

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](http://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