

SANDRIDGE ENERGY INC
Form 424B3
October 11, 2012
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Registration No. 333-184171

PROSPECTUS

SandRidge Energy, Inc.

Offer to Exchange \$750,000,000 of 8¹/₈% Senior Notes due 2022

We are offering to exchange, on the terms and subject to the conditions described in this prospectus and the accompanying letter of transmittal, 8¹/₈% Senior Notes due 2022 that we will register under the Securities Act of 1933, as amended (the "Securities Act"), for all of our outstanding unregistered 8¹/₈% Senior Notes due 2022. We refer to these registered notes as the "new notes" and all outstanding unregistered 8¹/₈% Senior Notes due 2022 as the "old notes." We refer to the new notes and the old notes collectively as the "notes."

We are offering the new notes in order to satisfy our obligations under the registration rights agreement entered into in connection with the private placement of the old notes. In the exchange offer, we will exchange an equal principal amount of new notes that are freely tradable for all old notes that are validly tendered and not validly withdrawn. The exchange offer expires at 5:00 p.m., Eastern time, on November 8, 2012, unless extended. You may withdraw tenders of outstanding old notes at any time prior to the expiration of the exchange offer. We will accept for exchange any and all old notes validly tendered and not withdrawn prior to the expiration of the exchange offer.

The exchange offer is subject to the conditions discussed under "The Exchange Offer" Conditions to the Exchange Offer, including, among other things, the effectiveness of the registration statement of which this prospectus forms a part.

The exchange of old notes for new notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. We will not receive any proceeds from the exchange offer.

The old notes are, and the new notes will be, unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by certain of our existing subsidiaries and by certain of our future domestic restricted subsidiaries.

The new notes are being issued under the indenture under which we previously issued the old notes and the terms of the new notes are identical to the terms of the old notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the old notes do not apply to the new notes.

The new notes will not be listed on any securities exchange. Currently, there is no public market for the old notes. As of the date of this prospectus, \$750,000,000 in aggregate principal amount of old notes are outstanding.

See Risk Factors beginning on page 7 for a discussion of certain risks that you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the new notes or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 11, 2012.

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We are incorporating by reference into this prospectus important business and financial information that is not included in or delivered with this prospectus. In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We are not making an offer to sell these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

The information incorporated herein by reference is available without charge to holders upon written or oral request to: SandRidge Energy, Inc., 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, Attention: Corporate Secretary, (405) 429-5500. In order to ensure timely delivery of such documents, holders must request this information no later than five days before the date they must make their investment decision. The exchange offer is expected to expire on November 8, 2012 and you must make your exchange decision by the expiration date. Accordingly, any request for documents should be made by November 1, 2012 to ensure timely delivery of the documents prior to the expiration of the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the "SEC") (File No. 001-33784) pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our SEC filings are available to the public through the SEC's website at <http://www.sec.gov>. You may read and copy any document we file at the SEC's public reference room, which is located at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the public reference room by calling the SEC at 1-800-SEC-0330.

The SEC allows us to incorporate by reference information that we file with it, which means that we can disclose important information to you by referring you to documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus, and the information that we later file with the SEC will automatically update and supersede this information. We incorporate by reference into this prospectus the documents listed below that we have filed with the SEC:

Our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on February 27, 2012, as amended by Amendment No. 1, filed with the SEC on March 20, 2012;

Our Quarterly Reports on Form 10-Q for the periods ended March 31, 2012 and June 30, 2012, which were filed with the SEC on May 7, 2012 and August 6, 2012, respectively; and

Our Current Reports on Form 8-K filed with the SEC on February 3, 2012, February 27, 2012, April 2, 2012 (two Current Reports on Form 8-K filed on such date, excluding a Current Report on Form 8-K furnished under Item 7.01 on such date), April 4, 2012, April 9, 2012, April 17, 2012, April 18, 2012, April 24, 2012, May 18, 2012, June 6, 2012, June 22, 2012 (as amended by Amendment No. 1 filed on August 31, 2012), August 6, 2012, August 10, 2012 and August 21, 2012.

We also hereby incorporate by reference into this prospectus any future filings that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Item 2.02 or Item 7.01 on any Current Report on Form 8-K) after the filing of the registration statement to which this prospectus relates and prior to the effectiveness of such registration statement, and all such future filings that we make with the SEC prior to the completion or termination of the exchange offer to which this prospectus relates.

You may request a copy of these filings at no cost by writing or telephoning us at the address and telephone number below. We will not send exhibits to such documents unless such exhibits are specifically incorporated by reference in such documents. Please direct requests for documents incorporated by reference to:

Philip T. Warman

Corporate Secretary

SandRidge Energy, Inc.

123 Robert S. Kerr Avenue

Oklahoma City, Oklahoma 73102-6406

(405) 429-5500

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this prospectus. **In order to ensure timely delivery of documents, holders must request this information no later than five business days before the date they must make their investment decision. Accordingly, any request for documents should be made by November 1, 2012 to ensure timely delivery of the documents prior to the expiration of the exchange offer.**

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this prospectus, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements express a belief, expectation or intention and generally are accompanied by words that convey projected future events or outcomes. These forward-looking statements may include projections and estimates concerning capital expenditures, our liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, elements of our business strategy, compliance with governmental regulation of the oil and natural gas industry, including environmental regulations, the effects of our acquisition of Dynamic Offshore Resources, LLC, and other statements concerning our operations, economic performance and financial condition. Forward-looking statements are generally accompanied by words such as estimate, assume, target, project, predict, believe, expect, anticipate, potential, could, may, foresee, plan, goal, should, intend or other words that indicate uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and assumptions about future events. These statements are based on certain 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 reasonable and appropriate under the circumstances. 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 business or results. These forward-looking statements speak only as of the date of this prospectus. We disclaim any obligation to update or revise these statements unless required by law, and we caution you not to rely on them unduly. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties relating to, among other matters, the risks and uncertainties discussed under the heading Risk Factors in this prospectus, including the following:

risks associated with drilling oil and natural gas wells;

the volatility of oil and natural gas prices;

uncertainties in estimating oil and natural gas reserves;

the need to replace the oil and natural gas we produce;

our ability to execute our growth strategy by drilling wells as planned;

risks to our ability to drill productive, economically viable oil and natural gas wells;

risks and liabilities associated with acquired properties and risks related to the integration of acquired businesses;

amount, nature and timing of capital expenditures, including future development costs, required to develop our undeveloped areas;

concentration of operations in the Mid-Continent, west Texas and the Gulf of Mexico;

economic viability of certain natural gas production in west Texas due to high CO₂ content;

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availability of natural gas production for our midstream services operations;

limitations of seismic data;

the potential adverse effect of commodity price declines on the carrying value of our oil and natural gas properties;

severe or unseasonable weather that may adversely affect production;

availability of satisfactory oil and natural gas marketing and transportation;

availability and terms of capital to fund capital expenditures;

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amount and timing of proceeds of asset sales and asset monetizations;

substantial existing indebtedness;

limitations on operations resulting from debt restrictions and financial covenants;

potential financial losses or earnings reductions from commodity derivatives;

potential elimination or limitation of tax incentives;

competition in the oil and natural gas industry;

general economic conditions, either internationally or domestically or in the jurisdictions in which we operate;

costs to comply with current and future governmental regulation of the oil and natural gas industry, including environmental, health and safety laws and regulations, and regulations with respect to hydraulic fracturing; and

the need to maintain adequate internal control over financial reporting.

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PROSPECTUS SUMMARY

The following summary may not contain all of the information that may be important to you and should be read in conjunction with the more detailed information, financial statements and related notes appearing elsewhere in or incorporated by reference in this prospectus. References in this prospectus to SandRidge, the Company, we, our, or us, refer to SandRidge Energy, Inc. and its subsidiaries on a consolidated basis, unless otherwise indicated or the context requires otherwise.

Our Company

We are an independent oil and natural gas company concentrating on development and production activities in the Mid-Continent, west Texas and the Gulf of Mexico. Our primary areas of focus are the Mississippian formation in the Mid-Continent area of Oklahoma and Kansas and the Permian Basin in west Texas. We own and operate additional interests in the Mid-Continent, Gulf of Mexico, West Texas Overthrust (WTO) and Gulf Coast. We also operate businesses that are complementary to our primary development and production activities, including gas gathering and processing facilities, an oil and natural gas marketing business and an oil field services business, including its wholly owned drilling rig business.

Our principal executive offices are located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102 and our telephone number is (405) 429-5500. Our website is <http://www.sandridgeenergy.com>. Our common stock is listed on the New York Stock Exchange under the symbol SD.

Recent Developments

Issuance of 2021 Notes and 2023 Notes

On August 20, 2012, we issued \$275 million aggregate principal amount of 7.5% Senior Notes due 2021 (the 2021 notes) and \$825 million aggregate principal amount of 7.5% Senior Notes due 2023 (the 2023 notes) to qualified institutional buyers eligible under Rule 144A of the Securities Act and to persons outside the United States under Regulation S under the Securities Act. Net proceeds from the offering were approximately \$1,080.5 million after deducting offering expenses, and were used to fund our tender offer for, and subsequent redemption of, \$350 million aggregate principal amount of our Senior Floating Rate Notes due 2014 (the 2014 notes), as described below, and for general corporate purposes, including funding our capital expenditure program. The 2021 notes and 2023 notes are jointly and severally guaranteed unconditionally, in full, on an unsecured basis by certain of our wholly owned subsidiaries. In conjunction with the issuance of the 2021 notes and 2023 notes, we entered into registration rights agreements requiring that we commence a registered exchange offer for these notes no later than August 20, 2013. Concurrent with the filing of the registration statement of which this prospectus forms a part, we are filing a Registration Statement on Form S-4 to conduct a registered exchange offer for the 2021 notes and 2023 notes. See Description of Other Indebtedness Outstanding Senior Notes.

Extinguishment of Senior Floating Rate Notes due 2014

On August 20, 2012, we purchased \$329.9 million, or 94.26%, of the aggregate principal amount of our 2014 notes pursuant to a tender offer and consent solicitation, to holders who tendered 2014 notes prior to August 17, 2012. We paid consideration for tendered 2014 notes of \$1,002.50 per \$1,000 principal amount of such notes tendered, plus accrued and unpaid interest from July 1, 2012. On September 4, 2012, we redeemed the remaining outstanding \$20.1 million aggregate principal amount of 2014 notes at 100% of the aggregate principal amount, plus accrued and unpaid interest from July 1, 2012.

Acquisition of Gulf of Mexico Properties

On June 20, 2012, we acquired oil and natural gas properties located on approximately 184,000 gross (103,000 net) acres in the Gulf of Mexico (the Gulf of Mexico Properties) for approximately \$38.5 million, net of purchase price adjustments, subject to post-closing adjustments. The acquisition of the Gulf of Mexico Properties added oil and natural gas reserves and production to our existing asset base in the Gulf of Mexico. The Gulf of Mexico Properties were producing approximately 3,000 barrels of oil equivalent per day at the time this transaction was completed.

Sale of Tertiary Recovery Properties

On June 4, 2012, we sold our tertiary recovery properties located in the Permian Basin area of west Texas for approximately \$130.0 million, subject to post-closing adjustments. The divested areas were producing approximately 1,100 barrels of oil equivalent per day at the time of this transaction.

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The Exchange Offer

*On April 17, 2012, we completed a private placement of the outstanding, unregistered old notes. In connection with that issuance, we entered into a registration rights agreement in which we agreed, among other things, to deliver this prospectus to you and to use our best efforts to complete the exchange offer. The following is a summary of the exchange offer. See *The Exchange Offer* on page 32 for a full description of the terms of the exchange offer.*

| | |
|---------------------|--|
| Old Notes | \$750,000,000 of our 8 1/8% Senior Notes due 2022, which were issued on April 17, 2012. |
| New Notes | \$750,000,000 of our 8 1/8% Senior Notes due 2022. The terms of the new notes are identical to the terms of the old notes, except that the transfer restrictions, the registration rights and provisions for additional interest relating to the old notes do not apply to the new notes. |
| The Exchange Offer | We are offering to exchange up to \$750,000,000 aggregate principal amount of our new notes, which will be registered under the Securities Act, for up to \$750,000,000 aggregate principal amount of our old notes, on the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, which we refer to as the exchange offer. You may tender old notes only in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The old notes we are offering to exchange hereby were issued under an indenture dated as of April 17, 2012, as supplemented and amended by supplemental indentures dated April 17, 2012 and June 1, 2012. |
| Resale of New Notes | Based on interpretations of the SEC staff in no-action letters issued to third parties, we believe that you may resell and transfer the new notes issued pursuant to the exchange offer in exchange for old notes without compliance with the registration and prospectus delivery provisions of the Securities Act if: |

you are acquiring the new notes in the ordinary course of your business;

you have no arrangement or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act;

you are not an affiliate of ours, as such term is defined in Rule 405 under the Securities Act; and

you are not a broker-dealer and you are not engaged in and do not intend to engage in the distribution of the new notes.

If you fail to satisfy any of these conditions, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with resales of the new notes, unless an exemption therefrom is applicable to you.

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Broker-dealers that acquired the old notes directly from us, but not as a result of market-making activities or other trading activities, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with resales of the new notes.

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Each broker-dealer that receives new notes for its own account pursuant to the exchange offer in exchange for old notes that it acquired as a result of market-making or other trading activities must deliver a prospectus in connection with any resale of the new notes and provide us with a signed acknowledgement of this obligation.

Consequences If You Do Not Exchange Your Old Notes Old notes that are not tendered in the exchange offer or that are not accepted for exchange will continue to bear legends restricting their transfer. You will not be able to offer or sell the old notes unless:

an exemption from the registration requirements of the Securities Act is available to you;

we register the resale of old notes under the Securities Act; or

the transaction requires neither an exemption from nor registration under the Securities Act.

After the completion of the exchange offer, we will no longer have an obligation to register the old notes, except in limited circumstances.

Expiration Date The exchange offer will expire at 5:00 p.m., Eastern time, on November 8, 2012, unless we decide to extend it.

Conditions to the Exchange Offer The registration rights agreement we entered into in connection with the issuance of the old notes does not require us to accept old notes for exchange if the exchange offer or the making of any exchange by a holder of the old notes would not be permissible under applicable law or SEC policy. The exchange offer is also conditioned upon the effectiveness of the registration statement to which this prospectus relates and certain other customary conditions, as discussed in The Exchange Offer Conditions to the Exchange Offer.

Procedures for Tendering Old Notes If you wish to accept the exchange offer, you must deliver to the exchange agent:

either a completed and signed letter of transmittal or, for old notes tendered electronically, an agent's message from The Depository Trust Company, or DTC, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the exchange offer;

your old notes, either by tendering them in certificated form or by timely confirmation of book-entry transfer through DTC; and

all other documents required by the letter of transmittal.

These actions must be completed before the expiration of the exchange offer. If you hold old notes through DTC, you must comply with its standard for electronic tenders, by which you will agree to be bound by the letter of transmittal.

There is no procedure for guaranteed late delivery of the old notes.

By signing, or by agreeing to be bound by, the letter of transmittal, you will be representing to us that:

you will be acquiring the new notes in the ordinary course of your business;

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you have no arrangement or understanding with any person to participate in the distribution of the new notes within the meaning of the Securities Act;

you are not an affiliate of ours, as such term is defined in Rule 405 under the Securities Act; and

if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the new notes.

See The Exchange Offer Terms of the Exchange and The Exchange Offer Procedures for Tendering.

Special Procedures for Beneficial Holders

If you beneficially own old notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should contact the registered holder promptly and instruct such person to tender on your behalf. If you wish to tender your old notes in the exchange offer on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either arrange to have the old notes registered in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Withdrawal Rights

You may withdraw your tender of old notes at any time prior to 5:00 p.m., Eastern time, on the expiration date. Any withdrawn old notes will be credited to the tendering holder's account at DTC or, if the withdrawn old notes are held in certificated form, will be returned to the tendering holder. We will accept for exchange any and all old notes validly tendered and not withdrawn prior to the expiration of the exchange offer.

Acceptance of Old Notes and Delivery of New Notes

If you fulfill all conditions required for proper acceptance of old notes we will accept any and all old notes that you validly tender in the exchange offer before 5:00 p.m., Eastern time, on the expiration date of the exchange offer. We will return any old note that we do not accept for exchange, without expense, promptly after the expiration date. We will deliver the new notes promptly after the expiration date and acceptance of the old notes for exchange. Please read The Exchange Offer Terms of the Exchange Offer.

U.S. Federal Income Tax Considerations

The exchange of new notes for old notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. See Material U.S. Federal Tax Considerations for more information regarding the tax consequences to you of the exchange offer.

Use of Proceeds

We will not receive any proceeds from the exchange or the issuance of new notes in connection with the exchange offer.

Fees and Expenses

We will pay all of our expenses related to the exchange offer.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying value as the old notes. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

Exchange Agent

We have appointed Wells Fargo Bank, National Association, as exchange agent for the exchange offer. The address, telephone number and facsimile number of the exchange agent are set forth below under The Exchange Offer Exchange Agent.

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The New Notes

The form and terms of the new notes are the same as the form and terms of the old notes, except that:

the new notes will be registered under the Securities Act and will therefore not bear legends restricting their transfer; and

specified rights under the registration rights agreement we entered into in connection with the issuance of the old notes, including provisions providing for registration rights and the payment of additional interest in specified circumstances, will be limited or eliminated.

The new notes will evidence the same indebtedness as the old notes for which they will be exchanged and will rank equally with the old notes. The indenture governing the old notes will also govern the new notes. Unless the context otherwise requires, when we refer to the old notes, we also refer to the guarantees associated with the old notes, and when we refer to the new notes, we also refer to the guarantees associated with the new notes.

The following is a brief summary of the material terms of the new notes. For a more complete description of the terms of the new notes, please read [Description of the Notes](#) below.

| | |
|------------------------|--|
| Issuer | SandRidge Energy, Inc. |
| Securities offered | <p>\$750,000,000 aggregate principal amount of 8 1/8% Senior Notes due 2022.</p> <p>The new notes are being offered under an indenture dated as of April 17, 2012, as supplemented and amended by supplemental indentures dated April 17, 2012 and June 1, 2012, pursuant to which we previously issued the old notes.</p> |
| Maturity date | The new notes will mature on October 15, 2022. |
| Interest payment dates | Interest is payable semi-annually in cash in arrears on April 15 and October 15 of each year. Interest accrued through the expiration date of the exchange offer on old notes that are exchanged for new notes will be paid to holders of record of the new notes on the next regular payment date. |
| Guarantees | The payment of the principal, premium, if any, and interest on the new notes will be fully and unconditionally guaranteed on a senior unsecured basis by our existing material subsidiaries and by certain of our future domestic restricted subsidiaries. |
| Ranking | <p>The new notes and guarantees will be our and the guarantors' senior unsecured obligations and will:</p> <p style="padding-left: 40px;">rank equally in right of payment with all of our and the guarantors' existing and future senior indebtedness;</p> <p style="padding-left: 40px;">rank senior in right of payment to all of our and the guarantors' existing and future subordinated indebtedness;</p> <p style="padding-left: 40px;">be effectively subordinated in right of payment to all of our and the guarantors' existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness; and</p> |

be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our subsidiaries that are not also a guarantor of the new notes.

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As of June 30, 2012, our total indebtedness was approximately \$3.5 billion (or approximately \$4.3 billion on an as adjusted basis to give effect to the issuance of the 2023 notes and additional 2021 notes and the extinguishment of the 2014 notes), and as of June 30, 2012 the total liabilities of our consolidated subsidiaries (other than the guarantors) were approximately \$21.4 million, including trade payables. We have no current borrowings under our senior credit facility, which has a borrowing base of \$775.0 million.

| | |
|---------------------|---|
| Optional redemption | We have the option to redeem all or a portion of the new notes at any time on or after April 15, 2017, at the redemption prices described in this prospectus. In addition, before April 15, 2015, we may redeem up to 35% of the aggregate principal amount of the new notes with the net proceeds of certain equity offerings at the redemption price equal to 108.125% of the aggregate principal amount of the notes redeemed, provided that at least 65% of the original principal amount of the new notes remain outstanding after the redemption. We may, on any one or more occasions, redeem some or all of the new notes at any time prior to April 15, 2017, at a price equal to 100% of the aggregate principal amount of the new notes redeemed, plus a make-whole premium. Please see Description of the Notes Optional Redemption. The new notes will not be subject to any sinking fund provision. |
| Change of control | If we experience specific kinds of changes of control, we must offer to repurchase all of the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. |
| Covenants | The indenture governing the notes contains restrictive covenants. For a more detailed description, please see Description of the Notes Certain Covenants. |
| Covenant suspension | If at any time the notes are rated investment grade by either Standard & Poor's or Moody's and no default has occurred and is continuing under the indenture, certain of the restrictions and related events of default under the indenture will terminate and will not apply to us or our subsidiaries so long as the notes retain such a rating. Please see Description of the Notes Suspension of Covenants when Notes Rated Investment Grade |

Risk Factors

Prospective investors should carefully consider all of the information set forth or incorporated by reference in this prospectus. Investing in the new notes involves substantial risk and investors should evaluate the specific factors set forth under Risk Factors beginning on page 7 for a discussion of risks involved with an investment in the new notes.

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RISK FACTORS

You should carefully consider these risk factors together with the other information included or incorporated by reference in this prospectus in evaluating us, our business and your participation in the exchange offer, which could materially affect our business, financial condition or future results.

Risks Related to Our Business

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Our drilling and operating activities are subject to numerous risks, including the risk that we will not discover commercially productive reservoirs. Drilling for oil and natural gas can be unprofitable if dry wells are drilled and if productive wells do not produce sufficient revenues to return a profit. Decisions to develop properties depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The estimated cost of drilling, completing and operating wells is uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of various factors, including the following:

delays imposed by or resulting from compliance with regulatory requirements including permitting;

unusual or unexpected geological formations and miscalculations;

shortages of or delays in obtaining equipment and qualified personnel;

shortages of or delays in obtaining water for hydraulic fracturing operations;

equipment malfunctions, failures or accidents;

lack of available gathering facilities or delays in construction of gathering facilities;

lack of available capacity on interconnecting transmission pipelines;

lack of adequate electrical infrastructure;

unexpected operational events and drilling conditions;

pipe or cement failures and casing collapses;

pressures, fires, blowouts and explosions;

lost or damaged drilling and service tools;

loss of drilling fluid circulation;

uncontrollable flows of oil, natural gas, brine, water or drilling fluids;

natural disasters;

environmental hazards, such as oil and natural gas leaks, pipeline ruptures and discharges of toxic gases or fluids;

adverse weather conditions such as extreme cold, fires caused by extreme heat or lack of rain, and severe storms, tornadoes or hurricanes;

reductions in oil and natural gas prices;

oil and natural gas property title problems; and

market limitations for oil and natural gas.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, environmental contamination or loss of wells and regulatory fines or penalties.

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Oil and natural gas prices fluctuate due to a number of factors that are beyond our control, and a decline in oil and natural gas prices could significantly affect our financial results and impede our growth.

Our revenues, profitability and cash flow are highly dependent upon the prices we realize from the sale of oil and natural gas. The markets for these commodities are very volatile. Oil and natural gas prices can fluctuate widely in response to a variety of factors that are beyond our control. These factors include, among others:

regional, domestic and foreign supply of, and demand for, oil and natural gas, as well as perceptions of supply of, and demand for, oil and natural gas;

the price and quantity of foreign imports;

U.S. and worldwide political and economic conditions;

weather conditions and seasonal trends;

anticipated future prices of oil and natural gas, alternative fuels and other commodities;

technological advances affecting energy consumption and energy supply;

the proximity, capacity, cost and availability of pipeline infrastructure, treating, transportation and refining capacity;

natural disasters and other acts of force majeure;

domestic and foreign governmental regulations and taxation;

energy conservation and environmental measures; and

the price and availability of alternative fuels.

For oil, from January 1, 2008 through June 30, 2012, the highest monthly NYMEX settled price was \$140.00 per Bbl and the lowest was \$41.68 per Bbl. For natural gas, from January 1, 2008 through June 30, 2012, the highest monthly NYMEX settled price was \$13.11 per MMBtu and the lowest was \$2.04 per MMBtu. In addition, the market price of oil and natural gas is generally higher in the winter months than during other months of the year due to increased demand for oil and natural gas for heating purposes during the winter season.

Lower oil and natural gas prices may not only decrease our revenues on a per share basis, but also may ultimately reduce the amount of oil and natural gas that we can produce economically and, therefore, could have a material adverse effect on our financial condition and results of operations. This also may result in our having to make substantial downward adjustments to our estimated proved reserves.

Future price declines may result in further reductions of the asset carrying values of our oil and natural gas properties.

We utilize the full cost method of accounting for costs related to our oil and natural gas properties. Under this accounting method, all costs for both productive and nonproductive properties are capitalized and amortized on an aggregate basis over the estimated lives of the properties using the unit-of-production method. However, the amount of these costs that can be carried as capitalized assets is subject to a ceiling, which limits such pooled costs to the aggregate of the present value of future net revenues of proved oil and natural gas reserves attributable to proved properties, discounted at 10%, plus the lower of cost or market value of unevaluated properties. The full cost ceiling is evaluated at the end of each quarter using the most recent 12-month average prices for oil and natural gas, adjusted for the impact of derivatives accounted for as cash flow hedges. In the event any of our derivatives are accounted for as cash flow hedges, the impact of these derivative contracts will be included in the determination of our full cost ceiling. We had no full cost ceiling impairments during the years ended December 31, 2011 or 2010, while our ceiling limitations during 2009 resulted in non-cash impairment charges totaling \$1,693.3 million. Future declines in oil and natural gas prices, without other mitigating circumstances, could result in additional losses of future net revenues, including losses attributable to quantities that cannot be economically produced at lower prices, which could cause us to record additional write-downs of capitalized costs of our oil and natural gas properties and non-cash charges against future earnings. The amount of such future write-downs and non-cash charges could be substantial.

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We have a substantial amount of indebtedness and other obligations and commitments, which may adversely affect our cash flow and our ability to operate our business.

As of June 30, 2012, our total indebtedness was \$3.5 billion (or \$4.3 billion on an as adjusted basis to give effect to the issuance of the 2023 notes and additional 2021 notes and the extinguishment of the 2014 notes), and we had preferred stock outstanding with an aggregate liquidation preference of \$765.0 million. Our substantial level of indebtedness and the dividends payable on our preferred stock outstanding increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness and/or the preferred stock dividends. Our indebtedness and outstanding preferred stock, combined with our lease and other financial obligations and contractual commitments, such as our obligations to drill development wells for multiple royalty trusts, could have other important consequences to us. For example, it could:

make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

place us at a disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness prevents us from pursuing; and

limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes.

Any of the above listed factors could have a material adverse effect on our business, financial condition and results of operations.

Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions could materially affect the quantities and present value of our reserves. Our current estimates of reserves could change, potentially in material amounts, in the future.

The process of estimating oil and natural gas reserves is complex and inherently imprecise, requiring interpretations of available technical data and many assumptions, including assumptions relating to production rates and economic factors such as oil and natural gas prices, drilling and operating expenses, capital expenditures, the assumed effect of governmental regulation and availability of funds. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of our reserves. See our Annual Report on Form 10-K for the year ended December 31, 2011 for information on our oil and natural gas reserves.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in our Annual Report on Form 10-K for the year ended December 31, 2011, which in turn could have a negative effect on the value of our assets. In addition, from time to time in the future, we may adjust estimates of proved reserves, potentially in material amounts, to reflect production history, results of exploration and development, oil and natural gas prices and other factors, many of which are beyond our control.

The present value of future net cash flows from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

We base the estimated discounted future net cash flows from our proved reserves on 12-month average prices and costs. Actual future net cash flows from our oil and natural gas properties also will be affected by factors such as:

actual prices we receive for oil and natural gas;

the accuracy of our reserve estimates;

the actual cost of development and production expenditures;

the amount and timing of actual production;

supply of and demand for oil and natural gas; and

changes in governmental regulations or taxation.

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The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, we use a 10% discount factor when calculating discounted future net cash flows, which may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our business, financial condition and results of operations.

Our future oil and natural gas reserves and production, and therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire additional reserves to replace our current and future production at acceptable costs.

We will not know conclusively prior to drilling whether oil or natural gas will be present in sufficient quantities to be economically producible.

The use of seismic data and other technologies and the study of producing fields in the same area does not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production from the well or abandonment of the well. During 2011, we completed a total of 936 gross wells, of which three were identified as dry wells.