

ARENA RESOURCES INC
Form 425
July 02, 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-6 under the Securities
Exchange Act of 1934, as amended
Subject Company: Arena Resources, Inc.
Commission File No.: 001-31657

SandRidge
Energy Merger with Arena Resources
Investor Presentation
July 2010

2
Important Additional Information Filed with the SEC
This
presentation
is
being
made
in
respect
of
the

proposed
business
combination
involving
SandRidge
Energy,
Inc.
(SandRidge)
and
Arena
Resources,
Inc.
(Arena).
In
connection
with
the
proposed
transaction,
SandRidge
filed
with
the
SEC
a
Registration
Statement
on
Form
S-4,
as
amended,
on
April
30,
2010
containing
a
joint
proxy
statement/prospectus,
and
a
supplement
to
the
joint
proxy
statement/prospectus
on

June
14,
2010,
and
each
of
SandRidge
and
Arena
may
file
with
the
SEC
other
documents
regarding
the
proposed
transaction.
The
definitive
joint
proxy
statement/prospectus
was
first
mailed
to
stockholders
of
SandRidge
and
Arena
on
or
about
May
7,
2010,
and
the
supplement
to
the
joint
proxy
statement/prospectus
was
first

mailed
to
stockholders
on
June
17,
2010.
Investors
and
security
holders
of
SandRidge
and
Arena
are
urged
to
read
the
joint
proxy
statement/prospectus,
the
supplement
and
other
documents
filed
with
the
SEC
carefully
in
their
entirety
because
they
contain
important
information
about
the
proposed
transaction.
Investors
and
security
holders
may

obtain
free
copies
of
the
Registration
Statement
and
the
joint
proxy
statement/prospectus,
the
supplement
and
other
documents
filed
with
the
SEC
by
SandRidge
and
Arena
through
the
web
site
maintained
by
the
SEC
at
www.sec.gov.
Free
copies
of
the
Registration
Statement
and
the
joint
proxy
statement/prospectus,
supplement
and
other
documents

filed
with
the
SEC
may
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,
Arena
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's
directors
and
executive
officers
is
available
in
SandRidge's
Annual
Report
on
Form
10-K
for
the
year
ended
December
31,
2009,
which
was
filed
with
the
SEC
on
March
1,

2010,
and
SandRidge's
proxy
statement
for
its
2010
annual
meeting
of
stockholders,
which
was
filed
with
the
SEC
on
April
26,
2010.
Information
regarding
Arena's
directors
and
executive
officers
is
available
in
Arena's
Annual
Report
on
Form
10-
K
for
the
year
ended
December
31,
2009,
which
was
filed
with

the
SEC
on
March
1,
2010,
as
amended
by
the
Annual
Report
on
Form
10-K/A
for
the
year
ended
December
31,
2009,
which
was
filed
with
the
SEC
and
April
30,
2010,
and
Arena's
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,
is
contained
in
the
joint
proxy
statement/prospectus,
the
supplement
and
other
relevant
materials
filed
with
the
SEC.

Important Information Regarding the Preparation of this Presentation

This
presentation
was
prepared
solely
by

SandRidge
and
Arena.
Although
some
of
the
information
in
this
presentation
refers
to
analyses
of
Tudor,
Pickering,
Holt
&
Co.
Securities,
Inc.
(Tudor
Pickering),
Tudor
Pickering
did
not
prepare
any
part
of
this
presentation.
Tudor
Pickering
rendered
an
opinion
to
the
board
of
directors
of
Arena
in
connection
with
the

merger
described
in
this
presentation
on
June
1,
2010.
The
opinion
speaks
only
as
of
that
date
and
is
subject
to
a
number
of
qualifications
and
limitations.
The
opinion
does
not
reflect
changes
that
may
occur
or
may
have
occurred
after
June
1,
2010,
which
could
significantly
alter
the
value

of
Arena
or
SandRidge
or
the
respective
trading
prices
of
their
common
stock.
Tudor
Pickering
has
not
performed
any
further
analysis
of
the
merger
following
the
date
of
its
opinion.
This
presentation
should
not
be
consulted
for,
or
construed
as
a
summary
of,
Tudor
Pickering's
opinion
or
the
assumptions
made,

procedures followed, matters considered, and qualifications and limitations of the review undertaken by Tudor Pickering in rendering its opinion. For that information, investors should refer to the full text of the Tudor Pickering opinion, which is included with the supplement to the joint proxy statement/prospectus dated June 14, 2010 and

the
summary
thereof
included
therein
under
the
caption
Opinion
of
Arena's
Financial
Advisor.
Tudor
Pickering
has
advised
that
it
believes
that
its
analyses
must
be
considered
as
a
whole,
and
that
selecting
portions
of
its
analyses
and
of
the
factors
considered
by
it,
without
considering
all
analyses
and
factors
in

their
entirety,
could
create
a
misleading
or
incomplete
view
of
the
evaluation process underlying its opinion.

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.
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
or
Arena
stockholders
to
approve
the
merger,
the
risk
that
the
businesses
will
not
be
integrated
successfully,
credit
conditions
of
global
capital
markets,
changes
in
economic
conditions,
regulatory
changes,
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
the
Annual
Report
on
Form
10-K
filed
by
SandRidge
with
the
SEC
on
March
1,
2010;
Part
II,
Item
1A

"Risk
Factors"
of
the
Quarterly
Report
on
Form
10-Q
for
the
quarter
ended
March
31,
2010
filed
by
SandRidge

with
the
SEC
on
May
7,
2010;
and
Part
I,
Item
Safe
Harbor
Language
on
Forward
Looking
Statements:
1A
-"Risk
Factors"
of
the
Annual
Report
on
Form
10-K
filed
by
Arena
with
the
SEC
on
March
1,
2010.
All
of
the
forward-looking
statements
made
in
this
communication
are
qualified
by

these
cautionary
statements.

The
actual
results
or
developments
anticipated
may
not
be
realized

or,
even
if
substantially
realized,
they
may
not
have
the
expected
consequences

to
or
effects
on
our
company
or
our
business
or
operations.

Such
statements
are
not
guarantees
of
future
performance
and
actual
results

or developments may differ materially from those projected in the forward-looking statements. We undertake no obligation to

3

SandRidge & Arena: Key Attributes of the Combination

Complementary assets that will
be maximized through the
combined entity

Strategic Rationale

Merger has the unanimous
support of both companies
boards and management teams
and ARD stock trades in tight
range to implied offer price

Strong Endorsement for
Transaction

Arena stockholders

pro forma

ownership significantly exceeds

Arena's relative operational

contribution to the combined

company (47.2% owned by ARD

stockholders

pro forma)

Disproportionate Ownership for

Arena Stockholders

Arena trading among the best in

peer group

SandRidge is trading above the

median of market peers

Strong Post Announcement

Trading Performance

Acquisition premium exceeds

market medians across sectors

for similar mergers

Transaction multiples are at the

top of the range versus

comparable transactions

2010E EBITDA (x): 8.6x

Price/ 2010E Cash Flow (x): 8.5x

Reserve Value (\$ / Boe): \$19.51

Production (\$ / Mboe/d): \$164.4

Top Quartile Transaction

Multiples

Breakup fee reduced below

market norm

30-day go-shop

period from

June 1

July 1 to actively solicit

competitive bids

Go-Shop Provided Solid Market

Test of Deal

June 2, 2010:
Transaction
Terms are
Amended
4
SandRidge
& Arena: Merger Update
Increased consideration payable to Arena stockholders

Cash consideration raised from \$2.50 per share to \$4.50 per share

Following
the
amendment,
each
outstanding
share
of
Arena
will
be
converted
in
the
merger
into
the
right
to
receive
4.7771
shares
of
SandRidge
common
stock
plus
\$4.50
per
share
in
cash

Introduced a 30-day "go-shop" period, which commenced on June 1, 2010 and expired on July 1, 2010

Permitted Arena to proactively solicit competing takeover proposals
Reduced termination fee

From
\$50
million
to
\$39
million,
representing
approximately
2.9%
of
the
equity
value
of

Arena
under
the revised merger terms at the time of the announcement
30-day "go-shop" period concluded on July 1, 2010
24 companies were contacted by SunTrust Robinson Humphrey, Inc. (financial advisor to Arena), after
a thorough pre-screen of possible strategic acquirers based on:

Wherewithal for a sizable acquisition

Presence
in
the
Permian
Basin
or
other
oil
plays
or
an
expressed
interest

in
acquiring
oil
assets

Despite wide-spread news and industry coverage of the go-shop , only two reverse inquiries were
received both from entities with smaller market capitalizations than Arena

Arena effectively put in play since initial announcement on April 4

While several parties expressed initial interest in Arena and its assets, none executed a confidentiality
agreement or submitted a takeover proposal which could reasonably be expected to result in a
Company Superior Proposal

Market
affirmed
the
merger
with
SandRidge
as
the
best
strategic
transaction
available
to

Arena
stockholders
Results of Go-
Shop

Period

Updated terms represent a unanimously approved transaction supported by both management teams and boards of directors includes a period of over 75 days where Arena has been "in play" with no other buyer interest

Despite Q1 '10 production growth, Arena is hitting inventory wall with a limited supply of reserve and acreage to develop and continues to face operational hurdles

Standalone Arena would likely need to look for a complete and transformational acquisition to maintain its growth

Combined

entity

offers

over

14,000

drilling

locations

and

over
11
Tcfe
of
inventory
to
support
future
growth

100% of Arena standalone represents 2,700 drilling locations; 47.2% of combined entity represents 7,000 locations
5

Why *This*
Deal, *Now*,
for Arena?

Merger fully recognizes the value Arena has created for its stockholders to date
Arena stockholders receive 47.2% ownership stake in pro forma entity compared to an operational contribution from Arena of
27%

(a)
Transaction multiples are among the highest in peer trading levels and comparable transactions
Arena has consistently communicated a clear rationale for merging with SandRidge
and believes the results of the

Go-Shop
process further affirm the competitiveness of the SandRidge
transaction

Compelling
Valuation

Accelerated capital expenditures in the combined company will result in greater growth than Arena standalone
Operational
efficiencies
from
SandRidge

rig
fleet
of
\$5.0-17.0MM
per
incremental

rig
(b)
G&A savings present value of over \$100MM

(b)
Increased hedging capacity to lock-in incremental \$1.5-2.0 billion revenue for \$3 billion total revenue hedged
Proven access to the capital markets

(a)
Operational
contribution
percent
is
the

average
of
the
following
metrics:
2009
SEC
PV-10,
2009
12/31/09
Spot
PV-10,
10-year
Average
NYMEX
Strip
PV-10,
2009
Proved
Reserves,
2009
Proved
Developed
Reserves
&
Q1 10
Production
(b)
Based
on
constant
NYMEX
oil
prices
varying
between
\$70
and
\$85/bbl
and
\$4.50/MMBtu
NYMEX
gas
escalating
to
\$6.00
in
2014.
Impact
based

on
hypothetical
Fuhrman-Mascho
type
curve.
Assumes
discount
rate
of
12%,
\$8.50/Boe
operating
costs,
production
and
ad
valorem
taxes
of
5.0%
of
revenue,
production
related
G&A
of
\$1.50/Boe,
oil
differential
of
(\$5.00)/bbl
and
gas
differential
of
\$1.00/Mcf
(due
to
liquids
content)
Superior
Upside
Strategic Fit
Enhanced
Management
Depth
Synergies
Arena's assets plug-in to SandRidge's
current oil portfolio
SandRidge

has extensive operational expertise to optimize Fuhrman-Mascho

Added scope and diversity of asset base provides revenue generating insurance, cost competitive advantages and optionality around production mix

SandRidge

has proven team with complete complement of geological, operational and financial expertise

SandRidge

bring a team of ~35 geologists and ~50 engineers to Arena's team of 3 geologists

Although Arena's board recognizes the need for a transformational acquisition, Arena has not historically purchased and integrated large scale acquisitions

SandRidge

team is vested and committed to the growth of the combined entity

Tom

Ward,

CEO,

owns

12.6%

of

SandRidge;

Insiders

hold

20.7%

on

a

standalone

basis

\$0
\$80
\$160
\$240
\$320
\$400
0
4,000
8,000
12,000
16,000
20,000
2010
2012
2014
2016
2018
2020
2022
2024
\$0
\$500
\$1,000
\$1,500
\$2,000
\$2,500
0
20,000
40,000
60,000
80,000
100,000
2010
2012
2014
2016
2018

6

Arena Gains Enhanced Growth Profile

Arena's reserve development is front-loaded with proved reserves peaking in 2012

As standalone entity, Arena would face pressure to replace drilling inventory for future growth; the Company would likely need to pursue strategic acquisitions or a merger in the next few years

SandRidge has a significantly larger reserve base with significant growth opportunities through 2014 and beyond

Strategic combination enables Arena to take advantage of existing premium valuation

Arena has a strong portfolio of assets with significant near-term opportunities, but standalone sees a run-off of reserves over the next few years

Arena 3P Production

(a)

SandRidge 3P Production

(a)

Standalone Arena Needs Future Source of Growth

Arena's 3P Reserves peak in 2014

SD has considerable running room with its inventory of reserves

Source: SandRidge investor presentations & Company management

(a)

3P Production and capital expenditures based on management expectations as of YE 2009

PDP

PBP

PNP

PUD

Prob

Poss

CAPX

Q1'10
Production
Proved
Reserves
Proved Dev.
Reserves
NYMEX
PV-10
SEC PV-10
Drilling
Locations

100% ARD Standalone

ARD stockholders' 47.2% Stake in Combined Entity

7

Arena Stockholders Will Own Piece of Larger Pie

The SandRidge

transaction is accretive to ARD stockholders across all metrics

8.2MBoe/D

69.3 MMBoe

135.9 MMBoe

26.3 MMBoe

77.1 MMBoe

2,700

7,000

\$1,121 MM

\$1,266 MM

\$1,820 MM

\$2,554 MM

27.3 MBoe/D

Source:

SandRidge

investor

presentations

&

Company

management

(a)

ARD

stockholders

pro

forma

stake

in

combined

entity

calculated

based

on

ARD

stockholders

47.2%

ownership

in

combined

entity

multiplied

by

pro

forma

metrics

Arena stockholders receive 47.2% ownership stake in pro forma entity

(a)

A combination with SandRidge

offers Arena's stockholders greater exposure to oil assets and a significantly larger production and reserve base across both oil and gas

Combined entity increases reserve base and drilling inventory substantially

Drilling

Locations

increase

from

2,700

to

over

14,000

(5,700

oil

well

drilling

locations)

Proved

developed

reserves

in

increase

from

26.3

MMBoe

to

163.4

MMBoe

\$10.00

\$11.91

\$8.51

\$0.00

\$6.00

\$12.00

\$18.00

Analyst

price targets (a)

Future share price

(peer mults) (b)

Future share price
(current mults) (b)
SandRidge implied value per share
8

SandRidge
Value Potential

(a)
Based on public information analysis
(b)

Future
share
prices
of
Arena
and
SandRidge
calculated
by
multiplying
2013E
cash
flow
per
share
by
select
multiples.

The
peer
multiples
used
for
Arena
and
SandRidge
were
5.3x
and
4.9x,
respectively,
and
the
current
multiples
for
Arena
and
SandRidge

were 6.3x and 3.5x, respectively. An equity discount rate of 13% was then used to discount the future share prices to the present.
(c)

Utilizes
Forest
purchase
multiple
of
\$94.7
/
MBoe
/
d
less
2010
YTD
capex
of
\$70
million
(d)
Utilizes
Arena
purchase
multiple
of
\$164.4
/
MBoe
/
d
(based
on
Q1 10
production)
less
2010
YTD
capex
of
\$70
million
Source:
Supplement
to
joint
proxy
statement/prospectus;
Permian
production
per
SandRidge
management

SandRidge
Permian Production
Rapid growth due to recent activity in new Permian assets acquired
from Forest Oil
Able
to
achieve
growth
on
previously
zero
growth
asset
due
to
in
place
operational expertise

Put backup midstream processing partners in place

Installed redundant electrical systems
SandRidge
has substantial upside potential and a proven ability to enhance value through operational expertise
Implied SandRidge
Standalone Value
Unlocking Additional Value
Recently signed LOI for proposed \$140MM Cana Shale
divestiture highlights hidden asset value not recognized by the
market

No associated proved reserves or current production
Complementary geographic overlap in the Permian Basin and
extending into the West Texas Overthrust
Center of SandRidge s
oil field service operations (Ft. Stockton)
within ~60 miles of all major assets of both SandRidge
and
Arena
Immediate ability to employ inactive, owned rigs in the region
SandRidge
is currently one of the largest contractors in the
region of pressure pumping, workover
rigs, gas processing and
storage, and infrastructure requirements
Production Increase
@ Forest Permian
Multiple
(c)
@ Arena Permian

Multiple

(d)

2,440 Boe/d

\$161 million

\$331 million

Value Creation

Average standalone price:

\$10.14

Percent above current:

71%

SD Price as of 6/1/10:

\$6.10

Liquids

57%

Gas

43%

PF Proved Reserves (YE 09)

9

Vision of Future Growth

Arena benefits from significant synergy potential that can be realized as a result of the unique strategic fit for both companies

(a)

Production reflects December 2009 average for SD; 3/2/2010 for ARD

(b)

Based

on

constant

NYMEX

oil

prices

varying

between

\$70

and

\$85/bbl

and

\$4.50/MMBtu

NYMEX

gas

escalating

to

\$6.00

in

2014.

Impact

based

on

hypothetical

Fuhrman-Mascho

type

curve.

Assumes

discount

rate

of

12%,

\$8.50/Boe

operating costs, production and ad valorem taxes of 5.0% of revenue, production related G&A of \$1.50/Boe, oil differential of

Source: SandRidge

Company Presentation

West Texas Asset Overlap

Combined Companya Leading Permian Player

Continued significant oil exposure through combined entity

SandRidge

currently produces more oil than Arena. Q1 10 oil

production was 1.2 MMBbls

compared to Arena's 0.6 MMBbls

Creation of a leading Permian player with significant operational and

basin expertise, 21.5 Mboe/d

production and 183 Mmboe

reserves

within a combined company with 57.8 Mboe/d

production

(a)

and

reserves of 288 MMboe

Provides ownership in SandRidge s

desirable, recently acquired

Forest Permian assets

Combined 5,700 potential oil well drilling locations

Exposure to significant oil development potential from multiple assets

SandRidge s

financial performance responds favorably to changes in

both oil and gas prices

A \$10 / bbl change in oil price represents an \$8.9MM increase in

2010E EBITDA

(b)

Similarly, a \$1 / MMBtu

change in gas prices represents a \$9.1MM

increase in 2010E EBITDA

(b)

SandRidge s

asset mix means that shareholders are able to capitalize on

favorable long-term commodity trends both oil & gas

Liquids

58%

Gas

42%

PF Q1' 10 Revenue

Liquids

82%

Gas

18%

PF PV-10 (YE 2009)

10

Attractive Valuation and Consideration to Arena Stockholders

(a)

Based on unaffected offer value as of June 1, 2010

(b)

Deal

value

in

excess

of

median

utilizes
proved
reserves
of
69.3
MMBoe,
Q1
production
of
8,217
Boe
/
d
and
FY
+
1
EBITDA
of
\$162
million
(c)
Corporate
Transaction
Multiples
are
North
American
precedent
deals
over
\$200MM
in
enterprise
value
with
pro
forma
ownership
between
43%-51%
over
the
last
10
years
(Source:
Dealogic)
(d)
Based

on
public
information
analysis
(e)
Based
on
6/1/10
Tudor
Pickering
DCF
analysis
of
SandRidge
and
Arena
using
disclosed
commodity
price
sensitivities

(f)
Based
on
6/1/10
Tudor
Pickering
NAV
analysis
of
SandRidge
and
Arena
using
disclosed
commodity
price
sensitivities

(g)
Based
on
6/1/10
Tudor
Pickering
NAV
analysis

operating
case
using

NYMEX
strip
as
of
5/28/10
(h)
Future
share
prices
of
Arena
and
SandRidge
were
calculated
by
multiplying
2013E
cash
flow
per
share
by
select
multiples.
The
peer
multiples
used
for
Arena
and
SandRidge
were
5.3x
and
4.9x,
respectively,
and
the
current
multiples
for
Arena
and
SandRidge
were
6.3x
and
3.5x,

respectively.

An
equity
discount
rate
of
13%
was
then
used
to
discount
the
future
share
prices
to
the
present
Source:
Supplement
to
joint
proxy
statement/prospectus.

See
Opinion
of
Arena's
Financial
Advisor
beginning

on
page
S-40
thereof
with
respect

to
Tudor
Pickering
analysis

Comparable Transaction Summary

Implied Value per Share of the Merger Consideration vs. Arena Standalone

Transaction metrics are attractive relative to peer medians and merger consideration exceeds Arena's value on a standalone basis

Transaction Metrics

Peer Median

Arena at Offer

(a)

Enterprise value / Boe

\$12.77

\$19.51

Enterprise value / MBoe / d

\$58.5

\$164.4

Enterprise value / FY + 1 EBITDA

5.8x

8.6x

Transaction Premiums

10-yr Median

(c)

Initial Announcement (4/1/10)

1-day prior

5.8%

16.8%

1-week prior

8.3%

26.8%

Deal Value in Excess of

Median (\$mm)

(b)

\$467

\$870

\$454

Arena Transaction Unaffected Premiums

Revised Terms (6/1/10)

7.3%

12.5%

4.1%
3.4%
2.5%
2.1%
-2.1%
-3.6%
-4.6%
-5.6%
-7.9%
-12.4%
-15.0%

-10.0%
-5.0%
0.0%
5.0%
10.0%
15.0%

CXO

Gas

ARD

REN

Oil

CLR

PXD

WLL

DNR

BRY

SandRidge & Peers

Arena & Peers

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Analysis of Trading Activity Since Amendment of Merger Terms

Since the announcement of the amended merger terms on 6/2/10, SandRidge and Arena have performed better than their peers

Note: Market data as of July 1, 2010; Oil & Gas commodity prices based on NYMEX 24-month strip; Median excludes comm

Source: Capital IQ, Bloomberg

Share Price Performance since June 1, 2010 (prior to amendment to merger terms)

median

6.4%

5.3%

3.4%

-2.1%

-3.0%

-3.4%

-5.0%

-5.6%

-5.7%

-8.8%

-15.0%

-10.0%

-5.0%

0.0%

5.0%

10.0%

15.0%

PXP

FST

Gas

Oil

SD

NFX

COG

XEC
SM
XCO

Spread: ARD to Implied Offer Price (weekly averages)

Source: Bloomberg, as of 7/1/10

The spread between Arena's stock price and the implied offer price has continued to tighten

Market Perspective

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Appendix

Strategic Fit

Arena management believes they need another leg to the story to continue to grow the Company, and efforts in acquiring new assets have been unsuccessful of late. The Company also **expects**

economics

in

the

Fuhrman

Mascho

may

deteriorate

as

it
begins
to
drill
away
from
the
core
over
the
next
few
years.
As
a
result,
ARD
believes
that
this
transaction
gives
the
Company
the
most
potential
upside
as
it
is
acquiring
natural
gas
assets
near
a
potential
bottom
in
the
commodity.
RBC
Capital
Markets
(April
6th,
2010)
The
key

asset
of
Arena
is
the
Fuhrman
Mascho
play
with
low-risk
San
Andres
wells
at
around
4,300
feet
as
well
as
Clear
Fork
potential
at
6,000
feet.
Though
the
stated
reserves
of
Arena
were
69
Mmboe
with
approximately
8,500
Boepd
of
net
production
as
of
early
March,
we
believe
SandRidge
should

be
able
to
greatly
ramp
both
rather
quickly
as
the
company
has
the
resources
to
mitigate
any
midstream
issues
and
has
the
assets
to
become
more
active
with
the properties.
Wunderlich
Securities
(June
22nd,
2010)
Sales Process
From
our
perspective,
the
inclusion
of
a
30-day
go-shop
period
addresses
one
of
the
primary

shareholder
concerns
in
that
it
allows
ARD
shareholders
a
broader
evaluation
of
potential
options.

While the amendment extends the near-term uncertainty overhang on SD shares, **we do not see a** higher bid as a significant risk given the robust transaction metrics associated with the current offer.

Bank
of
America
Merrill
Lynch
(June
3rd,
2010)
Premium
Valuation

The acquisition appears to be a good deal for ARD shareholders, as the deal price was struck at just above our target price.

C.K.
Cooper
&
Company
(April
5th,
2010)

Deal metrics point to attractive takeout price: Given the \$1.57 billion acquisition price, we estimate the deal corresponds to \$22.70 per proved BOE, \$47 per PDP BOE, and \$185,000 per flowing BOE/D.
Management
had
been
guiding

to
a
30%
production
growth
in
2010.
UBS
(April
5th,
2010)

Research Analyst Commentary

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Note: Permission to cite nor quote from the source report was neither sought nor obtained

\$164.4
5.8x
\$58.5
\$12.77
8.6x
\$19.51
Proved Reserves (\$/Boe)
Daily Production
(\$/MBoe/d)
2010E EBITDA
\$164.4

6.6x

7.6x

\$95.0

\$20.67

8.5x

8.6x

\$19.51

Proved Reserves

(\$/Boe)

Daily Production

(\$/MBoe/d)

2010E EBITDA

2010E P / CF

Comparable Company Analysis

(a)

(a)

Comparable companies include: BRY, CXO, DNR, PXD, WLL

Source:

Supplement

to

joint

proxy

statement/prospectus.

See

Opinion

of

Arena's

Financial

Advisor

beginning

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page

S-40

thereof

with

respect

to

Tudor

Pickering

analysis

Comparables Analysis

Comparable Transaction Analysis

Comparables Median

Arena Merger Consideration

Implied merger consideration represents a premium valuation to Arena stockholders across a variety of measures

15

Source:
Supplement
to
joint
proxy
statement
prospectus.
See
Opinion
of
Arena s

Financial
Advisor
beginning
on
page
S-40
thereof
with
respect
to
Tudor
Pickering
analysis

Transaction Metrics Attractive Relative to Relevant Industry Comparables
Arena's transaction multiples are significantly better than the median
for comparable transactions across all
standard metrics

Transaction Value /
Acquiror / Target
Year of
Announcement

Proved Reserves
(\$/Boe)

Daily Production
(\$/Mboe/d)

EBITDA (year of
announcement)

EBITDA (year following
announcement)

Exxon Mobil / XTO Energy
2009

\$17.63

\$82.9

5.9x

6.7x

Denbury / Encore

2009

21.21

105.1

9.4x

8.4x

Plains Exploration / Pogo

2007

15.02

65.3

5.0x

5.8x

Petrohawk / KCS

2006

24.37

72.3
5.3x
4.5x
Occidental Petroleum / Vintage
2005
9.03
52.0
6.7x
5.0x
Chevron / Unocal
2005
10.32
44.1
4.9x
5.0x
Petrohawk / Mission Resources
2005
14.52
53.0
NA
NA
Cimarex Energy / Magnum Hunter
2005
12.77
58.5
4.9x
NA
Noble Energy / Patina Oil & Gas
2004
13.30
60.3
8.5x
7.6x
Pioneer Natural Resources / Evergreen
2004
8.02
79.9
10.2x
8.1x
Kerr-McGee / Westport Resources
2004
11.68
37.7
5.7x
5.8x
Plains Exploration / Nuevo Energy
2004
4.52
19.0
NA

NA

Whiting Petroleum / Equity Oil

2004

4.70

24.1

NA

NA

Median

\$12.77

\$58.5

5.8x

5.8x

Merger Consideration

\$19.51

\$164.4

8.6x

6.9x

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17
Transaction Premium in Excess of Comparables
Precedent North American transactions
(with target pro forma stockholder ownership $\geq 43\%$ and $\leq 51\%$, $> \$200$ million over the last 10 years)
Source: Dealogic
(a)
Pro forma Arena stockholder ownership based supplement to joint proxy statement/prospectus
Date
Announced
Target
Acquiror

Industry
Deal Value
(\$mm)
Target
Ownership %
Prior
1-day
Prior
1-week
03/23/10
FNX Mining Co Inc
Quadra Mining Ltd
Materials
1,284
48.0%
1.8%
2.1%
11/02/09
The Black & Decker Corp
The Stanley Works
Consumer Staples
4,241
49.5%
22.1%
17.2%
07/29/08
Solana Resources Ltd
Gran Tierra Energy Inc
Energy and Power
617
49.0%
25.5%
11.4%
12/07/07
Gemstar-TV Guide Intl Inc
Macrovision Corp
Media and Entertainment
2,306
47.0%
10.7%
12.2%
11/13/07
Tutogen Medical Inc
Regeneration Technologies Inc
Healthcare
274
45.0%
26.7%
14.0%
02/05/07

Hanover Compressor Co
Universal Compression Holdings
Energy and Power

2,074

47.0%

2.4%

5.8%

01/29/07

Abitibi-Consolidated Inc

Bowater Inc

Materials

4,270

48.0%

1.4%

0.8%

11/01/06

Caremark Rx Inc

CVS Corp

Healthcare

25,093

45.5%

21.5%

20.3%

09/19/06

Denison Mines Inc

International Uranium Corp

Materials

386

50.0%

1.6%

8.1%

09/14/06

Cambior Inc

IAMGold Corp

Materials

1,233

43.0%

31.5%

24.1%

06/26/06

XM Satellite Radio Hldgs Inc

Sirius Satellite Radio Inc

Media and Entertainment

5,760

50.0%

26.5%

28.7%

04/21/06

KCS Energy Inc

Petrohawk Energy Corp

Energy and Power
 1,879
 50.0%
 9.6%
 18.7%
 09/19/05
 Acclaim Energy Trust
 StarPoint Energy Trust
 Financials
 1,735
 47.0%
 (1.5%)
 3.5%
 06/15/05
 Integrated Circuit Systems Inc
 Integrated Device Tech Inc
 High Technology
 1,610
 46.0%
 21.5%
 16.3%
 03/21/05
 Mykrolis Corp
 Entegris Inc
 High Technology
 474
 44.0%
 5.0%
 2.8%
 12/15/04
 Nextel Communications Inc
 Sprint Corp
 Telecommunications
 46,514
 50.0%
 16.7%
 10.1%
 08/12/04
 Varco International Inc
 National-Oilwell Inc
 Energy and Power
 2,944
 49.0%
 9.2%
 10.0%
 03/17/04
 Apogent Technologies Inc
 Fisher Scientific Intl Inc
 Healthcare
 3,669

43.0%
5.5%
4.7%
02/04/04
Cable Design Technologies Corp
Belden Inc
High Technology
508
45.0%
(0.5%)
(3.9%)
06/20/03
Biogen Inc
IDEC Pharmaceuticals Corp
Healthcare
6,059
49.5%
3.7%
(3.0%)
02/19/03
Sports Authority Inc
Gart Sports Co
Retail
306
50.0%
(0.5%)
5.2%
02/22/02
Visionics Corp
Identix Inc
High Technology
269
47.6%
(7.3%)
(9.7%)
01/27/02
Alberta Energy Co Ltd
PanCanadian Energy Corp
Energy and Power
9,233
46.0%
11.8%
16.7%
01/17/02
Proxim Inc
Western Multiplex Corp
Telecommunications
205
50.0%
(9.0%)

(28.1%)
11/18/01
Conoco Inc
Phillips Petroleum Co Inc
Energy and Power
24,786
43.4%
(0.3%)
(10.2%)
10/01/01
Virata Corp
GlobeSpan Inc
High Technology
391
47.5%
(7.6%)
(6.9%)
09/04/01
Global Marine Inc
Santa Fe International Corp
Energy and Power
3,818
50.6%
16.8%
9.5%
08/29/01
Westvaco Corp
Mead Corp
Materials
5,608
50.2%
5.8%
8.3%
05/23/01
Marine Drilling Cos
Pride International Inc
Energy and Power
1,996
44.0%
13.4%
16.2%
10-yr Median
5.8%
8.3%
SandRidge Energy / Arena Resources transaction with unaffected share price as of 4/1/10
1,535
47.2%
(a)
16.8%
26.8%

SandRidge Energy / Arena Resources transaction with unaffected share price as of 6/1/10

1,285

47.2%

(a)

7.3%

12.5%

Premium to Target Price