MCGRATH RENTCORP
Form DEFA14A
December 20, 2001

SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934

Filed by the registrant [X]

Filed by a party other than the registrant [_]

Check the appropriate box:

[_] Preliminary proxy statement.
[_] Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).
[_] Definitive proxy statement.
[_] Definitive additional materials.
[X] Soliciting material under Rule 14a-12.

MCGRATH RENTCORP

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

[X] No fee required.
[_] Fee computed on table below per Exchange Act Rule 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

The following is a joint press release issued by McGrath RentCorp and Tyco International Ltd. on December 20, 2001:

FOR IMMEDIATE RELEASE

CONTACTS:

TYCO INTERNATIONAL LTD.	MCGRATH RENTCORP
MEDIA RELATIONS Maryanne Kane Chief Communications Officer 212-424-1300/508-747-0800	MEDIA AND INVESTOR RELATIONS Dennis Kakures President and COO 925-606-9200
INVESTOR RELATIONS R. Jackson Blackstock Senior Vice President 212-424-1344	

TYCO INTERNATIONAL TO ACQUIRE MCGRATH RENTCORP

ACQUISITION EXPANDS TYCO CAPITAL'S PRODUCT PORTFOLIO AND RECURRING REVENUE BASE

IMMEDIATELY ACCRETIVE TO TYCO EARNINGS AND CASH FLOW

Pembroke, Bermuda and Livermore, California, December 20, 2001: Tyco International Ltd. (NYSE: TYC; LSE: TYI; BSX: TYC), a diversified manufacturing and services company, and McGrath RentCorp (NASDAQ: MGRC), a leading rental provider of modular offices and classrooms and electronic test equipment, announced today that they have entered into a definitive agreement pursuant to which a subsidiary of Tyco will acquire McGrath RentCorp. The transaction is valued at $38.00 per share to McGrath RentCorp shareholders or approximately $482 million, based on McGrath RentCorp's 12.7 million outstanding shares. The consideration will be paid by Tyco in the form of cash and Tyco shares. McGrath RentCorp shareholders will have the right to elect the percentage of their consideration paid in cash or Tyco shares, subject to the limitation that no less than 50% and no more than 75% of the consideration will be in the form of shares.

According to L. Dennis Kozlowski, Tyco Chairman and CEO: "McGrath RentCorp, with its attractive returns and strong management team, is an outstanding addition to Tyco Capital. The relocatable modular buildings business adds to our large existing equipment rental and lease operation and provides a strong platform to grow an exceptional base of recurring rental revenue. The electronic test equipment leasing business adds scale to our existing offerings and provides the ability to spread costs over a wider asset base. As is the case with all Tyco acquisitions, the transaction will be immediately accretive to both Tyco's earnings and cash flow."

McGrath RentCorp rents and sells modular buildings and accessories as well as electronic test equipment. Robert McGrath, Founder and CEO of McGrath RentCorp commented: "We are very pleased about the value of this transaction for our employees, shareholders and customers. In joining Tyco Capital, McGrath RentCorp will become part of a leading force in the leasing industry. That will open significant new

avenues of growth opportunities for the business, which never would have been realized with RentCorp as an independent operator."

The transaction is subject to customary regulatory review and approval by McGrath RentCorp shareholders. The Boards of Directors of both companies have approved the transaction, the stock component of which is expected to be tax-free for the shareholders of McGrath.

ABOUT MCGRATH RENTCORP

Founded in 1979, McGrath RentCorp, under the trade name Mobile Modular Management Corporation, rents and sells modular buildings to fulfill customer's temporary and permanent space needs in California and Texas. Mobile Modular Management believes it is the largest provider of relocatable classrooms for rental to school districts for grades K - 12 in California. Through its RenTelco division, McGrath RentCorp rents and sells electronic test equipment and is recognized as the leader in communications and fiber-optic test equipment rentals throughout the United States. McGrath RentCorp's majority owned subsidiary, Enviroplex, manufactures and sells classrooms directly to school districts in California.

Drawing from McGrath RentCorp's 20 plus years of asset rent experience and business management know-how, eRentNetwork, a wholly owned subsidiary of McGrath RentCorp, develops Internet based programs and web sites serving the rental industry.

ABOUT TYCO CAPITAL

The Tyco Capital family of companies are subsidiaries of Tyco International Ltd. Tyco Capital is a leading, global source of financing and leasing capital and advisor for companies in more than 30 industries. Managing more than $50 billion in assets across a diversified portfolio, Tyco Capital, formerly known as CIT, empowers many of today's industry leaders and emerging businesses offering vendor, equipment, factoring, consumer, and structured financing capabilities. Tyco Capital operates in the United States and Canada with strategic locations in Europe, Latin and South America, and the Pacific Rim.

ABOUT TYCO INTERNATIONAL LTD.

Tyco International Ltd. is a diversified manufacturing and service company. Tyco is the world's largest manufacturer and servicer of electrical and electronic components; the world's largest designer, manufacturer, installer and servicer of undersea telecommunications systems; the world's largest manufacturer, installer and provider of fire protection systems and electronic security services; and the world's largest manufacturer of specialty valves. Tyco also holds strong leadership positions in disposable medical products, financing and leasing capital, plastics and adhesives. Tyco operates in more than 100 countries and had fiscal 2001 revenues in excess of $36 billion.

FORWARD LOOKING INFORMATION

This release contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained in the forward-looking statements. The forward-looking statements in this release include statements addressing the following subjects: future financial and operating results; and, the benefits of the acquisition.

The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the risk that the businesses of Tyco and McGrath RentCorp will not be integrated successfully; other economic, business, competitive and/or regulatory factors affecting Tyco's and McGrath RentCorp's businesses generally.

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Investors and security holders are advised to read the proxy statement/prospectus regarding the business combination transaction referenced in the foregoing information, when it becomes available, because it will contain important information. The proxy statement/prospectus will be filed with the Securities and Exchange Commission by Tyco and McGrath RentCorp. Investors and security holders may obtain a free copy of the proxy statement/prospectus (when available) and other documents filed by Tyco and McGrath RentCorp at the Commission's web site at www.sec.gov. The proxy statement/prospectus and such other documents may also be obtained from Tyco or from McGrath RentCorp by directing such request to Tyco International Ltd., The Zurich Centre, Second Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda, Tel: (441) 292-8674; or to McGrathRentCorp: Corporate Secretary, 5700 Las Positas Road, Livermore, California 94550, Tel: (925) 606-9200.

McGrath RentCorp and certain other persons referred to below may be deemed to be participants in the solicitation of proxies of McGrath RentCorp's shareholders to adopt the agreement providing for Tyco's acquisition of McGrath RentCorp. The participants in this solicitation may include the directors and executive officers of McGrath RentCorp, who may have an interest in the transaction, including as a result of holding stock or options of McGrath RentCorp. A detailed list of names and interests of McGrath RentCorp's directors and executive officers is contained in McGrath RentCorp's Proxy Statement for its Annual Meeting, held on May 30, 2001, which may be obtained without charge at the Commission's web site at www.sec.gov.

tom:0pt;width:94pt;">**Provision for income taxes 2009 2008**

Current

$4,661,395 $

Minimum tax

798,690

Benefit of net operating loss

(4,661,395)

Deferred

24,040,749 49,112,685

$24,839,439 $49,112,685

The following is a reconciliation of income taxes computed using the U.S. federal statutory rate to the provision for income taxes:

Rate Reconciliation	**2009**	**2008**
Tax at federal statutory rate (34%)	$ 22,825,430	$ 45,128,161
Non-deductible expenses		29,406
State tax, net of federal benefit	2,014,009	4,380,086
Other		(424,968)
	$ 24,839,439	$ 49,112,685

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ARENA RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 INCOME TAXES (Continued)

As of December 31, 2009, the Company had net operating loss carry forwards for federal income tax reporting purposes of approximately $75 million which, if unused, will expire in 2026, 2027 and 2028. The Company has minimum tax credits of $1,765,774 which do not expire.

The net deferred tax liability consisted of the following:

Deferred taxes:		**2009**		**2008**
Deferred tax liabilities				
Current unrealized gain on oil derivative	$		$	6,046,508
Property and equipment		124,200,047		107,316,108
Total deferred tax liabilities		124,200,047		113,362,616
Deferred tax assets				
Stock-based compensation		5,243,557		3,953,790
Minimum tax credit		1,765,774		967,084
Unrealized loss on oil derivative				
Operating loss and IDC carryforwards		8,567,917		17,861,815
Total deferred tax assets		15,577,248		22,782,689
Net deferred income tax liability	$	108,622,799	$	90,579,927

Accounting for Uncertainty in Income Taxes In accordance with generally accepted accounting principles, the Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns for the open tax years in such jurisdictions. The Company has identified its federal income tax return and its state income tax returns in Texas, New Mexico, Oklahoma and Kansas in which it operates as "major" tax jurisdictions. The Company's federal income tax returns for the years ended December 31, 2006 through 2008 remain subject to examination. The Company's income tax returns in major state income tax jurisdictions remain subject to examination for years ended December 31, 2006 through 2008, with the exception of Texas, which would also include the year ended December 31, 2005. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon audit. Therefore, the Company has no significant reserves for uncertain tax positions and no adjustments to such reserves were required by generally accepted accounting principles. No interest or penalties have been levied against the Company and none are anticipated, therefore interest or penalty has been included in our provision for income taxes in the consolidated statements of operations.

NOTE 10 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Under generally accepted accounting principles, the nature of a derivative instrument must be evaluated to determine if it qualifies for hedge accounting treatment. Instruments qualifying for hedge accounting treatment are recorded as an asset or liability measured at fair value and subsequent changes in fair value are recognized in equity through other comprehensive income, net of related taxes, to the extent the hedge is effective. The Company's derivative instrument qualified for hedge accounting for all periods presented. The change in fair value of the derivative instrument was recorded to other comprehensive income for the years ended December 31, 2008 and 2009. The cash settlements of cash flow hedges are recorded in the operating section of the Company's statement of operations. Instruments not qualifying for

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ARENA RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

hedge accounting treatment are recorded in the balance sheet at fair value and changes in fair value are recognized on the statement of operations.

The Company's hedges are specifically referenced to NYMEX prices. The effectiveness of hedges is evaluated at the time the contracts are entered into, as well as periodically over the life of the contracts, by analyzing the correlation between NYMEX prices and the posted prices received from the designated production. Through this analysis, the Company is able to determine if a high correlation exists between the prices received for its designated production and the NYMEX prices at which the hedges will be settled. At December 31, 2008 and 2009, the Company's hedge contracts were considered effective cash flow hedges.

The statement of operations includes a realized gain on derivative instruments of $14,884,846 for 2009 and a realized loss on derivative instruments of $4,275,330 for 2008.

As of December 31, 2009, the Company had entered into the following costless collar contracts accounted for as a cash flow hedge:

Commodity	Remaining Period	Volume (Bbls)	Floor	Ceiling
WTI Crude Oil	January 2010 - December 2010	730,000	$ 65.00	$ 93.00
WTI Crude Oil	January 2010 - December 2010	365,000	$ 70.00	$ 92.85

Commodity	Remaining Period	Volume (MMBTU)	Floor	Ceiling
El Paso Permian Gas	January 2010 - December 2010	1,825,000	$ 4.00	$ 7.87

There were no hedges in effect as of December 31, 2009, therefore the Company did not record an asset or a liability. The fair value of the 2010 hedges is zero as of December 31, 2009, as the relative price curve for the index prices used is between the floor and the ceiling.

NOTE 11 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company's fair value balances are based on the observability of those inputs. The three levels of the fair value hierarchy are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. The Company does not have any fair value balances classified as Level 1.

Level 2 Inputs other than quoted prices in active markets included in Level 1, that are either directly or indirectly observable. These inputs are either directly observable in the marketplace or indirectly observable through corroboration with market data for substantially the full contractual term of the asset or liability being measured. The Company's Level 2 items consist of a costless collar.

Level 3 Includes inputs that are not observable for which there is little, if any, market activity for the asset or liability being measured. These inputs reflect management's best estimate of the

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ARENA RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 FAIR VALUE MEASUREMENTS (Continued)

assumptions market participants would use in determining fair value. Level 3 would include instruments valued using industry standard pricing models and other valuation methods that utilize unobservable pricing inputs that are significant to the overall fair value. The Company does not have any fair value balances classified as Level 3.

In valuing certain contracts, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

The fair value of all hedge instruments was zero as of December 31, 2009, therefore the Company does not have either an asset or a liability recorded in connection with those instruments.

NOTE 12 EMPLOYEES' BENEFIT PLANS

The Company's employees are eligible to participate in a 401(k) plan after attaining the age of 21. Participants may defer up to 100% of eligible compensation. The Company matches participant contributions dollar for dollar up to 6% of participant compensation not exceeding $16,500 per employee ($22,000 for those over 50, choosing to catch-up). For the year ended December 31, 2009 and 2008, the Company made contributions to the plan totaling 290,695 and $311,825, respectively.

NOTE 13 QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial information is presented in the following summary:

	2008			
	Three Months Ended			
	March 31	**June 30**	**September 30**	**December 31**
Revenues	$ 45,312,392	$ 62,159,281	$ 68,412,686	$ 32,974,286
Operating Income	29,650,936	39,637,781	42,188,778	21,097,908
Net Income	18,318,395	24,794,349	26,922,966	13,581,491
Basic Net Income Per Share	$ 0.52	$ 0.69	$ 0.71	$ 0.36
Diluted Net Income Per Share	0.51	0.67	0.69	0.35

	2009			
	Three Months Ended			
	March 31	**June 30**	**September 30**	**December 31**
Revenues	$ 20,193,160	$ 27,636,695	$ 36,060,878	$ 42,350,044
Operating Income	9,998,248	22,702,454	18,954,179	14,649,746
Net Income	6,465,449	14,436,065	12,113,026	9,279,639
Basic Net Income Per Share	$ 0.17	$ 0.38	$ 0.32	$ 0.24
Diluted Net Income Per Share	0.17	0.37	0.31	0.24

The net income per share information above will not match the income statement due to rounding.

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ARENA RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

There were no material fourth quarter adjustments or accounting changes.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to December 31, 2009, the Company issued a total of 75,000 shares of stock pursuant to the restricted stock award plan. These shares were valued based on the market price of the shares of $45.05 on the date of grant of January 6, 2010. These shares will vest 50% per year for two years and the fair value of these shares will be expensed over that period.

We have evaluated subsequent events after the balance sheet date of December 31, 2009 through the time of filing with the SEC on March 1, 2010, which is the date the financial statements were issued.

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ARENA RESOURCES, INC.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES

(Unaudited)

Results of Operations from Oil and Gas Producing Activities The Company's results of operations from oil and gas producing activities exclude interest expense, gain from change in fair value of put options, and other financing expense. Income taxes are based on statutory tax rates, reflecting allowable deductions.

For the Years Ended December 31,	2009	2008
Oil and gas revenues	$ 126,240,777	$ 208,858,645
Production costs	(15,543,461)	(17,833,144)
Production taxes	(6,455,585)	(10,518,370)
Realized loss on oil derivative	14,884,846	(4,275,330)
Depreciation, depletion, amortization and accretion	(39,368,567)	(30,099,196)
General and administrative (exclusive of corporate overhead)	(3,804,383)	(3,034,525)
Results of operations before income taxes	75,953,627	143,098,080
Provision for income taxes	(28,102,842)	(52,946,290)
Results of Oil and Gas Producing Operations	$ 47,850,785	$ 90,151,790

Recent SEC and FASB Rule-Making Activity In December 2008, the SEC announced that it had approved revisions designed to modernize the oil and gas company reserves reporting requirements. See Note 1 Organization and Summary of Significant Accounting Policies New Accounting Policies. We adopted the rules effective December 31, 2009 and the rule changes, including those related to pricing and technology, are included in our reserves estimates. The new rule does not allow for prior-year reserve information to be restated, so all information related to periods prior to 2009 is presented consistent with prior SEC rules for the estimation of proved reserves.

In addition, in January 2010 the FASB issued Accounting Standards Update 2010-03, "Oil and Gas Reserve Estimation and Disclosures", to provide consistency with the SEC rules. See Note 1 Organization and Summary of Significant Accounting Policies New Accounting Policies.

Reserve Quantities Information The following estimates of proved and proved developed reserve quantities and related standardized measure of discounted net cash flow are estimates only, and do not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available. All of the Company's reserves are located in the United States of America.

Proved reserves are estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment and methods.

The standardized measure of discounted future net cash flows is computed by applying the price according to the SEC guidelines for oil and gas to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax

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ARENA RESOURCES, INC.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (Continued)

(Unaudited)

rates) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows.

	2009		2008	
For the Years Ended December 31,	**Oil(1)**	**Gas(1)**	**Oil(1)**	**Gas(1)**
Proved Developed and Undeveloped Reserves				
Beginning of year	55,845,257	58,804,662	47,413,322	48,074,962
Purchases of minerals in place	1,589,141	2,791,611	3,638,095	2,364,908
Improved recovery and extensions	14,360,492	13,605,184	9,547,981	11,391,853
Production	(2,004,498)	(2,172,790)	(2,018,335)	(1,911,713)
Revision of previous estimate	(10,074,880)	(15,813,979)	(2,735,806)	(1,115,348)
End of year	59,715,512	57,214,688	55,845,257	58,804,662
Proved Developed at end of year	21,144,906	28,302,469	20,231,477	28,659,033

(1) Oil reserves are stated in barrels; gas reserves are stated in thousand cubic feet.

December 31,	**2009**	**2008**
Future cash flows	$ 3,721,873,750	$ 2,391,888,946
Future production costs	(902,963,847)	(716,121,604)
Future development costs	(543,022,875)	(330,672,457)
Future income taxes	(746,548,080)	(394,800,287)
Future net cash flows	1,529,338,948	950,294,598
10% annual discount for estimated timing of cash flows	(775,105,191)	(489,607,688)
Standardized Measure of Discounted Cash Flows	$ 754,233,757	$ 460,686,910

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ARENA RESOURCES, INC.

SUPPLEMENTAL INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (Continued)

(Unaudited)

Changes in Standardized Measure of Discounted Future Net Cash Flows

	2009	2008
Beginning of the year	$ 460,686,910	$ 1,276,166,354
Purchase of minerals in place	28,329,307	41,597,736
Extensions, discoveries and improved recovery, less related costs	253,485,559	129,110,323
Development costs incurred during the year	107,237,470	190,631,820
Sales of oil and gas produced, net of production costs	(110,697,316)	(190,374,853)
Accretion of discount	48,058,341	131,684,244
Net changes in price and production costs	619,543,318	(1,526,963,575)
Net change in estimated future development costs	6,550,757	(22,637,628)
Revision of previous quantity estimates	(447,110,784)	293,723,576
Revision of estimated timing of cash flows	(35,543,586)	(409,158,356)
Net change in income taxes	(176,306,219)	546,907,269
End of the Year	$ 754,233,757	$ 460,686,910

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ANNEX A

May 23, 2011

Mr. Rodney Johnson
SandRidge Energy, Inc.
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102

Dear Mr. Johnson:

In accordance with your request, we have estimated the proved reserves and future revenue, as of March 31, 2011, to the SandRidge Energy, Inc. (SandRidge) interest in certain oil and gas properties located in Texas and referred to herein as the "Arena properties". It is our understanding that the proved reserves estimated in this report constitute approximately 7 percent of all proved reserves owned by SandRidge. A proposed royalty interest in such reserves is to be conveyed later this year to SandRidge Permian Trust with an effective date of April 1, 2011. As requested, the proposed royalty interest is included in the SandRidge interest in this report. This is an update of our report dated February 10, 2011, which sets forth our estimates of reserves and future revenue to the SandRidge interest as of December 31, 2010. For the purposes of this report, projections for wells that have been drilled since the original report have been reviewed and updated. Proved undeveloped projections have been adjusted based on additional analog performance data and rescheduled in accordance with SandRidge's updated drilling schedule. The remaining projections have been "rolled forward" from our estimates as of December 31, 2010. We completed our evaluation on May 23, 2011. The estimates in this report have been prepared in accordance with the definitions and guidelines of the U.S. Securities and Exchange Commission (SEC) and conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities Oil and Gas, except that per-well overhead expenses are excluded for operated properties and future income taxes are excluded for all properties. Definitions are presented immediately following this letter. This report has been prepared for SandRidge's use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the SandRidge interest in the Arena properties, as of March 31, 2011, to be:

	Net Reserves		**Future Net Revenue (M$)**	
Category	**Oil (MBBL)**	**Gas (MMCF)**	**Total**	**Present Worth at 10%**
Proved Developed Producing	6,996.5	1,732.8	351,841.9	198,325.5
Proved Developed Non-Producing	585.0	135.6	29,602.2	14,992.1
Proved Undeveloped	23,062.7	5,346.2	946,290.3	367,436.3
Total Proved	30,644.2	7,214.6	1,327,734.4	580,753.9

The oil reserves shown include crude oil, condensate, and natural gas liquids. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

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The estimates shown in this report are for proved reserves. No study was made to determine whether probable or possible reserves might be established for these properties. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Future gross revenue to the SandRidge interest is prior to deducting state production taxes and ad valorem taxes. Future net revenue is after deductions for these taxes, future capital costs, operating expenses, and abandonment costs but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability. Our estimates of future net revenue do not include any salvage value for the lease and well equipment but do include SandRidge's estimates of the costs to abandon the wells and production facilities.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period April 2010 through March 2011. For oil volumes, the average West Texas Intermediate posted price of $80.04 per barrel is adjusted for quality, transportation fees, and a regional price differential. For gas volumes, the average Henry Hub Gas Daily price of $4.102 per MMBTU is adjusted for energy content, transportation fees, and a regional price differential. The adjusted oil and gas prices of $79.33 per barrel and $3.002 per MCF are held constant throughout the lives of the properties.

Lease and well operating costs used in this report are based on operating expense records of SandRidge. For nonoperated properties, these costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. As requested, lease and well operating costs for the operated properties include only direct lease- and field-level costs. For all properties, headquarters general and administrative overhead expenses of SandRidge are not included. Lease and well operating costs are held constant throughout the lives of the properties. Capital costs are included as required for workovers, new development wells, and production equipment. The future capital costs are held constant to the date of expenditure.

We have made no investigation of potential gas volume and value imbalances resulting from overdelivery or underdelivery to the SandRidge interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on SandRidge receiving its share of estimated future gross gas production.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantitie