

SANDRIDGE ENERGY INC
Form 8-K
July 03, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): June 29, 2008
SANDRIDGE ENERGY, INC.
(Exact name of registrant as specified in its charter)**

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

1-33784
(Commission File Number)

20-8084793
(I.R.S. Employer
Identification No.)

1601 N.W. Expressway, Suite 1600
Oklahoma City, Oklahoma
(Address of Principal Executive Offices)

73118
(Zip Code)

Registrant's Telephone Number, including Area Code: **(405) 753-5500**

Not Applicable.

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

Construction Management Agreement

On June 29, 2008, SandRidge Exploration and Production, LLC, a wholly owned subsidiary of SandRidge Energy, Inc. (the Company) and OXY USA Inc. (Oxy) entered into a Construction Management Agreement (the CMA) pursuant to which the Company will provide construction management services with respect to the construction of a gas treating plant with an inlet capacity of 675 million standard cubic feet of gas per day together with associated compression and pipelines to be located in Pecos County, Texas (the Century Plant). Oxy has agreed to pay the Company an amount equal to \$800 million (subject to increases in certain limited circumstances, such as changes to the design specifications of the Century Plant required by Oxy) (the Contract Price) for the performance of the construction management services. The Company will be responsible for any costs incurred in the construction of the Century Plant that exceed the Contract Price. If the Company's total liability under the CMA (including liability for costs incurred in connection with the construction of the Century Plant, but excluding liability for certain indemnification obligations and claims for actual fraud) exceeds \$1.6 billion, then the Company and Oxy will share equally all such costs incurred in excess of \$1.6 billion.

The construction management services covered by the CMA include all of the work and services required for the design, engineering, procurement, construction, commissioning, startup and testing of the Century Plant. The performance of the construction management services and the construction of Century Plant will be in accordance with a milestone schedule detailed in the CMA. The completion of the construction of the Century Plant will be subject to the performance of various tests intended to demonstrate that construction is conducted in accordance with the design specifications for the Century Plant. As permitted by the CMA, the Company intends to subcontract the majority of the construction management services to Alliance Process Partners, LLC.

The Company has agreed to complete the construction of the Century Plant by July 2012. The construction of the Century Plant will be completed in stages, and title to each component of the Century Plant will be transferred to Oxy upon the substantial completion of such component in accordance with the terms of the CMA. The Company has provided Oxy with a limited warranty against any defects or deficiencies in each component of the Century Plant which runs generally for a period of one year from the in-service date of such component.

Gas Treating and CO₂ Delivery Agreement

Concurrently with the execution of the CMA, the Company and Oxy entered into a Gas Treating and CO₂ Delivery Agreement (the Treating Agreement). The Treating Agreement addresses the Company's obligations to deliver natural gas to the Century Plant, and to deliver to Oxy CO₂ from the Pikes Peak and Grey Ranch gas treating plants owned by the Company and the Mitchell gas treating plant owned by a third party (the Legacy Plants). The Treating Agreement also addresses Oxy's obligations to treat natural gas delivered to the Century Plant by the Company and to take delivery of CO₂ from the Legacy Plants.

Beginning January 1, 2009, through the date Oxy commences operating the Selexol unit of the Century Plant (the Selexol Unit In-Service Date), the Company and Oxy will use commercially reasonable efforts to deliver and take CO₂ from the Legacy Plants. Beginning on the date Oxy commences operating all units of the Century Plant, each year for 30 years the Company will have a firm obligation to deliver and Oxy will have a firm obligation to take and treat (in each case subject to force majeure and other permitted exceptions) volumes of natural gas at the Century Plant for treating and CO₂ from the Legacy Plants that equal the specified CO₂ delivery and take requirement for such year. The term of the Treating Agreement starts June 29, 2008, and ends on the 30th anniversary of the Selexol Unit In-Service Date. The Company's total firm CO₂ delivery obligation, and Oxy's total firm gas treating obligation at the Century Plant and CO₂ take obligation from the Legacy Plants, is 3.5 trillion standard cubic feet of CO₂.

Oxy will bear the operating expenses of the Century Plant with certain exceptions. Oxy and the Company will share the cost of electricity and gas used in the operation of the Century Plant, and for CO₂ volumes delivered from the Legacy Plants, Oxy will reimburse the Company for all of the power, fuel and other operating costs of the Legacy Plants, subject to certain limits.

Oxy has agreed to provide pipeline transportation services to the Company for CO₂ that Oxy does not take, up to a specified maximum volume per day.

If the Company or Oxy fails to satisfy the annual requirement to deliver or take CO₂, the party so failing is required to pay as liquidated damages a stipulated amount per 1,000 standard cubic feet of CO₂ not delivered or taken (the Liquidated Damage Amount).

The Company and Oxy each have the right and option to terminate the Treating Agreement prior to the end of its original term. The party exercising such termination right is required to pay the present value of the Liquidated Damage Amount for all remaining volumes of CO₂ required to be delivered or taken by such party plus certain other amounts.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SANDRIDGE ENERGY, INC.

(Registrant)

Date: July 3, 2008

By: /s/ Richard J. Gognat

Richard J. Gognat

*Senior Vice President, General Counsel
and Corporate Secretary*