

ARENA RESOURCES INC

Form 425

July 07, 2010

SandRidge

Energy Merger with Arena Resources

Investor Presentation Supplemental Materials

July 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

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
on
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.
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
update
or
revise
any
forward-looking
statements.

\$33.90
\$34.74
\$26.82
\$25.66
\$28.45
\$18.29
\$21.81
\$-
\$10.00
\$20.00
\$30.00

\$40.00

2010E

EBITDA

2011E

EBITDA

2010E

Cash Flow

2011E

Cash Flow

Prvd Reserves (Boe)

Prvd Dev

Reserves (Boe)

Daily Production

(Boe/d)

Arena Market Comparables

(a)

Denbury

adjusted for Encore Acquisition, which closed March 9, 2010 as well as for \$900MM asset divestiture that closed May 14, 2010

(b)

Whiting adjusted for convertible preferred stock that was in-the-money as of 07/02/2010

Source: Capital IQ, Thomson One, Company filings

Implied Stock Price Based on Peer Median Multiples

Current Price:

\$32.19

Multiples:

7.8x

6.2x

6.5x

5.0x

\$15.56

\$26.04

\$98,990

Trading Levels

Market

Market

Enterprise

YE'09

1Q'10

Price

Cap

Value

EV / EBITDA

P / CF

Pvd Res

Prod.

%

R / P

EV /

Company Name

7/2/2010

(\$MMs)
(\$MMs)
2010E
2011E
2010E
2011E
(MMBoe)
(MBoe/d)
Oil
Ratio
Pvd Boe
Pvd Dev
Daily Prod
Arena Comps
Pioneer Natural Resources Co.
\$57.26
\$6,638
\$9,364
6.8x
5.5x
6.0x
4.7x
898.6
115.0
54%
21.4
\$10.42
\$17.87
\$81,425
Denbury Resources Inc.
(a)
14.29
5,705
8,780
8.8x
7.1x
7.0x
5.2x
373.8
73.6
79%
13.9
23.49
33.07
119,329
Continental Resources Inc.
43.49
7,392
7,873
10.2x

7.8x
10.3x
8.1x
257.3
37.7
67%
18.7
30.59
74.62
209,012
Whiting Petroleum Corp.
(b)
76.04
4,516
5,222
5.0x
4.3x
4.8x
4.0x
275.0
59.8
81%
12.6
18.99
29.67
87,278
Berry Petroleum Co.
25.63
1,357
2,270
6.2x
5.1x
4.8x
4.1x
235.3
29.3
55%
22.0
9.65
18.10
77,402
Resolute Energy Corporation
12.20
669
782
9.6x
6.9x
8.5x
6.5x
64.4

7.1
 41%
 25.0
 12.14
 22.40
 110,703
 MEAN
 \$4,379
 \$5,715
 7.8x
 6.1x
 6.9x
 5.4x
 350.7
 53.7
 63%
 18.9
 \$17.55
 \$32.62
 \$114,191
 MEDIAN
 \$5,110
 \$6,547
 7.8x
 6.2x
 6.5x
 5.0x
 266.2
 48.8
 61%
 20.1
 \$15.56
 \$26.04
 \$98,990
 Arena Resources Inc.
 \$32.19
 \$1,282
 \$1,227
 7.4x
 5.7x
 7.8x
 6.2x
 69.3
 8.2
 86%
 23.1
 \$17.72
 \$47.44
 \$149,309
 3

The precedent transactions below were selected using the following criteria:
Public to public company transactions in the last five years across all industries;
United States headquartered targets and buyers;
Transactions greater than \$1 billion in enterprise value;
Consideration offered is greater than 50% stock;
New shares account for greater than 50% of the existing shares.

Precedent
Transactions

Relative
Performance
Versus

the
S&P

500

4

60-Days Post-Announce.

Performance (vs. S&P 500)

MergeCo Post-Close

Performance (vs. S&P 500)

Recommendation

Ann. Date

Close Date

Buyer

Target

Buyer

Target

30-Days Post-

Close

60-Days Post-

Close

RiskMetrics

Glass Lewis

12/09/05

07/17/06

Windstream Corporation

Valor Communications Group Inc.

\$2,004

100.0%

99.3%

(4.7%)

(4.7%)

6.7%

4.2%

-

For

04/20/06

07/12/06

Petrohawk Energy Corporation

KCS Energy Inc.

1,938

72.3%

105.1%

(17.3%)

(3.4%)

(17.9%)

(18.1%)

For

For

11/01/06

03/22/07

CVS Corp.

Caremark Rx Inc.

24,936

87.5%

93.4%

2.6%

13.8%

(1.5%)

3.9%

For

(a)

Against

(a)

02/20/07

07/29/08

Sirius Satellite Radio

XM Satellite Radio Holdings Inc.

(b)

6,353

100.0%

95.6%

(30.0%)

(29.2%)

NM

NM

For

For

03/03/09

09/30/09

Magellan Midstream Partners LP

Magellan Midstream Holdings

3,424

100.0%

60.6%

(15.6%)

4.9%

5.3%

5.7%

-

For

03/08/09

11/03/09

Merck & Co. Inc.

Schering-Plough Corporation

47,366

55.5%

50.3%

(19.1%)

(22.7%)

14.7%

12.3%

For

For

05/11/09

07/31/09

Alpha Natural Resources, Inc.

Foundation Coal Holdings Inc.

1,993

100.0%

71.0%

(13.1%)

14.4%

(6.4%)

(0.7%)

For

For

10/31/09

03/09/10

Denbury Resources Inc.

Encore Acquisition Co.

4,341

70.0%

59.5%

10.8%

0.7%

12.4%

10.7%

For

For

11/02/09

03/12/10

Stanley Works

The Black & Decker Corporation

4,406

100.0%

98.0%

8.1%

31.5%

0.3%

5.7%

For

For

04/03/10

-

SandRidge Energy, Inc.

Arena Resources Inc.

1,293

86.6%

72.1%

(2.1%)

4.1%

-

-

Against

Against

04/11/10

-

RRI Energy, Inc.

Mirant Corporation

2,087

100.0%

101.7%

3.9%

3.4%

-

-

-

-

04/21/10

-

CenturyLink, Inc.

Qwest Communications Int.

22,240

100.0%

97.2%

4.2%

11.3%

-

-

-

-

05/02/10

-

UAL Corporation

Continental Airlines, Inc.

6,142

100.0%

85.4%

(1.0%)

2.9%

-

-

-

-

06/02/10

-
 SandRidge Energy, Inc. (Revised)
 Arena Resources Inc. (Revised)
 (c)
 1,230
 86.3%
 83.4%
 0.3%
 2.1%

-
 -
 -
 -
 Mean
 90.1%
 83.8%
 (5.6%)
 2.1%
 1.7%
 2.9%
 Median
 100.0%
 93.4%
 (2.1%)
 3.4%
 2.8%
 4.9%
 High
 100.0%
 105.1%
 10.8%
 31.5%
 14.7%
 12.3%
 Low
 55.5%
 50.3%
 (30.0%)
 (29.2%)
 (17.9%)
 (18.1%)
 Enterprise
 Value (\$MM)
 % Stock
 Consideration
 Stock
 Offered as a
 % of Buyer's
 Market Cap

Note: Permission to cite the reports from RiskMetrics Group, Inc, and Glass Lewis & Co. was neither sought nor obtained

(a)

RiskMetrics for recommendation was on the revised deal terms; Glass Lewis against recommendation was on the initial

(b)

Post-close performance statistics were not meaningful due to the equity offering associated with the transaction. The combined company stock performance 60 days post-close was negative 16.9%. The combined company stock performance 60 days post-close was negative 48.3%.

(c)

Relative stock performance for the revised Arena-SandRidge deal as of 7/2/2010 is excluded from the summary calculations

Source: Capital IQ

The precedent transactions below were selected using the following criteria:
Public to public company transactions in the last five years across all industries;
United States headquartered targets and buyers;
Transactions greater than \$1 billion in enterprise value;
Consideration offered is greater than 50% stock;
New shares account for greater than 50% of the existing shares.

Precedent Transactions

Relative

Performance Versus Industry Indexes

Note:

Permission

to

cite

the

reports

from

RiskMetrics

Group,

Inc,

and

Glass

Lewis

&

Co.

was

neither

sought

nor

obtained

Proxy

for

the

relative

industry

is

the

appropriate

S&P

Select

Industry

Index

(Telecom:

Valor/Windstream,

Qwest/CenturyLink;

Oil

&

Gas

Exploration

&

Production:

KCS/Petrohawk,

Magellan/Magellan,

Encor

e/Denbury,

Arena/SandRidge; Heath

Care

Services:

Caremark/CVS;

Pharmaceuticals:

Schering-

Plough/Merck;

Metals

and

Mining:

Foundation

Coal/Alpha

Natural;

Retail:

Black

&

Decker/Stanley;

Oil

&

Gas

Equipment

&

Services:

Mirant/RRI;

Transportation: Continental/UAL)

(a)

RiskMetrics

for

recommendation

was

on

the

revised

deal

terms;

Glass

Lewis

against

recommendation

was

on

the

initial

deal

terms

(b)

Post-close

performance

statistics

were

not

meaningful

due
to
the
equity
offering
associated
with
the
transaction.

The
combined
company
stock
performance
30
days
post-
close
was
negative
13.4%.

The
combined
company
stock performance 60 days post-close was negative 36.4%

(c)
Relative
stock
performance
for
the
revised

Arena-SandRidge
deal

as
of
7/2/2010

is
excluded
from
the

summary
calculations

Source: Capital IQ

5
60-day Post-Announce.
Performance (vs. Relevant
S&P Industry Index)
MergeCo Post-Close
Performance (vs. Relevant

S&P Industry Index)

Recommendation

Ann. Date

Close Date

Buyer

Target

Buyer

Target

30-Days Post-

Close

60-Days Post-

Close

RiskMetrics

Glass Lewis

12/09/05

07/17/06

Windstream Corporation

Valor Communications Group Inc.

\$2,004

100.0%

99.3%

(7.6%)

(7.6%)

5.0%

(1.0%)

-

For

04/20/06

07/12/06

Petrohawk Energy Corporation

KCS Energy Inc.

1,938

72.3%

105.1%

(4.8%)

9.1%

(20.7%)

(7.1%)

For

For

11/01/06

03/22/07

CVS Corp.

Caremark Rx Inc.

24,936

87.5%

93.4%

0.4%

11.6%

(0.8%)

6.9%
For
(a)
Against
(a)
02/20/07
07/29/08
Sirius Satellite Radio
XM Satellite Radio Holdings Inc.
(b)
6,353
100.0%
95.6%
(27.8%)
(27.0%)
NM
NM
For
For
03/03/09
09/30/09
Magellan Midstream Partners LP
Magellan Midstream Holdings
3,424
100.0%
60.6%
(29.2%)
(8.7%)
4.0%
10.2%
-
For
03/08/09
11/03/09
Merck & Co. Inc.
Schering-Plough Corporation
47,366
55.5%
50.3%
2.7%
(1.0%)
11.6%
7.0%
For
For
05/11/09
07/31/09
Alpha Natural Resources, Inc.
Foundation Coal Holdings Inc.
1,993

100.0%
 71.0%
 (9.8%)
 17.7%
 (4.9%)
 (9.1%)
 For
 For
 10/31/09
 03/09/10
 Denbury Resources Inc.
 Encore Acquisition Co.
 4,341
 70.0%
 59.5%
 7.3%
 (2.8%)
 14.1%
 12.6%
 For
 For
 11/02/09
 03/12/10
 Stanley Works
 The Black & Decker Corporation
 4,406
 100.0%
 98.0%
 10.5%
 33.9%
 (2.0%)
 1.1%
 For
 For
 04/03/10
 -
 SandRidge Energy, Inc.
 Arena Resources Inc.
 1,293
 86.6%
 72.1%
 (4.4%)
 1.8%
 -
 -
 Against
 Against
 04/11/10
 -
 RRI Energy, Inc.

Mirant Corporation

2,087

100.0%

101.7%

8.6%

8.1%

-

-

-

-

04/21/10

-

CenturyLink, Inc.

Qwest Communications Int.

22,240

100.0%

97.2%

3.3%

10.3%

-

-

-

-

05/02/10

-

UAL Corporation

Continental Airlines, Inc.

6,142

100.0%

85.4%

1.3%

5.2%

-

-

-

-

06/02/10

-

SandRidge Energy, Inc. (Revised)

Arena Resources Inc. (Revised)

(c)

1,230

86.3%

83.4%

1.7%

3.5%

-

-

-

-

Mean

90.1%

83.8%

(3.8%)

3.9%

0.8%

2.6%

Median

100.0%

93.4%

0.4%

5.2%

1.6%

4.0%

High

100.0%

105.1%

10.5%

33.9%

14.1%

12.6%

Low

55.5%

50.3%

(29.2%)

(27.0%)

(20.7%)

(9.1%)

Enterprise

Value (\$MM)

% Stock

Consideration

Stock

Offered as a

% of Buyer's

Market Cap

Price Performance Since Initial Announcement
Arena vs. Peers, S&P and NYMEX 12-Month Strip Oil

6
75
80
85
90
95
100
105
110

115

1-Apr

14-Apr

27-Apr

10-May

23-May

5-Jun

18-Jun

2-Jul

Arena

Arena peers

S&P

WTI

S&P (13%)

WTI (15%)

Arena peers (8%)

Arena (6%)

Note: ARD peers include BRY, CLR, DNR, PXD, REN & WLL. Peers indexed on a market cap weighted basis.

Source: Capital IQ, Bloomberg