
on
Form
S-4
containing
a
Joint
Proxy

Statement/Prospectus,
and
each
of
SandRidge
Energy,
Inc.
and
Arena
Resources,
Inc.
may
file
with
the
SEC
other
documents
regarding
the
proposed
transaction.
The
definitive
Joint
Proxy
Statement/Prospectus
will
be
mailed
to
stockholders
of
SandRidge
Energy,
Inc.
and
Arena
Resources,
Inc.
Investors
and
security
holders
of
SandRidge
Energy,
Inc.
and
Arena

Resources,
Inc.
are
urged
to
read
the
Joint
Proxy
Statement/Prospectus
and
other
documents
filed
with
the
SEC
carefully
in
their
entirety
when
they
become
available
because
they
will
contain
important
information
about
the
proposed
transaction.
Investors
and
security
holders
will
be
able
to
obtain
free
copies
of
the
Registration
Statement

and
the
Joint
Proxy
Statement/Prospectus
(when
available)
and
other
documents
filed
with
the
SEC
by
SandRidge
Energy,
Inc.
and
Arena
Resources,
Inc.
through
the
web
site
maintained
by
the
SEC
at
www.sec.gov.
Free
copies
of
the
Registration
Statement
and
the
Joint
Proxy
Statement/Prospectus
(when
available)
and
other
documents
filed
with

the
SEC
can
also
be
obtained
by
directing
a
request
to
SandRidge
Energy,
Inc.,
123
Robert
S.
Kerr
Avenue,
Oklahoma
City,
Oklahoma
73102,
Attention:
Investor
Relations,
or
by
directing
a
request
to
Arena
Resources,
Inc.,
6555
South
Lewis
Avenue,
Tulsa,
Oklahoma
74136,
Attention:
Investor
Relations.
SandRidge
Energy,
Inc.,
Arena
Resources,

Inc.
and
their
respective
directors
and
executive
officers
and
other
persons
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
in
respect
of
the
proposed
transaction.
Information
regarding
SandRidge
Energy,
Inc. s
directors
and
executive
officers
is
available
in
its
Annual
Report
on
Form
10-K
for
the
year
ended

December
31,
2009,
which
was
filed
with
the
SEC
on
March
1,
2010,
and
its
proxy
statement
for
its
2009
annual
meeting
of
stockholders,
which
was
filed
with
the
SEC
on
April
22,
2009,
and
information
regarding
Arena
Resources,
Inc.'s
directors
and
executive
officers
is
available
in
its
Annual
Report

on
Form
10-K
for
the
year
ended
December
31,
2009,
which
was
filed
with
the
SEC
on
March
1,
2010
and
its
proxy
statement
for
its
2009
annual
meeting
of
stockholders,
which
was
filed
with
the
SEC
on
October
29,
2009.
Other
information
regarding
the
participants
in
the
proxy
solicitation

and
a
description
of
their
direct
and
indirect
interests,
by
security
holdings
or
otherwise,
will
be
contained
in
the
Joint
Proxy
Statement/Prospectus
and
other
relevant
materials
to
be
filed
with
the
SEC
when
they
become
available.

Disclaimer (Page 2 of 2)

4
SandRidge

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

5
Is There Risk?

6
US Natural Gas Drilling Activity Will Challenge Natural Gas Price

Assumes 22% US decline

<
900

950
Current

Gas
Rigs

Horizontal
Drilling
<
60%
efficiency increase

Rig count continues to increase

7
Simple Macro Oil Theory on Why?

BG

BP

Devon

Exxon-Mobil

Mitsui

StatOil

Total

WHY???

Oil is difficult to find.

Companies Focusing on North American Gas:

8

(a)

Includes WAHA and HSC basis swaps in 2011 and 2012

Natural gas swaps assume a ratio of 1:1 for Mcf

to MMBtu

Hedging

Year

Quarter Ending

Ending

3/31/2010

6/30/2010

9/30/2010

12/31/2010

12/31/2010

12/31/2011

12/31/2012

12/31/2013

Natural Gas Swaps:

Volume (Bcf)

20.48

19.79

20.01

20.01

80.29

0.00

0.00

0.00

Swap

\$7.95

\$7.32

\$7.55

\$7.97

\$7.70

NM

NM

NM

Natural Gas Basis Swaps:

(a)

Volume (Bcf)

20.25

20.48

20.70

20.70

82.13

104.03

113.46

14.60

Swap

\$0.74

\$0.74

\$0.74

\$0.74

\$0.74

\$0.47

\$0.55

\$0.46

Crude Oil Swaps:

Volume (MMBbls)

0.99

1.09

1.10

1.20

4.38

5.48

6.99

0.00

Swap

\$81.95

\$82.05

\$82.05

\$82.11

\$82.04

\$86.07

\$86.98

NM

9

Transaction

Summary

Strategy: Why Arena?

Increases exposure to oil (8,500 Boepd

86% Oil)

Single asset focus in the Central Basin Platform

Low risk drilling (2,700 locations)

Shallow vertical wells (less than 6,000 feet)

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

Extensive existing operations in Permian Basin

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

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

Hedges for 2H10 -
2013

Natural Gas upside for 2011 and beyond

Transaction:

191 MM new SandRidge shares issued, no assumed debt

Relative PV-10 (debt adjusted) supports ownership percentage

Expected closing July 2010

10
Transaction
Arena Key Attributes
Production/Reserves
<
86%
Oil
Concentrated, operated oil-weighted Permian Basin position
March
2

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

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

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

11
San Andres
(4,300)
Clear Fork
(6,000)
Delaware Basin
Midland Basin
PIÑON FIELD
MIDLAND
Ft. Stockton
Service Base
(33 drilling
rigs)
ODESSA
WTO
CENTRAL BASIN
PLATFORM
San Andres / Clear Fork
Formations
Concentrated West Texas Asset Base
Combined
West Texas
Net Acreage
Position
<
770,000
acres
SandRidge
Arena

12
Permian Basin (Fuhrman
Mascho
Field)
Arena: Fuhrman-Mascho
/ San Andres

2,700 low risk, 10 acre locations

35 Mboe
gross per primary location

94.5 Mmboe
EUR gross

950 Producing Wells

700 Wells Drilled Since 2005

Well
Costs
<
\$500,000

Average
Well
Depth

4,500
feet

SandRidge

Arena

CENTRAL BASIN PLATFORM

San Andres / Clear Fork

Formations

SandRidge

Permian

Production

<

12,000

Boe/d

Land

<

150,000

acres

(net)

Resource

Potential

<

287

Mmboe

<

2,700

Drilling

Locations

Estimated

Well

Costs

<

\$500,000

to

\$1.2MM

13

Permian Basin

Central Basin Platform

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

Midland Basin

Delaware Basin

Central Basin Platform

2,000

3,000

4,000

6,000
7,000
8,000
9,000
10,000
5,000

14

SandRidge

Combined Asset Analysis

(1)

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

(2)

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

(3)

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

(4)

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

(1)

(1)

(1)

(4)

(1)

(2)

(3)

Post-Acquisition

Total Proven Reserves

(MMBoe)

219

69

288

Proved Developed

%

63%

37%

57%

Proven Oil Value

%

69%

99%

82%

Current Production

(MBoepd)

49.3

8.5

57.8

PV10 PROVEN (SEC)

\$MM

1,561

\$

1,121

\$

2,682

\$

PV10 PROVEN (12/31 SPOT)

\$MM

3,590

\$

1,820

\$

5,410

\$

PV10 PROVEN (NYMEX 10 yr avg)

\$MM

5,240

\$

2,234

\$
7,474
\$

15

SandRidge Permian Progression

(1)

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

(2)

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

(3)

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

(4)

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

Permian Production

(MBoepd)

4.3

13.0

21.5

Net Acres

(M Acres)

56

148

205

Total Proven Reserves

(MMBoe)

43

117

183

Drilling Locations

(#)

740

2,694

5,700

PV10 PROVEN (SEC)

\$MM

424

\$

990

\$

2,053

\$

PV10 PROVEN (12/31 SPOT)

\$MM

778

\$

1,823

\$

3,557

\$

PV10 PROVEN (NYMEX 10 yr avg)

\$MM

1,025

\$

2,414

\$

4,546

\$

Permian Metrics

as of YE 2009

12/09

Permian

Acquisition

12/09

Permian

Acquisition

(2)

(2)

(1)

(3)

(4)

16
SandRidge
Potential
MISSISSIPPIAN HORIZONTAL POTENTIAL

Land <
115,000
acres
(net)

<
280
drilling
locations

> 320 acre spacing assumption

EUR/WELL

<
160
Mbo,
.45
Bcf
NW Oklahoma
Mississippian Horizontal Play
Non Op / Industry Activity
12 wells producing
Avg

First Month IP -
150 Bopd, 400 Mcfpd
MISSISSIPPIAN FAIRWAY
TARGETED HORIZONTAL
INTERVAL > 40

SandRidge

Operated

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

17
SandRidge
Position
WOODFORD HORIZONTAL
POTENTIAL

Land
<
45,000
acres

<
280
drilling
locations

5-8 Bcfe/well
WOODFORD FAIRWAY
DEVON ACTIVITY
109,000 net acres
6 Tcfe
potential
Woodford Play
2011 Source of Funds
WOODFORD INTERVAL > 100
CIMAREX ACTIVITY
94,000 net acres
2-3 Tcfe
potential
WOODFORD FAIRWAY
Downdip
Limit
Atoka
Cleveland
Redfork
Cherokee Sand
Hunton
Osage
Woodford
Tonkawa
Chester
Meramac
Springer
Morrow
CLR: Brown 1-2H
7 day test: 4,200 Mcfpd
, 100 Bopd
CLR: Doris 1-25H
Currently Drilling

18
-
20,000
40,000
60,000
80,000
100,000
120,000
1
13

25

37

49

61

73

85

97

109

121

133

145

MONTHS

SandRidge

Energy

Daily Production --

MCFE

Average for Formation vs. Type Curve

Warwick Type Curve Wells

Piñon

Compares Favorably Against ANY U.S. Gas Play

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

Warwick/Tesnus

7.3 Bcfe

wet gas

2.46 Bcfe

net

*53% ROR

Finding Costs

\$.99/Mcfe

Tier 1 Economics

All HBP

Mature Field

High Perm Reservoir

In-Fill Development

19

Gross Thickness Map of the Warwick Caballos
Piñon Field: 2009 Wells Drilled / 2010 Development Drilling

20

Piñon Development: Century Plant

Phase I Start-up: August 2010

Triple Treating Capacity

Largest Single Industrial Source CO

2

Capture Facility in North America

Currently Qualifies for Tax Credits

Will Benefit from Most Cap & Trade Proposals

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

21
SD Controls Over 550,000 Net Acres
<
\$20MM
\$25MM Drilling Budget in 2010
WTO Exploration: Prospects and Leads
Piñon
Field
65 MILES
<

1,300

SQUARE

MILES OF 3-D

SEISMIC

COVERAGE

Over -Thrust Prospects / Leads

Sub -Thrust Prospects / Leads

(Fusselman

& Ellenburger)

LF King 9 23

1

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

Owens A 103

1A

22
6 Exploration Risks in WTO / High Reward

23

Base

Cretaceous

Top Chert Interval

Penn Interval

Penn Interval

LF King 9 23-1

Western WTO: King Structure

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

Top Caballos Interval Time

Structure Map

LF King 9 23-1

Top of Cab 8,558

Gross interval thickness 904

Avg x-plot porosity of 2-3%

High Resistivity in the Chert

On the back-limb of a structural high

Down dip from the crest of the structure

Background gas to 85 units

Gas sample tested 78% methane

24

Owens A 103-1A

Eastern WTO: Magnolia Structure

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

Magnolia Structure

21,200 Acres

Drill Depth

11,665 Feet

5,000

of Structural Closure

Discovered the Owens Sand

100% Methane Gas

Top 6,400

Sand

Depth Structure Map

C. I. = 500 ft

W

E

Owens

Sand

6,400

Sand

Owens A 103-1A

Owens A 103-1A

E

W

S
N
N
S
6,400
Sand
Owens
Sand

25

Owens SS: 10,337 -10,540

Gross: 101

Net: 61

Average Resistivity: 100

Average Cross-Plot Porosity: 9%

S
w
: 40%

Max Gas Show: 3,196 units

Perfs:
10,460 -10,485

10,520 -10,530

Owens SS: 10,562 -10,720

Gross: 152

Net: 94

Average Resistivity: 100 Ohm-m

Average Porosity: 7%

S
w
: 42%

Max Gas Show: 2,100 units

Perfs:
10,585 -10,595

10,615 -10,645

10,685 -10,695

Highest Flow Rate: 2548 MCFD
WTO Exploration: Owens 103A
1A / Owens Sand

26
WTO Exploration: Owens 103A
1A / 6,400
Sand

Tesnus SS: 6,381 -6,874

Gross: 419

Net: 177

Average Resistivity: 40
Ohm-m

Average Cross-Plot Porosity:
10%

S
w
: 47.4

Max Gas Show: 1,597 units

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Notes and Preferred

