

SandRidge Energy acquiring Houston company in \$1.275B deal

SandRidge Energy Inc. has struck a deal to acquire a Houston company active in the Gulf of Mexico for \$1.275 billion in cash and stock.

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SandRidge Energy Inc. is going back to the Gulf of Mexico in its quest to add oil production.

SandRidge will pay \$1.275 billion in cash and stock to acquire Houston-based Dynamic Offshore Resources LLC, a private oil and natural gas company focused in the Gulf of Mexico.

“The value of this acquisition will be evident immediately in our results,” SandRidge CEO Tom L. Ward said Wednesday.

He said the deal will allow SandRidge to add oil production, reserves and cash flow at an attractive price, consistent with the company's three-year plan to triple its earnings and double its oil output.

Dynamic Offshore Resources, which has proved reserves of 62.5 million barrels of oil equivalent, currently produces about 25,000 barrels a day.

Most of the company's 150 employees will stay with SandRidge, which will establish a Houston office to oversee its Gulf operations.

SandRidge has been involved in offshore oil exploration since it acquired National Energy Group's holdings in late 2006.

Ward said the company isn't planning any additional offshore operations, but the Dynamic deal will give SandRidge more capital for its onshore projects.

“We expect these operations to contribute significant free cash flow in excess of the anticipated annual drilling and recompletion capital budget of \$200 million,” he said.

SandRidge's focus will remain on the Permian Basin in west Texas and the Mississippian play in northern Oklahoma and southern Kansas.

Ward said SandRidge intends to drill more than 1,100 wells in those plays this year. All of them will target oil.

SandRidge has transformed itself into an oil-focused company over the past couple of years.

The company produced 23.4 million barrels of oil equivalent in 2011, a 16 percent increase over the previous year. Its oil production was up 60 percent.

Cheaper in Gulf

SandRidge's further investment in the Gulf is consistent with the company's search for the least expensive oil reserves.

“The cheapest place to buy oil today is in the Gulf of Mexico,” Ward said.

He said SandRidge is paying about \$50,000 per flowing barrel in the Dynamic deal, about a third of the price of another company's acquisition in western Oklahoma.

Ward said more oil and gas producers have turned their attention to onshore operations since the April 2010 blowout in the Gulf of Mexico that has stymied offshore exploration efforts.

“It's just a much more competitive market onshore,” he said.

SandRidge will fund its acquisition of Dynamic Offshore Resources with about \$680 million in cash and 74 million shares of stock valued at \$8.02 per share.

SandRidge's stock closed Wednesday at \$7.83 before the deal was announced. It was up 5 cents on the day.



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