

SandRidge sourcing \$750 MM for West Texas Overthrust

Also announces sale of Piceance Basin assets for a net \$140 MM

SandRidge has launched a private placement offering of \$750 million of senior notes due 2018, and has sold with partners \$285 MM in the Piceance to ramp up drilling activity on its 500,000 net acre West Texas Overthrust play.

QuickLook

- 1) SandRidge adds “blinkers” to focus on Pinon Field’s 4.0 TCF
- 2) Announces \$500 MM financing on Monday; makes it \$750 MM today
- 3) Sells Piceance interest for a net \$140 MM
- 4) Tells analysts it may sell other assets as well
- 5) Pinon offers up gas reserves and CO2

In addition, the company recently increased its 2008 capex from \$1.25 billion to \$1.5 billion to potentially increase its rig count in the WTO play to 40 by year-end 2008.

Moves prove today’s e&p companies get more respect for focused resource plays.

SandRidge’s jewel is the Pinon Field, in which it holds 93% WI. The field contains ~4.0 TCFe of potential reserves, although analysts at Tudor Pickering call this estimate “very conservative on the combo of very high EUR/low CO2

production in the eastern Pinon, deeper drilling potential and areal extension.”

The wells drilled to date are estimated to contain 7.0 BCF per well. In the first quarter alone, SandRidge brought 69 gross WTO wells on production, compared to 14 a year ago.

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SandRidge focuses on WT Overthrust

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The company is also shooting what it believes to be “the largest contiguous proprietary onshore 3-D seismic survey in U.S. history,” with the goal of completing 1,400 square miles of 3-D seismic by the end of 2009.

Due to the high CO2 content of some WTO areas (excluding Pinon) it is also considering putting together a team to construct a CO2 processing plant to extract 250,000 MCFD of methane.

The Pinon Field is turning into an integrated gas play with CO2.

Tudor Pickering also wrote that the company’s “Upper Caballos development alone could yield ~300 MMCFD of CO2.” SandRidge also owns rights to deeper Fusselman and Ellenberger zones that can yield 50-100 MMCFD of CO2.

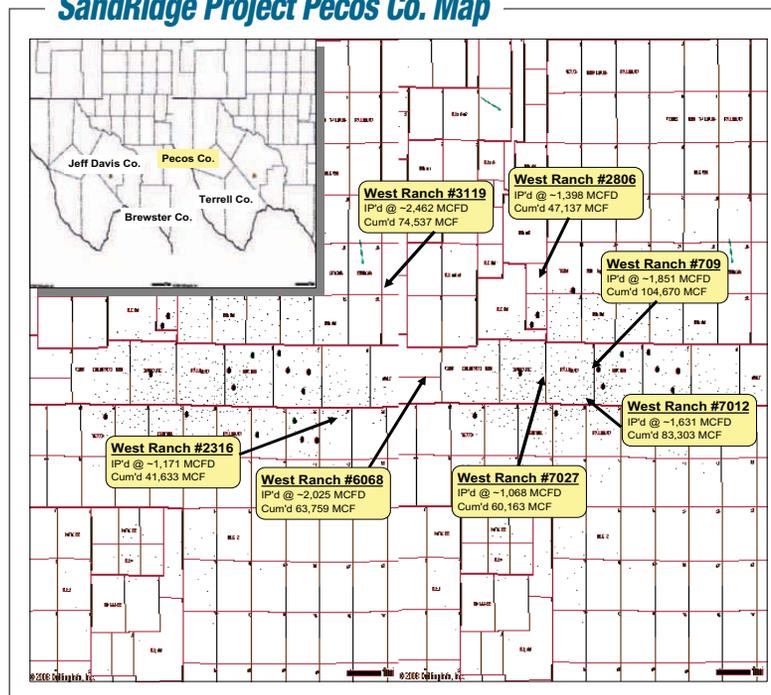
“Our vision has the company as one of the largest CO2 suppliers in Texas,” the analysts wrote, adding that “in the long run, that CO2 may be piped across the state to the large oilfields in South and East Texas.”

Meanwhile, SandRidge CEO Tom Ward said the company is willing to divest potentially all its assets to focus solely on the WTO. This month, the company and other related parties agreed to divest all of their assets in Colorado’s Piceance Basin to a Williams’ subsidiary. The total purchase price was \$285 million, with net proceeds to the company estimated to be ~\$140 million. Associated volumes are 700 MCFD, with 12 BCF of total reserves.

Speaking during an earnings conference call, Ward said that the only asset that will not potentially go on the chopping block is the “sacred” West Texas Overthrust. SandRidge also operates in East Texas’ Cotton Valley Trend as well as the Gulf Coast, but unlike other producers – who are eager to test their Cotton Valley acreage for Haynesville potential – SandRidge said it is looking to sell its East Texas acreage.

The company currently has 31 of 41 total company rigs running in the play, but plans to increase that number to 40 by the end of the year. From all operations, the company averaged volumes of 250,500 MCFeD in Q1, up from 140,600 MCFeD in Q1 2007.

SandRidge Project Pecos Co. Map



SandRidge & Pinon who?

The company's existence can be traced to September 2006, when **Riata Energy** changed its name to **SandRidge Energy**. In May of that year, Chesapeake co-founder Tom Ward purchased 29 million shares in the company for \$500 million, becoming its largest shareholder. Immediately after his purchase, Ward seized the reins as well, and was named SandRidge's Chairman and CEO.

Although the company initially held a sizeable leasehold position in Pinon Field – which had 300 BCFe in proved reserves at the time – it owned less than a majority stake. *CONTINUES on page 7*

How did SandRidge acquire its Pinon play? CONTINUED from page 1

Cue rapid acquisition/equity raising mode: between June and year-end 2006, SandRidge increased its working interest from under 30% to more than 80% in the field. The field's largest WI holder was NEG Oil & Gas, which the SandRidge team purchased for \$1.5 billion in November 2006, increasing its net production to 135 MMCFeD from 20 MMCFeD six months previously.

The company financed its acquisition by raising over \$1.6 billion in capital – including an \$850 million bridge loan, \$450 million of preferred stock and \$332 million of common equity.

Then in March 2007, SandRidge placed \$1.0 billion in term loans to repay its bridge loan and refinance its revolver. To pay for increased Pinon drilling, the company then added \$320 million of equity through a private placement from Ares Management, LLC, affiliates.

Finally, last November SandRidge completed its IPO, raising proceeds of \$842 million. Today, it owns an average of 93% WI in the Pinon Field, and plans to shoot 1,400 square miles of 3-D seismic by year-end 2009. The company exited 2007 producing 235 MMCFeD from all operations

A Select Set of SandRidge's Top 20 Pinon Field Wells

Lease	Formation	IP (MCFD)	First Prod.	MCFD	MCF Cum	Total Depth
Allison #4701	Pinon (Multipay)	8,534	Mar-04	9,181	12,935,527	11,007
West State #301	Pinon (Multipay)	1,079	Oct-05	6,708	1,676,552	15,000
Longfellow #409	Pinon (Overthrust)	1,218	May-98	4,518	2,663,158	4,630
West Ranch #3107	Pinon Overthrust	3,310	Sep-07	4,453	672,670	7,252
West Ranch #5026	Pinon (Overthrust)	2,114	Nov-06	4,378	1,390,390	8,425
West Ranch S. 4 #501	Pinon (Overthrust)	2,990	May-07	3,981	1,364,823	7,502
West Ranch #5028	Pinon (Overthrust)	3,998	Sep-07	3,869	743,004	9,280
West Ranch #5041	Pinon (Overthrust)	3,320	Jan-07	3,761	1,181,027	5,950
Longfellow 600 3 #3	Pinon (Caballos)	6,624	Apr-01	3,206	5,783,198	9,000
West Ranch #5046	Pinon (Overthrust)	285	Mar-07	3,142	1,167,129	5,607
Longfellow #402	Pinon (Overthrust)	393	Feb-83	2,998	34,596,189	7,469
West Ranch #5036	Pinon (Overthrust)	2,386	Mar-07	2,997	1,084,405	6,200
West Ranch #5029	Pinon (Overthrust)	219	Apr-06	2,839	1,833,603	5,540
West Ranch #5050	Pinon (Overthrust)	122	Mar-07	2,836	985,798	6,111
West Ranch 5 #6	Pinon (Overthrust)	3,398	May-99	2,823	11,626,560	7,725
West Ranch #5025	Pinon (Overthrust)	2,250	Aug-06	2,798	1,221,244	9,300
Longfellow #4036	Pinon (Overthrust)	2,125	Jul-07	2,701	597,047	5,500
West Ranch #5030	Pinon (Overthrust)	732	May-07	2,605	655,182	6,067
West Ranch #4601	Pinon (Overthrust)	3,851	Feb-07	2,567	1,249,324	9,300
West Ranch #5076	Pinon (Overthrust)	109	Jun-07	2,544	538,273	5,603

Source: Drilling Info, Lasser.