

SANDRIDGE ENERGY INC

Form DEF 14A

April 22, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

Filed by the Registrant

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
- Soliciting Material Pursuant to §240.14a-12

SANDRIDGE ENERGY, INC.

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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(1) Amount Previously Paid:

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(3) Filing Party:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on June 5, 2009**

To the Stockholders of SandRidge Energy, Inc.:

The 2009 Annual Meeting of Stockholders (Annual Meeting) of SandRidge Energy, Inc., a Delaware corporation (the Company or SandRidge), will be held in the SandRidge Downtown Auditorium at our corporate offices located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, on June 5, 2009, at 10:00 a.m., central time. At the Annual Meeting, stockholders will be asked to:

- (1) Elect one Class III director to serve on our Board of Directors for a three-year term;
- (2) Ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009;
- (3) Approve the adoption of the SandRidge Energy, Inc. 2009 Incentive Plan (the 2009 Incentive Plan), the terms of which provide that the maximum number of shares of common stock issuable under the 2009 Incentive Plan is 12,000,000 shares; and
- (4) Transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

The meeting may be adjourned from time to time. At any reconvened meeting, action with respect to the matters specified in this notice may be taken without further notice to stockholders, unless required by applicable law or the Bylaws of the Company.

Stockholders of record of shares of our common stock at the close of business on April 8, 2009 are entitled to notice of, and to vote at, the Annual Meeting. A list of such stockholders will be available at the meeting and at the Company's corporate office, 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, for the ten days prior to the meeting.

All stockholders are cordially invited to attend the meeting in person. Your vote is very important. Therefore, whether or not you expect to attend the meeting, please vote as described on page 1 of the Proxy Statement. Voting in any of the ways described will not prevent you from attending the Annual Meeting.

Important Notice Regarding the Availability of Proxy Materials for the 2009 Annual Meeting of Stockholders to be held on June 5, 2009. Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by: (i) sending you this full set of proxy materials, including a proxy card and (ii) notifying you of the availability of our proxy materials on the Internet. This Proxy Statement and our Annual Report to Stockholders for the fiscal year ended December 31, 2008 are available at <https://www.proxyvote.com>. Directions for attending the Annual Meeting in person are available on our website at <http://www.sandridgeenergy.com> under Contact. In accordance with such rules, no cookies or other software that identifies visitors accessing these materials via the Internet are used.

By Order of the Board of Directors,

Richard J. Gognat,
Corporate Secretary

Oklahoma City, Oklahoma
April 22, 2009

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**SANDRIDGE ENERGY, INC.
123 Robert S. Kerr Avenue
Oklahoma City, Oklahoma 73102
(405) 429-5500**

PROXY STATEMENT

SOLICITATION AND REVOCABILITY OF PROXIES

The enclosed proxy is solicited by the Board of Directors of SandRidge Energy, Inc. for use at the Annual Meeting to be held in the SandRidge Downtown Auditorium at our corporate offices located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102, on June 5, 2009, at 10:00 a.m., central time or at any adjournment thereof. In this Proxy Statement, unless the context requires otherwise, when we refer to we, us, our, SandRidge or the Company are describing SandRidge Energy, Inc., a Delaware corporation. We refer to holders of common stock as of the record date as stockholders. Proxies are solicited to give all stockholders of record an opportunity to vote on matters properly presented at the Annual Meeting.

We will pay the entire cost of the solicitation. In addition to solicitation by mail, proxies may be solicited in person, or by telephone, facsimile transmission or other means of electronic communication, by our directors, officers or other employees, but such persons will not receive any special compensation for such services. We will reimburse brokers, nominees, fiduciaries and other custodians for reasonable expenses incurred by them for sending proxy materials to beneficial owners of our common stock.

Our Annual Report to Stockholders for the year ended December 31, 2008, including audited financial statements, accompanies this Proxy Statement. The Annual Report to Stockholders is not incorporated by reference into this Proxy Statement or deemed to be a part of the materials used for the solicitation of proxies. This Proxy Statement along with the Annual Report to Stockholders are being mailed on or about April 22, 2009, to holders of common stock as of the record date.

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

At our Annual Meeting, stockholders will be asked to act upon the matters outlined in the Notice of Annual Meeting of Stockholders provided with this Proxy Statement, including the election of one Class III director, ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm, approval of the adoption of the Company's 2009 Incentive Plan and any other matters properly presented at the meeting.

Who is entitled to vote at the meeting?

Only stockholders of record as of 5:00 p.m. central time on April 8, 2009 are entitled to receive notice of, and to vote at, the Annual Meeting. On April 8, 2009, there were 167,465,399 shares of our common stock issued, outstanding and entitled to vote at the meeting. Each outstanding share of common stock is entitled to one vote, except certain unvested shares of restricted stock issued to our directors and employees, which do not have voting rights.

How do I vote my shares?

The process for voting your shares depends on how your shares are held. Generally, you may hold shares in your name as a record holder or in street name through a nominee, such as a broker or bank. You can vote either in person

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at the Annual Meeting or by proxy whether or not you attend the Annual Meeting. To vote by proxy, you must either:

Sign and date the enclosed proxy card, and return it in the enclosed postage-paid envelope;

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Vote by telephone by placing a toll-free call from the U.S. or Canada to 1-800-690-6903 as described in the enclosed proxy card; or

Vote over the Internet at <https://www.proxyvote.com> as described in the enclosed proxy card.

Please note that telephone and Internet voting will close at 11:59 pm on June 4, 2009.

If you plan to attend the Annual Meeting and wish to vote in person, you will be given a ballot at the meeting. Please note that you may vote by proxy prior to June 5, 2009 and still attend the Annual Meeting. Even if you currently plan to attend the Annual Meeting in person, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

If your shares are held in the name of a broker, bank, or other nominee, you should receive separate instructions from the record holder of your shares describing how to vote. If your shares are held in the name of a broker, bank, or other nominee and you want to vote in person, you will need to obtain and bring with you to the Annual Meeting a legal proxy from the record holder of your shares as of the close of business on April 8, 2009 indicating that you were a beneficial owner of shares as of the close of business on such date and further indicating the number of shares of which you beneficially owned at that time.

What is a quorum?

A quorum is the presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock as of the record date. There must be a quorum for the meeting to be held. If you submit a valid proxy card, vote by Internet or phone, or attend the meeting and vote in person, your shares will be counted as present to determine whether there is a quorum. Abstentions and broker non-votes will be counted toward the quorum.

How are my votes counted?

In all proposals other than the election of a director, you may vote **FOR**, **AGAINST** or **ABSTAIN**. In the election of a director, you may either vote **FOR** a nominee or **WITHHOLD** your vote from the nominee. Abstentions occur when stockholders are present at the Annual Meeting but choose to withhold their vote for any of the matters upon which the stockholders are voting. If you **ABSTAIN** on any of the proposals, your vote will be counted for purposes of establishing a quorum, and with the exception of the election of a director, the abstention will have the same effect as a vote **AGAINST** that proposal.

What are broker non-votes?

A broker non-vote occurs when the broker is unable to vote on a proposal because the proposal is not routine and the beneficial owner has not provided any instructions on that matter. New York Stock Exchange (**NYSE**) rules determine whether proposals are routine or not routine. If a proposal is routine, a broker holding shares for an owner in street name may vote for the proposal without voting instructions. If a proposal is not routine, the broker may vote on the proposal only if the owner has provided voting instructions. If a broker does not receive instructions for a non-routine proposal, the broker will return a proxy card with no vote on that proposal, which is usually referred to as a **broker non-vote**. The election of a director and the ratification of PricewaterhouseCoopers LLP's appointment are routine items. The approval of the adoption of the 2009 Incentive Plan is not considered routine. Broker non-votes for that matter, if any, will be counted for purposes of establishing a quorum, but will not be counted as having been entitled to vote or as a vote cast.

Can I revoke my proxy?

Yes, you can revoke your proxy if you are a record holder by: (a) filing written notice of revocation with our Corporate Secretary prior to the Annual Meeting; (b) signing a proxy card bearing a later date than the proxy being revoked and submitting it to our Corporate Secretary prior to the Annual Meeting; (c) voting again by phone or over the Internet; or (d) voting in person at the Annual Meeting.

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If your shares are held in street name through a broker, bank, or other nominee, you need to contact the record holder of your shares regarding how to revoke your proxy.

What vote is required to approve the election of a director?

In the election of a director, you may either vote **FOR** a nominee or **WITHHOLD** your vote from the nominee. If the nominee receives a plurality of the votes cast, he will be elected to our Board of Directors. You may not cumulate your votes in the election of directors.

What vote is required to approve the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm?

In voting on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, you may vote **FOR** or **AGAINST** the ratification or **ABSTAIN** from voting. If you **ABSTAIN** from voting on the adoption, your vote will have the same effect as a vote **AGAINST** the proposal. A majority of the votes cast at the Annual Meeting must be cast **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm in order for such ratification to be approved at the Annual Meeting.

What vote is required to approve the adoption of the 2009 Incentive Plan?

In voting on the approval of the adoption of the 2009 Incentive Plan, you may vote **FOR** or **AGAINST** the adoption or **ABSTAIN** from voting. If you **ABSTAIN** from voting on the adoption, your vote will have the same effect as a vote **AGAINST** the proposal. A majority of the votes cast at the Annual Meeting must be cast **FOR** the adoption of the 2009 Incentive Plan in order for such adoption to be approved at the Annual Meeting.

In addition, NYSE rules require the total votes cast on the proposal to represent a majority of the securities entitled to vote on the proposal. Broker non-votes are not considered votes cast under the NYSE rules for this purpose.

How does the Board of Directors recommend I vote on the proposals?

The Board of Directors recommends that you vote:

FOR the nominee for director set forth on page 4;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm; and

FOR the approval of the adoption of the 2009 Incentive Plan.

May I propose actions for consideration at next year's annual meeting of stockholders or nominate individuals to serve as directors?

You may submit proposals for consideration at future stockholder meetings, including director nominations. In order for a stockholder proposal to be considered for inclusion in our proxy statement for next year's annual meeting, the written proposal must be received by us no later than December 23, 2009. For a stockholder proposal, including a director nomination, to be considered at next year's annual meeting but not included in the proxy statement relating to such meeting, the written proposal must be received by us no earlier than February 5, 2010 and no later than March 7, 2010. Please read **General Information**

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Stockholder Proposals and Nominations for a more detailed discussion of the requirements for submitting a stockholder proposal for consideration at next year's annual meeting.

What if I do not mark a voting choice for some of the matters listed on my proxy card?

If you return a signed proxy card without indicating your vote, your shares will be voted in accordance with the Board of Directors' recommendation for each proposal with respect to which a voting choice is not indicated.

Could other matters be decided at the Annual Meeting?

We do not know of any other matters that will be considered at the Annual Meeting. If there are any other matters that arise at the meeting, proxies will be voted at the discretion of the proxy holders.

What happens if the Annual Meeting is postponed or adjourned?

If the Annual Meeting is postponed or adjourned, your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

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Our Board of Directors currently consists of seven directors and is divided into three classes as provided in our Certificate of Incorporation and Amended and Restated Bylaws (Bylaws). Stockholders elect a portion of our Board of Directors each year. Class III directors terms will expire at the Annual Meeting, Class I directors terms will expire at the annual meeting of stockholders to be held in 2010 and Class II directors terms will expire at the annual meeting of stockholders to be held in 2011. Currently, the Class III directors are Daniel W. Jordan and Stuart W. Ray; the Class I directors are William A. Gilliland, D. Dwight Scott and Jeffrey S. Serota; and the Class II directors are Tom L. Ward and Roy T. Oliver, Jr. At each annual meeting of stockholders, the stockholders will elect a successor to each of the directors whose term expires on the date of the meeting, or re-elect each such director, with each successor or re-elected director to serve from the time of election until the third annual meeting following election.

Our Bylaws also provide that the authorized number of directors that shall constitute the whole Board of Directors may be changed by resolution duly adopted by the Board of Directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the total number of directors. Vacancies and newly created directorships may be filled by the affirmative vote of a majority of directors then in office, even if less than a majority of the authorized number of directors.

Director Biographical Information

The names of the members of our Board of Directors and certain information concerning each of them as of March 31, 2009, are set forth below.

Class	Name	Age	Position
II	Tom L. Ward	49	Chairman, Chief Executive Officer and President
I	William A. Gilliland	71	Director
III	Daniel W. Jordan	52	Director
II	Roy T. Oliver, Jr.	56	Director
III	Stuart W. Ray	64	Director
I	D. Dwight Scott	45	Director
I	Jeffrey S. Serota	43	Director

Nominee for Election at the Annual Meeting to Serve for a Three-Year Term (Class III Directors)

Daniel W. Jordan. Mr. Jordan was appointed as a director of SandRidge in December 2006. Mr. Jordan served as a Vice President and director of Symbol Underbalanced Air Services and Larco from August 2003 to September 2005. From October 2005 through August 2006, Mr. Jordan served as Vice President, Business of Riata Energy, Inc., our predecessor. Since September 2006, Mr. Jordan has been involved in private investments. Prior to joining SandRidge, Mr. Jordan founded Jordan Drilling Fluids, Inc. and served as its Chairman, President and Chief Executive Officer from March 1984 to July 2005. Mr. Jordan sold Jordan Drilling Fluids, Inc. and its wholly owned subsidiary, Anchor Drilling Fluids USA Inc., in July 2005. At that time, Anchor Drilling Fluids USA Inc. was the largest privately held domestic drilling fluids firm.

Directors Continuing in Office until the 2010 Annual Meeting of Stockholders (Class I Directors)

William A. Gilliland. Mr. Gilliland was appointed as a director on January 7, 2006. Mr. Gilliland has served as managing partner of several personal and family investment partnerships, including Gillco Energy, L.P. and Gillco Investments, L.P., since April 1999. Prior to this, Mr. Gilliland was the founder, Chief Executive Officer, President and Chairman of Cross-Continent Auto Retailers, Inc. Mr. Gilliland holds a Bachelor of Business Administration from North Texas State University.

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D. Dwight Scott. Mr. Scott was appointed as a director on March 20, 2007. He is a Senior Managing Director of GSO Capital Partners LP (GSO) and Head of GSO's Houston office. At GSO, Mr. Scott focuses on investments in the energy and power markets and is a member of GSO's Investment Committee. Prior to joining GSO, Mr. Scott was Executive Vice President and Chief Financial Officer for El Paso Corporation from October 2002 until August 2005. He is a member of the Board of Directors of Cheniere Energy, Inc., MCV Investors, Inc., United Engines Holding Company LLC, and Crestwood Midstream Partners. Mr Scott is also a member of the Board of Trustees of KIPP, Inc. Mr. Scott earned a Bachelor's degree from the University of North Carolina at Chapel Hill and a Master of Business Administration degree from the University of Texas at Austin.

Jeffrey S. Serota. Mr. Serota was appointed as a director of SandRidge Energy, Inc. on March 20, 2007. He has served as a Senior Partner with Ares Management LLC, an alternative asset investment firm, since September 1997. Prior to joining Ares, Mr. Serota worked at Bear Stearns from March 1996 to September 1997, where he provided investment banking services to financial sponsor clients of the firm. He currently serves on several boards of directors, including WCA Waste Corporation. Mr. Serota received a Bachelor of Science degree in Economics from the University of Pennsylvania's Wharton School of Business and received a Master of Business Administration degree from UCLA's Anderson School of Management.

Directors Continuing in Office until the 2011 Annual Meeting of Stockholders (Class II Directors)

Tom L. Ward. Mr. Ward has served as our Chairman and Chief Executive Officer since June 2006 and as our President since December 2006. Prior to joining SandRidge, he served as President, Chief Operating Officer and a director of Chesapeake Energy Corporation (NYSE: CHK) from the time he co-founded the company in 1989 until February 2006. From February 2006 until June 2006, Mr. Ward managed his private investments. Mr. Ward graduated from the University of Oklahoma with a Bachelor of Business Administration in Petroleum Land Management. He is a member of the Board of Trustees of Anderson University in Anderson, Indiana.

Roy T. Oliver, Jr. Mr. Oliver was appointed as a director on July 13, 2006. Mr. Oliver has served as President of R.T. Oliver Investments, Inc., a diversified investment company with interests in energy, energy services, media and real estate, since August 2001. The company presently owns the largest portfolio of class A office properties in Oklahoma. He has served as President and Chairman of the Board of Valliance Bank, N.A. since August 2004. He founded U.S. Rig and Equipment, Inc. in 1980 and served as its President until its assets were sold in August 2003. Mr. Oliver is a graduate of the University of Oklahoma with a Bachelor of Business Administration degree. He serves on The University of Oklahoma Michael F. Price College of Business Board of Advisors.

Retiring Class III Director

Stuart W. Ray. Mr. Ray was appointed as a director on December 14, 2007. Mr. Ray is a Partner of Sonenshine Partners LLC, a New York City based investment banking firm, and a Partner of Urban American Partners, LLC, a New Jersey based real estate investment and management firm that owns and operates portfolios of workforce housing units. Mr. Ray is a Chartered Financial Analyst, a member of the New York Society of Security Analysts, and a registered broker with the NASD. He received his Bachelor of Arts from Harvard College and Master of Business Administration from Harvard Business School.

Director Independence

The Board of Directors has determined that none of Messrs. Gilliland, Oliver, Ray, Scott and Serota has any material relationship with the Company other than as a director and stockholder of the Company and are independent for purposes of the NYSE listing standards. The Board determined that the lease between an entity of which Mr. Oliver is the majority owner and the Company is not material because of its short duration and its relatively small value

compared to Mr. Oliver's other business interests and the Company's overall facilities costs. The Board of Directors additionally has determined that all Audit Committee members meet

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the independence requirements of the Securities and Exchange Commission (SEC) for Audit Committee members.

Director Attendance at Meetings of the Board of Directors and Stockholder Meetings

The Board of Directors held nine meetings during 2008, and each of the directors attended all of those meetings.

Our non-management directors meet in executive session at each regularly scheduled Board of Directors meeting. In the event that the non-management directors include directors who are not independent under the NYSE listing standards, then at least once a year, there should be an executive session including only independent directors. The director who presides at meetings of non-management and independent directors rotates among the non-management directors every regularly scheduled meeting, provided that a nonmanagement director who is not independent shall not preside at a meeting of independent directors.

The Board of Directors encourages interaction with stockholders and recognizes that annual meetings of the stockholders provide a venue where stockholders can access and interact with our directors. Accordingly, while we do not have a policy requiring our directors to attend annual meetings of the stockholders, all of the members of the Board of Directors are encouraged to attend the meetings. All of our directors attended the 2008 annual meeting of the stockholders.

Committees of the Board of Directors

The Board of Directors has an Audit Committee, a Nominating and Governance Committee and a Compensation Committee. Members of each committee are elected by the Board of Directors and serve until their successors are elected and qualified. Each of the committees of the Board of Directors has adopted a charter consistent with the rules of the NYSE, all of which can be found in the corporate governance section of our website at <http://www.sandridgeenergy.com> and are also available in print to any stockholder who requests a copy.

Audit Committee. The Audit Committee, which currently consists of Messrs. Ray, Scott and Serota, oversees and reports to the Board of Directors on various auditing and accounting-related matters, including the maintenance of the integrity of our financial statements, reporting process and internal controls; the selection, evaluation, compensation and retention of our independent registered public accounting firm; the performance of an internal audit; legal and regulatory compliance, including our disclosure controls and procedures; and oversight over our risk management policies and procedures. Mr. Ray serves as chairman of this committee, and each of Messrs. Ray, Scott and Serota has been determined by our Board of Directors to be an audit committee financial expert as defined under the rules of the SEC. The Audit Committee met eight times during 2008, and each member of the committee attended all of the meetings held during the period.

Nominating and Governance Committee. The Nominating and Governance Committee, which consists of Messrs. Oliver, Ray and Serota, advises the Board of Directors and makes recommendations regarding appropriate corporate governance practices; assists the Board of Directors with the identification and nomination of individuals qualified to become members of the Board of Directors; and maintains a succession plan for our Chief Executive Officer. Mr. Ray serves as the chairman of this committee. The Nominating and Governance Committee met one time during 2008, and each member of the committee attended the meeting other than Mr. Serota.

The Nominating and Governance Committee has the responsibility under its charter to recommend nominees for election to the Board of Directors. In considering candidates for the Board of Directors, the Nominating and Governance Committee considers the entirety of each candidate's credentials. Currently, there are no minimum qualifications that must be met by a nominee recommended by the Nominating and Governance Committee, as different factors may assume greater or lesser significance at particular times. However, while the Nominating and

Governance Committee does not maintain a formal list of qualifications in making its evaluation and recommendation of nominees, the committee may consider, among other factors,

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whether prospective nominees possess relevant business and financial experience, industry or other specialized expertise, high moral character and previous experience as a member of a board of directors.

The Nominating and Governance Committee considers equally candidates for the Board of Directors recommended from any reasonable source, including from a search firm engaged by the committee or from stockholders, provided the procedures set forth below are followed by stockholders who want to make recommendations to the committee.

With respect to the nomination of directors at a stockholders meeting, the Nominating and Governance Committee will consider stockholder recommendations that are received by the Company's Corporate Secretary at 123 Robert S. Kerr Avenue, Oklahoma City, OK 73102 by December 31 of the year preceding such meeting.

A stockholder recommendation should set forth (i) the name and address of and number of shares of common stock owned by the recommending stockholder, (ii) information relating to the recommended candidate that would be required to be disclosed in a solicitation of proxies for the election of the candidate pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (Exchange Act), (iii) a description of all agreements related to the nomination among the recommending stockholder, recommended candidate or other persons, and (iv) any other information the recommending stockholder believes would be useful in informing the committee's decision making.

In addition to making recommendations of director nominees to the Nominating and Governance Committee, stockholders may make director nominations or proposals at any annual meeting of the stockholders, provided they comply with the requirements set forth in our Bylaws and, for their nominations and proposals to be included in a proxy statement delivered by us, with Regulation 14A of the Exchange Act. See General Information Stockholder Proposals and Nominations below.

Compensation Committee. The Compensation Committee, which currently consists of Messrs. Gilliland, Oliver and Scott, establishes annual salaries and other compensation for our executive officers, certain senior officers and other employees and reviews and makes recommendations with respect to our incentive compensation and benefit plans. Mr. Gilliland serves as chairman of the committee. The Compensation Committee met three times during 2008, and each member of the committee attended all three meetings.

In 2008, the Compensation Committee retained the services of an independent compensation consulting firm, Longnecker & Associates. The firm reports directly to the Compensation Committee. During 2008, the consulting firm provided an analysis of market compensation based upon its review of compensation paid by exploration and production companies similar in revenues, total assets, and market capitalization to us. Longnecker performs no other consulting services for us other than studies related to our compensation program.

Report of the Audit Committee

The following is the report of the Audit Committee for the year ended December 31, 2008. The information contained in this report shall not be deemed to be soliciting material or to be filed with the Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference in such filing.

As of December 31, 2008, the Audit Committee was comprised of three directors, each of whom has been determined to be independent in accordance with the requirements of the rules and regulations of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 and the New York Stock Exchange listing standards.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the preparation of the financial statements and the establishment and maintenance of the system of internal controls. The independent auditors are responsible for

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performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and to issue a report thereon.

In performing its duties, the Audit Committee has:

reviewed and discussed with the Company's management and PricewaterhouseCoopers LLP (PwC), the Company's independent registered public accounting firm, the audited financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008;

reviewed with the Company's management internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board, which review including a discussion of the quality, not just the acceptability, of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements;

reviewed with PwC the Company's internal controls over financial reporting;

reviewed with PwC its judgment as to the quality, not just the acceptability, of the Company's accounting principles and other matters;

discussed with PwC the overall scope and plans for its audit;

met with PwC to discuss the results of its audit and the overall quality of the Company's financial reporting; and

met with the Company's independent reservoir engineers consultants to discuss the Company's process for determining oil and gas reserves.

During the Audit Committee's review of the audited financial statements, management advised the Audit Committee that each set of financial statements reviewed had been prepared in accordance with generally accepted accounting principles and reviewed significant accounting and disclosure issues with the Audit Committee. With respect to its review of the Company's internal controls over financial reporting, the Committee noted that year-end 2008 marked the first time the Company was required to comply with all provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (Section 404) and that management advised that the Company was in compliance with Section 404.

The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed pursuant to AICPA Professional Standards Vol. 1 AU Section 380. The Audit Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP such independent registered public accounting firm's independence. The Audit Committee determined that the non-audit services provided to the Company by PwC are compatible with maintaining PwC's independence.

Based on the review and discussion referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission.

This report is submitted on behalf of the Audit Committee.

D. Dwight Scott
Jeffrey S. Serota

Stuart W. Ray

Compensation Committee Interlocks and Insider Participation

None of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board of Directors.

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During 2008, Mr. Ward, our Chairman, Chief Executive Officer and President, participated in the deliberations of our Board of Directors concerning executive officer compensation.

Corporate Governance Guidelines and Communications with Directors

Our Board of Directors has adopted corporate governance guidelines that define those governance practices of the board that are not included in our Bylaws. Our Board of Directors has also adopted a Code of Business Conduct and Ethics, which contains general guidelines for conducting our business and applies to all of our officers, directors and employees, and a Financial Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and other senior financial executives. Our corporate governance guidelines and codes can be found in the corporate governance section of our website at <http://www.sandridgeenergy.com> and are also available in print to any stockholder who requests a copy.

Any stockholder who desires to communicate with the Board of Directors, individual directors or committees of the Board of Directors may do so at any time by submitting his or her comments, questions or concerns, in writing by mail addressed to our Corporate Secretary at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102. A stockholder or other interested party should clearly indicate on the envelope the director or directors who are the intended recipients of the communication.

All such communications received by the Corporate Secretary will be forwarded to the director designated on the envelope. The Corporate Secretary will not filter out any such communications except for spam communications related to solicitation for products or services and items of a personal nature that are not relevant to a person's status as a stockholder. All communications designated for the Board of Directors will be forwarded to the Chairman of the Board of Directors. All communications designated to a particular committee of the Board of Directors will be forwarded to the chairman of that committee. All communications designated to a director will be forwarded to that director.

To report any issues relating to our accounting, accounting controls, financial reporting or other practices, employees, stockholders and other interested parties may call the confidential hotline at 1-866-206-2720. All calls will remain anonymous.

These policies and procedures are not intended to alter or amend the requirements a stockholder must satisfy in order to (1) present a stockholder proposal at a meeting of stockholders, (2) nominate a candidate for the Board of Directors, (3) recommend a candidate for the Board of Directors for consideration by the Nominating and Governance Committee as set forth in our Bylaws and described above in Committees of the Board of Directors or (4) have the stockholder's proposal or nomination included in our proxy statement in accordance with Rule 14a-8 of the Exchange Act.

PROPOSAL NO. 1

ELECTION OF DIRECTOR

Board Nominee

Based upon the recommendation of our Nominating and Governance Committee, our Board of Directors has nominated Daniel W. Jordan for re-election as a director to the board. If elected, the nominee would serve a three-year term expiring at the close of our 2012 annual meeting, or until his successor is duly elected. Biographical information of the nominee is furnished below under Director Biographical Information.

Our Board of Directors does not contemplate that the nominee will be unable to serve if elected. However, if, prior to the Annual Meeting, a nominee becomes unable to serve, the persons named in the enclosed proxy will vote for the election of such other person as may be nominated by the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE NOMINEE.

Table of Contents**PROPOSAL NO. 2****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has directed the Company to submit the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2009 for ratification by the stockholders at the Annual Meeting. Neither the Company's Bylaws nor other governing documents or law require stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm. However, the Audit Committee is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee may in its discretion direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

A representative of PricewaterhouseCoopers LLP is expected to attend the Annual Meeting and will have the opportunity to make a statement, if he or she so desires, and will be available to respond to appropriate questions of stockholders.

Audit Fee Summary

Set forth below is a summary of the total fees paid to our independent registered public accounting firm, PricewaterhouseCoopers LLP, for fiscal years 2008 and 2007.

	2008	2007
	(In thousands)	
Audit Fees	\$ 2,308	\$ 1,684
Audit-Related Fees		78
Tax Fees	638	512
All Other Fees		
Total	\$ 2,946	\$ 2,274

Audit Fees. Audit fees consist primarily of fees billed for professional services rendered for the audit of our annual financial statements and internal controls over financial reporting, review of the financial statements included in each of our quarterly reports on Form 10-Q, assistance with and review of documents filed with the SEC and work performed by tax professionals in connection with the audit and quarterly reviews.

Audit-Related Fees. Audit-related fees consist primarily of due diligence, consultation regarding financial accounting and reporting standards and consultation conducted in fiscal 2007 regarding the Company's internal controls over financial reporting in order to comply with the Sarbanes-Oxley Act of 2002.

Tax Fees. Tax fees include all services performed by the firm's tax division other than those related to the audit of financial statements.

All Other Fees. Other fees consist primarily of all fees billed for products and services provided by the firm other than those reported above.

The Audit Committee is responsible for approving in advance any services to be performed by the independent registered public accounting firm. The Audit Committee may delegate its pre-approval authority for these services to one or more members, whose decisions shall be presented to the full Audit Committee at its scheduled meetings. Each of these services must receive specific pre-approval by the Audit Committee or its delegate unless the Audit Committee has provided general pre-approval for such category of services in accordance with policies and procedures that comply with applicable laws and regulations. All of the fees described above under audit fees, audit-related fees and tax fees for 2008 were specifically pre-approved by the Audit Committee.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2009.

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PROPOSAL NO. 3

APPROVAL OF THE SANDRIDGE ENERGY, INC. 2009 INCENTIVE PLAN

The Board of Directors has adopted, subject to stockholder approval, the SandRidge Energy, Inc. 2009 Incentive Plan (the "2009 Incentive Plan"). The purpose of the 2009 Incentive Plan is to enhance the Company's ability to attract, retain and motivate employees, officers, directors, consultants, and advisors of the Company, and to provide them with equity ownership opportunities and performance-based incentives that are intended to align their interests with those of the Company's stockholders. The 2009 Incentive Plan is designed to provide as much flexibility as possible for future equity incentive and performance bonus grants so that we can respond as necessary to provide competitive compensation.

Historically, the Company has provided equity incentive to its employees, consultants and directors through grants of restricted stock and other forms of equity compensation pursuant to the SandRidge Energy, Inc. 2005 Stock Plan (the "2005 Stock Plan"). The 2005 Stock Plan provides for up to 7,074,252 shares to be available for grants made under the plan. As of March 31, 2009, 4,213,840 unvested shares of restricted stock were subject to grants under the 2005 Stock Plan and 1,666,988 shares were available for grants under the 2005 Stock Plan. We are proposing that 12,000,000 shares of common stock be authorized for grants under the 2009 Incentive Plan. We contemplate that, if the 2009 Incentive Plan is approved by stockholders, we will make grants under both the 2005 Stock Plan and the 2009 Incentive Plan until such time as no share of common stock is available for grants under the 2005 Stock Plan.

The full text of the 2009 Incentive Plan is included as Exhibit A to this Proxy Statement, and a brief description of its material terms is provided below.

Description of the 2009 Incentive Plan

Nature of Awards. The 2009 Incentive Plan is intended to permit the grant of stock options, stock appreciation rights, shares of restricted stock, restricted stock units, and any other form of award based on the value (or the increase in value) of shares of the common stock of the Company. The 2009 Incentive Plan also permits cash incentive awards. Awards granted under the 2009 Incentive Plan generally vest to the extent certain conditions are met. Vesting criteria shall include the passage of time or the attainment of individual or Company performance objectives, or a combination of both.

Effective Date and Term. Subject to stockholder approval, the 2009 Incentive Plan will be effective as of June 5, 2009, and no awards shall be made under the 2009 Incentive Plan more than ten (10) years after its effective date.

Eligibility. Any current employee, officer, director, consultant, or advisor of the Company or any of the Company's present or future parent or subsidiary entities or any other business venture (including, joint ventures or limited liability companies) in which the Company has a controlling interest, as determined by the Compensation Committee, is eligible to be granted an award.

Administration. The 2009 Incentive Plan will be administered by the Compensation Committee, which shall have authority to grant awards and determine recipients and terms of awards. The Compensation Committee shall have full authority to construe and interpret the terms of the 2009 Incentive Plan and the terms of any award certificates under the plan, and to determine all facts necessary to administer the plan and any such award certificates.

Stock Subject to the Plan. Subject to adjustments allowed under the 2009 Incentive Plan, awards may be made under the plan for up to 12,000,000 shares of common stock, of which 12,000,000 shares can be issued as incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the Code). If any award expires or is terminated, surrendered or canceled without having been fully exercised, is forfeited in whole or in part, or results in any shares not being issued, the unused shares covered by such award shall again be available for grants under the plan. Further, shares tendered to the Company by a participant to exercise an award shall be added to the number of shares available for grants under the Plan. Shares issued under the 2009 Incentive Plan may consist in whole or in part of authorized but

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unissued shares or treasury shares. The last trading price for a share of the Company's common stock on the NYSE on March 31, 2009 was \$6.59.

Substitute Awards. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Compensation Committee may grant awards in substitution for any options or other stock or stock-based awards granted by such entity or an affiliate thereof. Substitute awards may be granted on such terms as the Compensation Committee deems appropriate. Substitute awards shall not count against the overall share limit set forth in the 2009 Incentive Plan, except as may be required by law.

Stock Options. The Compensation Committee may grant options to purchase shares of common stock and determine the number of shares to be covered by each option, the exercise price of each option and the conditions and limitations applicable to the exercise of each option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

An option that the Compensation Committee intends to be an incentive stock option shall only be granted to employees of the Company or any of the Company's present or future parent or subsidiary entities and any other entities the employees of which are eligible to receive incentive stock options under the Code, and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code.

The Compensation Committee shall establish the exercise price of each option and specify the exercise price in the award certificate. The exercise price of an award intended to be an incentive stock option shall be not less than 100% of the fair market value on the date the option is granted, except that, if any incentive stock option is granted to a person possessing more than ten percent (10%) of the total combined voting power of all classes of the stock of the Company or any parent or subsidiary of the Company (a Ten Percent Shareholder), the exercise price shall be not less than 110% of the fair market value of the shares subject to the option on the date the option is granted.

Each option granted under the 2009 Incentive Plan shall be exercisable at such times and subject to such terms and conditions as the Compensation Committee may specify in the applicable award certificate; provided, however, that no option shall be granted for a term of more than ten (10) years and no incentive stock option issued to a Ten Percent Shareholder shall have a term of more than five (5) years. No option shall permit deferred receipt of compensation on the option beyond the date of exercise, unless the Compensation Committee expressly determines that such option shall be subject to Section 409A of the Code.

Stock Appreciation Rights. A stock appreciation right (SAR) is an award in the form of a right to receive cash or a share of common stock, upon surrender of the SAR, in an amount equal to the appreciation in the value of the share of common stock over a base price established in the award. The Committee may grant SARs either independently of stock options, or in tandem with stock options such that the exercise of the stock option or SAR cancels the tandem SAR or stock option. The minimum base price of a SAR granted under the 2009 Incentive Plan shall be the price set forth in the applicable award certificate, or, in the case of a SAR related to a stock option (whether already outstanding or concurrently granted), the exercise price of the related stock option.

Restricted Stock. The Compensation Committee may grant awards of restricted stock on the terms and conditions set forth by the Compensation Committee in the applicable restricted stock award, including the conditions for vesting and the issue price, if any.

Restricted Stock Units. The Compensation Committee may grant restricted stock units to any participant subject to the same conditions and restrictions as the Compensation Committee would have imposed in connection with an award of restricted stock. Each restricted stock unit shall have a value equal to the fair market value of one share of stock. Restricted stock units may be paid at such time and in such form as the Compensation Committee may

determine in its discretion.

Other Stock-Based Awards. Other awards that are valued in whole or in part by reference to, or are otherwise based on, shares of stock or other property, may be granted under the 2009 Incentive Plan to participants in the plan. Such other share awards shall also be available as a form of payment in the settlement

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of other awards granted under the 2009 Incentive Plan or as payment in lieu of compensation to which a participant in the plan is otherwise entitled.

Cash Awards. Cash awards are awards under the 2009 Incentive Plan that provide participants with the opportunity to earn a cash payment based upon the achievement of one or more performance goals. For each performance period, the Compensation Committee shall determine the relevant performance criteria, the performance goal for each performance criterion, the level or levels of achievement necessary for awards to be paid, the weighting of the performance goals if more than one performance goal is applicable, and the size of the awards.

Performance Based Awards. Any award granted under the 2009 Incentive Plan may be granted as an award that satisfies the requirements for performance-based compensation within the meaning of Section 162(m) of the Code. With the exception of any stock option or SAR, an award that is intended to satisfy the requirements of a performance-based award shall be so designated at the time of grant. Stock options and SARs need not satisfy the specific performance criteria described below in order to qualify as performance-based awards.

The maximum aggregate number of shares of the Company's common stock for which performance-based awards may be issued under the 2009 Incentive Plan in any calendar year to an individual participant shall not exceed 1,000,000, and the maximum amount that may be earned as a cash award for a performance period for a single calendar year by any individual participant is \$2,000,000 and the maximum amount that may be earned as a cash award for a performance period of greater than a single calendar year by any individual participant is \$6,000,000.

In the case of awards intended to qualify as performance-based awards, the performance criteria shall be selected only from among the criteria set forth in the plan. Any of the performance criteria may be used to measure the performance of the Company, a subsidiary, or affiliate as a whole or any business unit of the Company, a subsidiary, or affiliate or any combination thereof, as the Compensation Committee may deem appropriate, or any of the above performance criteria as compared to the performance of a group of comparable companies, or published or special index that the Compensation Committee deems appropriate. The Compensation Committee also has the authority to provide for accelerated vesting of any award based on the achievement of the performance criteria.

Before any performance-based award (other than stock options and SARs) is paid, the Compensation Committee must certify in writing (by resolution or otherwise) that the applicable performance goal(s) and any other material terms of the award have been satisfied; provided that the Compensation Committee shall have authority to pay a performance-based award without regard to the applicable performance criteria in the event of the award holder's death or disability, or if there is a change in control of the Company.

The Compensation Committee shall have discretion to determine the conditions, restrictions or other limitations, in accordance with, and subject to, the terms of the 2009 Incentive Plan and Section 162(m) of the Code, on the payment of individual awards granted as performance-based awards. To the extent set forth in an award certificate, the Compensation Committee may reserve the right to adjust the amount payable in accordance with any standards or on any other basis (including the Compensation Committee's discretion), as the Compensation Committee may determine; provided, however, that in the case of awards intended to qualify as performance-based awards, such adjustments shall meet the requirements of Section 162(m) of the Code.

Adjustments Due to Changes in Capitalization or Control. In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of shares of common stock other than an ordinary cash dividend, (1) the number and class of securities available under the 2009 Incentive Plan, (2) the number and class of securities and exercise price per share of each outstanding option, (3) the number of shares of common stock subject to and the repurchase price per share subject to each outstanding restricted stock award, and (4) the terms of

each other outstanding award shall be equitably adjusted by the Company in the manner determined by the Compensation Committee.

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In connection with a change in control, the Compensation Committee shall take any one or more of the following actions as to all or any (or any portion of) outstanding awards other than restricted stock awards on such terms as the Compensation Committee determines: (1) provide that awards shall be assumed, or substantially equivalent awards shall be substituted, by the acquiring or succeeding entity, (2) upon written notice to a participant, provide that the participant's unexercised awards will terminate immediately prior to the consummation of the change in control unless exercised by the participant within a specified, reasonable period following the date of such notice, (3) provide that outstanding awards shall become exercisable, realizable, or deliverable, or restrictions applicable to an award shall lapse, in whole or in part before or upon the change in control, (4) if holders of shares will receive upon consummation of the change in control a cash payment for each share surrendered in the change in control, make or provide for a cash payment to a participant equal to the excess, if any, of (A) the consideration received by shareholders generally with respect to the change in control (the change in control price) times the number of shares subject to the participant's awards (to the extent the exercise price does not exceed the change in control price) over (B) the aggregate exercise price of all such outstanding awards and any applicable tax withholdings, in exchange for the termination of such awards, (5) provide that, in connection with a liquidation or dissolution of the Company, awards shall convert into the right to receive liquidation proceeds (if applicable, net of the exercise price thereof and any applicable tax withholdings) and (6) any combination of the foregoing. The Compensation Committee shall not be obligated to treat all awards, all awards held by a participant, or all awards of the same type, identically.

Upon the occurrence of a change in control, except to the extent specifically provided to the contrary in the restricted stock award or any other agreement between a participant and the Company, all restrictions and conditions on all restricted stock awards then outstanding shall automatically lapse and be deemed terminated or satisfied, as applicable.

Transferability of Awards. Unless otherwise provided by the Compensation Committee, awards are generally nontransferable, either voluntarily or by operation of law, except by will or the laws of descent and distribution or, other than in the case of an incentive stock option, pursuant to a qualified domestic relations order, and, during the life of a holder of an award, shall be exercisable only by such holder.

Termination of Employment. The Compensation Committee shall determine the effect on an award due to the disability, death, termination or other cessation or change in the employment or other status of a participant in the 2009 Incentive Plan and the extent to which the participant or the participant's legal representative may exercise rights under the award.

Tax Withholding. A participant in the 2009 Incentive Plan must satisfy all applicable federal, state, and local or other income and employment tax withholding obligations before the Company will deliver stock certificates or otherwise recognize ownership of shares of stock subject to an award. Payment of withholding obligations is due before the Company will issue any shares of stock on exercise or release from forfeiture of an award or, if the Company so requires, at the same time as is payment of the exercise price unless the Company determines otherwise.

Amendment of Awards and the 2009 Incentive Plan. The Compensation Committee may amend, modify or terminate any outstanding award; provided, however, that no outstanding award may be amended to reduce the exercise price of a stock option, SAR or other similar award. Consent by a participant to any amendment shall be required unless the Compensation Committee determines that the action would not materially and adversely affect the participant's rights under the Plan.

The Compensation Committee may amend, suspend or terminate the 2009 Incentive Plan or any portion of the plan at any time; provided that if at any time the approval of the Company's stockholders is required as to any modification or amendment under Section 422 of the Code with respect to incentive stock options, the Compensation Committee may not effect such modification or amendment without such approval. Unless otherwise specified in the amendment, any

amendment to the 2009 Incentive Plan shall apply to, and be binding on the holders of, all awards outstanding under the plan at the time the amendment is adopted, provided the Compensation Committee determines that such amendment does not materially and adversely affect the rights of participants under the plan.

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Acceleration. The Compensation Committee may at any time provide that any award shall become immediately exercisable in full or in part, free of some or all restrictions or conditions, or otherwise realizable in full or in part.

Federal Income Tax Consequences

Under current federal tax law, the following are the United States federal income tax consequences generally arising with respect to restricted stock and stock options, stock appreciation rights, and cash awards granted under the 2009 Incentive Plan. The discussion is not a complete analysis of all federal income tax consequences and does not cover all specific transactions which may occur.

Restricted Stock. In general, no income will be recognized by an award holder for U.S. federal income tax purposes upon the grant of restricted stock. On the date that the restrictions on the shares lapse, the award holder will recognize ordinary income in an amount equal to the fair market value of the shares on that date (minus any amount the award holder paid for the shares). Income recognized by an award holder who is an employee is compensation subject to withholding; as a result, the Company must make the necessary arrangements with the award holder to ensure that the proper amount is withheld. The Company can deduct the amount of income recognized by the award holder, subject to certain limitations. An award holder's adjusted basis in the stock received is equal to the ordinary income recognized by the award holder. If an award holder thereafter sells the stock, any amount realized over (or under) the adjusted basis of the stock will constitute capital gain (or loss) to the award holder for U.S. federal income tax purposes. If an award holder forfeits an award before the restrictions lapse, the award holder will not recognize gain or loss as a result of such forfeiture.

Upon the grant of restricted stock, an award holder may file an election under Section 83(b) of the Code to accelerate the recognition of ordinary income to the grant date of the award. Such ordinary income is equal to the fair market value of the shares of stock on the grant date (minus any amount the award holder pays for the shares) and is compensation subject to withholding for employees. If an award holder subsequently forfeits the stock or the stock depreciates in value after a Section 83(b) election is filed, the holder will not be eligible for capital loss treatment with respect to the stock.

Incentive Stock Options. There are no tax consequences associated with the grant or timely exercise of an incentive stock option. If an award holder holds the shares of stock acquired upon the exercise of an incentive stock option for at least one year after exercise and two years after the grant of the option, the holder will recognize capital gain or loss upon sale of the stock equal to the difference between the amount realized on the sale and the exercise price. If the stock is not held for the required period, the award holder will recognize ordinary income upon disposition in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price, up to the amount of the gain on disposition. Any additional gain realized by the holder upon disposition will be capital gain. The excess of the fair market value of stock received upon the exercise of an incentive stock option over the option price for the stock is a preference item for purposes of the alternative minimum tax. An expense deduction by the Company in connection with the exercise of an incentive stock option is not allowed unless the award holder recognizes ordinary income.

Nonqualified Stock Options. Generally, no income will be recognized by an award holder for U.S. federal income tax purposes upon the grant of a nonqualified stock option. Upon exercise of a nonqualified stock option, the award holder will recognize ordinary income in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price. Income recognized by an award holder who is an employee will be considered compensation subject to withholding at the time the income is recognized; as a result, the Company must make the necessary arrangements with the holder to ensure that the proper amount is withheld. Nonqualified stock options provide the Company with a deduction equal to the amount of income recognized by the award holder, subject to certain limitations. The adjusted basis of stock transferred to an award holder pursuant to the exercise of a

nonqualified stock option is the price paid for the stock plus an amount equal to any income recognized by the award holder as a result of the exercise of the option. If an award holder thereafter sells stock acquired upon exercise of a nonqualified stock option, any amount realized

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over (or under) the adjusted basis of the stock will constitute capital gain (or loss) to the award holder for U.S. federal income tax purposes.

Stock Appreciation Rights. Generally, no income will be recognized by an award holder for U.S. federal income tax purposes upon the grant of a stand-alone or tandem SAR. Upon exercise of a SAR, the award holder will recognize ordinary income in an amount equal to the excess of the fair market value of the stock on the date of exercise over the exercise price. Income recognized by an award holder who is an employee is compensation subject to withholding at the time the income is recognized; as a result, the Company must make the necessary arrangements with the award holder to ensure that the proper amount is withheld. SARs provide the Company with a deduction equal to the amount of income recognized by the award holder, subject to certain limitations. The adjusted basis of common stock transferred to an award holder pursuant to the exercise of a SAR is the price paid for the stock plus an amount equal to any income recognized by the award holder as a result of the exercise of the SAR. If an award holder thereafter sells stock acquired upon exercise of a SAR, any amount realized over (or under) the adjusted basis of the stock will constitute capital gain (or loss) to the award holder for U.S. federal income tax purposes.

Cash Awards. When a cash award is paid or otherwise made available to a participant, the award holder will recognize ordinary income in an amount equal to the cash received or made available. Income recognized by an award holder who is an employee is compensation subject to withholding at the time the cash is received and, therefore, the Company must properly withhold the required tax.

New Plan Benefits

Provided that the stockholders approve the proposed 2009 Incentive Plan, the number of shares of common stock issuable pursuant to the terms of the 2009 Incentive Plan will be available for awards to all eligible participants of the plan. The Board of Directors has not at this time considered or approved any future awards under the 2009 Incentive Plan, and, as a result, the identity of future award recipients and the size and terms of future awards are not known at this time.

Reasons for Shareholder Approval and Threshold

NYSE Rule 303A.08 requires a company listed on the NYSE to seek stockholder approval when the company establishes any plan or other arrangement that provides for the delivery of equity securities of the company to any employee, director or other service provider as compensation for services.

The proposed 2009 Incentive Plan will be approved if holders of a majority of outstanding shares of common stock entitled to vote at the Annual Meeting vote in favor of the proposal.

Consequences of Non-Approval

The Company considers stockholder approval of the 2009 Incentive Plan to be critical to the Company's ability to retain and attract employees, officers, directors, consultants, and advisors whose services are necessary to carry out the Company's business plan. If the stockholders do not approve the proposed 2009 Incentive Plan, the Company believes its ability to retain and attract talented personnel will be adversely affected due to the ability of the competitors of the Company to offer long-term equity compensation to talented individuals under equity plans already in place.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE PROPOSED 2009 INCENTIVE PLAN.

Table of Contents**EXECUTIVE OFFICERS AND COMPENSATION****Executive Officers**

Set forth below is information regarding each of our executive officers as of March 31, 2009:

Name	Age	Position
Tom L. Ward	49	Chairman, Chief Executive Officer and President
Dirk M. Van Doren	49	Executive Vice President and Chief Financial Officer
Matthew K. Grubb	45	Executive Vice President and Chief Operating Officer
Rodney E. Johnson	52	Executive Vice President Reservoir Engineering
Todd N. Tipton	53	Executive Vice President Exploration
Wayne C. Chang	47	Senior Vice President Midstream
Randall D. Cooley	55	Senior Vice President Accounting
Richard J. Gognat	50	Senior Vice President Land and Legal, General Counsel and Corporate Secretary
Kevin R. White	51	Senior Vice President Business Development
Mary L. Whitson	48	Senior Vice President Human Resources
Thomas L. Winton	62	Senior Vice President Information Technology and Chief Information Officer

Tom L. Ward. Mr. Ward has served as our Chairman and Chief Executive Officer since June 2006 and as our President since December 2006. Biographical information about Mr. Ward can be found above under the heading Election of Directors Director Nominees.

Dirk M. Van Doren. Mr. Van Doren has served as our Executive Vice President and Chief Financial Officer since June 2006. He served in High Yield Research at Goldman Sachs from 1999 until May 2006. Mr. Van Doren graduated from Colgate University in 1981 with a Bachelor of Arts degree in Political Science and International Relations and earned a Master of Business Administration degree from Duke University, The Fuqua School of Business in 1985.

Matthew K. Grubb. Mr. Grubb has served as our Executive Vice President and Chief Operating Officer since June 2007. Prior to this, he had served as our Executive Vice President Operations since August 2006. Mr. Grubb was employed by Samson Resources beginning in 1995 and served as Division Operations Manager of East Texas and Southeast U.S. Regions for Samson Resources from 2002 through July 2006. Mr. Grubb earned a Bachelor of Science degree in Petroleum Engineering in 1986 and a Master of Science degree in Mechanical Engineering in 1988, both from Texas A&M University.

Rodney E. Johnson. Mr. Johnson joined us as Vice President of Reservoir Engineering in January 2007 and was promoted to Senior Vice President Reservoir Engineering in June 2007 and then to Executive Vice President Reservoir Engineering in January 2009. He most recently served as Manager of Reservoir Engineering over Texas and Louisiana Regions for Chesapeake Energy Corporation from October 2003 through December 2006. Prior to this, Mr. Johnson served as Manager of Technology for Aera Energy LLC (a joint venture of Exxon Mobil Corporation and Royal Dutch Shell plc) where he held positions of increasing importance from 1996 through September 2003. Mr. Johnson graduated from Wichita State University in 1980 with a Bachelor of Science degree in Mechanical Engineering. He has been a registered Professional Engineer since 1988.

Todd N. Tipton. Mr. Tipton joined us as Executive Vice President of Exploration in September 2006. Prior to this, he was Exploration Manager of the Western Division from 2001 through August 2006 for Devon Energy Corporation. He received a Bachelor degree in Geology from The State University of New York at Buffalo in 1977 and completed an executive development program at The Johnson Graduate School of Management at Cornell University. Mr. Tipton is a member of the Rocky Mountain Association of Geologists and a member of the Independent Petroleum Association of Mountain States.

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Wayne C. Chang. Mr. Chang joined us as Vice President Midstream in February 2007 and was promoted to Senior Vice President Midstream in January 2009. Over the past twenty-four years, Mr. Chang has worked for diversified oil and gas companies such as ConocoPhillips and Chesapeake Energy Corporation. His work experiences have been focused within the midstream sector, having held management positions in engineering, construction, operations and business development. Prior to his arrival at SandRidge, Mr. Chang was the Director of Producer Services for Enogex, Inc., the largest gas gatherer and intrastate transporter of gas in the State of Oklahoma. Mr. Chang graduated from the University of Oklahoma with a Bachelor of Science Degree in Chemical Engineering in 1984.

Randall D. Cooley. Mr. Cooley joined us as Vice President Accounting in November 2006, upon acquisition of NEG Oil & Gas LLC and was promoted to Senior Vice President Accounting in January 2008. Prior to joining SandRidge, Mr. Cooley served as the senior financial officer with National Energy Group, Inc., having held the position of Vice President and Chief Financial Officer from March 2003 to November 2006. Mr. Cooley earned a Bachelor of Science in Business Administration, with a major in Accounting, from the University of Southern Mississippi in 1978 and is a Certified Public Accountant.

Richard J. Gognat. Mr. Gognat has served as our Senior Vice President Land and Legal, General Counsel and Corporate Secretary since June 2008. Prior to this, Mr. Gognat was employed by DCP Midstream (a joint venture of ConocoPhillips and Spectra Energy Corp.) and its predecessors since 1994, most recently as Assistant General Counsel and Assistant Secretary. Mr. Gognat received a Bachelor of Science degree in Business Administration from Regis University in 1982 and a Juris Doctorate from the University of Tulsa College of Law in 1989.

Kevin R. White. Mr. White joined us as Senior Vice President Business Development in January 2008. Prior to joining SandRidge, he worked for six years as a consultant in the oil and gas industry. Mr. White served as Executive Vice President of Corporate Development and Strategic Planning for Louis Dreyfus Natural Gas from 1993 until the company was sold in 2001. He attended Oklahoma State University, receiving his Bachelor of Science degree in Accounting in 1979 and a Master of Science degree in Accounting and his Certified Public Accountant qualification in 1980.

Mary L. Whitson. Ms. Whitson has served as our Senior Vice President Human Resources since September 2006. Ms. Whitson was the Vice President Human Resources for Chesapeake Energy Corporation through August 2006, where she held human resources management positions of increasing responsibility for more than eight years. She attended Oklahoma State University and received a Bachelor of Science degree from the University of Central Oklahoma in 1996. Certified as a Senior Professional in Human Resources (SPHR), Ms. Whitson is a graduate of Leadership Oklahoma City Class XXIV and currently serves as a member of the board of directors for the YWCA of Oklahoma City.

Thomas L. Winton. Mr. Winton has served as our Senior Vice President Information Technology and Chief Information Officer since May 2006. Prior to joining us, Mr. Winton served as Senior Vice President and Chief Information Officer for Chesapeake Energy Corporation from July 1998 until retiring in July 2005. Mr. Winton obtained a Bachelor of Science degree in Mathematics from Oklahoma Christian University in 1969, a Master of Mathematics degree from Creighton University in 1973, and Masters degree in Business Administration from the University of Houston in 1980. Mr. Winton also completed the Tuck Executive Program, Tuck School of Business, Dartmouth College in 1987.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis (1) provides an overview of our compensation policies and programs; (2) explains our compensation objectives and practices with respect to our executive officers; and (3) summarizes the elements of compensation for each of the individuals identified in the following table, whom we refer to in this Compensation Discussion and Analysis as our named executive officers.

Name	Principal Position
Tom L. Ward	Chairman, Chief Executive Officer and President
Dirk M. Van Doren	Executive Vice President and Chief Financial Officer
Matthew K. Grubb	Executive Vice President and Chief Operating Officer
Todd N. Tipton	Executive Vice President Exploration
Rodney E. Johnson	Executive Vice President Reservoir Engineering
Larry K. Coshow(1)	Executive Vice President Land (former)

(1) Mr. Coshow resigned as an officer on March 25, 2008, and his employment with the Company terminated effective April 4, 2008.

General

Our compensation philosophy and the objectives of our compensation program are designed to provide our executive officers, including our named executive officers, compensation consisting of (i) annual base salaries in amounts that are competitive in the marketplace and recognize the relative level of responsibility of each officer, (ii) discretionary semi-annual cash bonus awards based on Company and individual performance, and (iii) incentive compensation in the form of restricted stock awards to provide potential for the increased returns associated with a high growth company and align the interests of our executive officers with those of our stockholders.

Additionally, we have entered into written employment agreements with our executive officers to help ensure the retention of our executive officers in a competitive marketplace.

The Compensation Committee reviews executive officer compensation on a semi-annual basis, typically in December and June of each year, and approves adjustments as it deems appropriate. Mr. Ward provides the Compensation Committee with detailed analyses and recommendations regarding each element of executive officer compensation, including formal benchmarking and peer group comparisons. Prior to June 2008, the data used for benchmarking and comparison purposes was assembled internally by management. For the June and December 2008 compensation reviews, the data was provided by an independent compensation consulting firm, Longnecker & Associates (Longnecker), which was retained by the Compensation Committee to perform an analysis of compensation paid by exploration and production companies similar to us in revenues, total assets, and market capitalization and to advise the Compensation Committee when consulted regarding potential changes, if any, to our compensation program. Longnecker performs no other consulting services for us other than studies related to our compensation program.

No named executive officer other than Mr. Ward assumes an active role in the evaluation, design or administration of our compensation program.

Executive Compensation Program

We have built a strong, experienced senior management team, which we believe is necessary to execute our business plan and meet the reporting requirements of a public company. A number of our named executive officers have joined the Company since 2006, and we recruited those officers, as well as others, in a period of intense competition for experienced exploration and production company executives. Accordingly, our compensation philosophy has been established to reinforce our ability to attract, retain and motivate top talent

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and support SandRidge's position as an employer of choice in the oil and gas industry. Our competitive compensation package strengthens SandRidge's ability to strategically and opportunistically attract executive officers by offering competitive cash compensation packages with the potential for the increased returns associated with equity ownership in a high-growth company. The retention aspect of our program creates value to our Company and stockholders through the continuity we maintain in our leadership and operations.

Our management and Compensation Committee have established a methodology that focuses on an assessment of individual and Company performance measures, professional judgment and competitive benchmarking to ensure our executive compensation program supports our overall compensation philosophy and objectives.

Assessment of Company and Individual Performance. Our Compensation Committee evaluates several Company and individual performance elements when determining the size of incentive payouts for our executive officers. Considerations may include achievements with regard to reserve and production growth, finding and development costs, lease operating expenses, financial performance of the Company, risk management, successful completion of major projects, individualized performance of the executive officer and the performance of the executive's departmental unit. These elements are not specifically weighted in determining the amount of the incentive payouts because the relative importance of each element may change from year to year and the responsibilities of each executive officer as they contribute to the achievement of any particular objective may vary.

We do not currently base executive officer compensation decisions on pre-established performance targets as most of the applicable operational and financial performance measures are contingent upon the prices we receive or expect to receive from the sale of natural gas. Natural gas prices are volatile and often driven by factors that are beyond the control of our executive officers. Therefore, compensation decisions based on the attainment of established financial and operational performance measures and targets would often not reflect the actual performance of our executive officers.

When making decisions about executive officer compensation, our Compensation Committee analyzes each executive officer's effectiveness in managing the organization's operations and financial results in light of the volatility associated with oil and natural gas prices. The committee's analysis involves a thorough consideration of each executive officer's performance with respect to the factors listed above using a comprehensive approach. No one factor is given more weight over any of the other factors.

Competitive Benchmarking. Our Compensation Committee compares pay practices for our executive officers against other companies in our industry to assist it in the review and comparison of each element of compensation for our executive officers. This practice recognizes that (1) our compensation practices must be competitive in the marketplace and (2) marketplace information is a significant factor that should be considered when assessing the forms and amounts of compensation provided to our executive officers.

For the purpose of the Compensation Committee's review of compensation paid to our executive officers in 2008, the committee reviewed information assembled internally by management and by Longnecker, which consisted of the executive compensation programs of Anadarko Petroleum Corporation, Apache Corporation, ATP Oil & Gas Corporation, Chesapeake Energy Corporation, Devon Energy Corporation, Denbury Resources Inc., EOG Resource, Inc., Forest Oil Corporation, Mariner Energy, Inc., Newfield Exploration Company, Noble Energy, Inc., Petrohawk Energy Corporation, Pioneer Natural Resources Company, Plains Exploration & Production Company, Quicksilver Resources Inc., Range Resources Corporation, Southwestern Energy Company, Ultra Petroleum Corp. and XTO Energy Inc. We refer to the companies whose compensation program information was used by the Compensation Committee collectively as our Peer Companies.

We believe the complexities of our operations and business plan, and, therefore, the skills needed of our executive officers, are greater than those of many companies with comparable total revenues. Therefore, we at times target compensation levels of certain of our Peer Companies that are significantly larger or more developed. Our Compensation Committee believes that targeting this level of compensation helps to meet our overall executive compensation philosophy and objectives outlined above. We have positioned our compensation practices strategically within range of the compensation practices of our Peer Companies to recognize the

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high degree of responsibility and quality of our executive management team. Our Compensation Committee may periodically review and update the group of companies that comprise our Peer Companies in order to continually make informed decisions regarding our executive compensation program.

Elements of our Executive Compensation Program

Base Salaries. We provide our executive officers with annual base salaries to compensate them for services rendered during the year. Our philosophy is to establish base salaries that are competitive with our Peer Companies. In addition to providing a base salary that is competitive with the market, the base salaries of our executive officers are established to accurately reflect the relative importance of each individual's position within our organization.

The Compensation Committee reviews each executive officer's base salary in June and December of each year. The Compensation Committee's June and December reviews consist of assessing Mr. Ward's recommendations regarding each executive officer's salary, including his own, and evaluating the recommendations in light of the Peer Company benchmarking information provided to the committee.

Factors the Compensation Committee considers when determining semi-annual salary adjustments include:

the responsibilities of the executive officer;

the period over which the executive officer has performed these responsibilities;

the scope, level of expertise and experience required for the executive officer's position and the period during which the officer has performed these responsibilities;

the strategic impact of the officer's position; and

the potential future contribution and demonstrated individual performance of the officer.

In addition, salary adjustments are made based on our overall performance and competitive market conditions. Although no formulaic weighting is assigned to any one of these factors, significant emphasis is placed on current market levels and the individual's skills, seniority and previous industry experience, which are evaluated on a case-by-case basis.

The Compensation Committee evaluated Mr. Ward's recommendations related to the base salaries of our executive officers for the compensation reviews conducted in December 2007 and June and December 2008. Following discussion and analysis of the factors discussed above, and after appropriate adjustments, the members of the Compensation Committee approved the base salaries of our executive officers, including the payments to our named executive officers reflected in the Summary Compensation Table below.

Cash Bonus Awards. In addition to competitive base salaries, we provide our executive officers semi-annual cash bonuses intended to encourage the attainment of our near and long-term strategic, operational and financial goals and individual performance measures. The payment of semi-annual bonuses also encourages executive officer retention and continuity because an executive officer must be employed by us on the relevant bonus payment date in order to receive his or her bonus payment.

Our Compensation Committee reviews cash bonus award levels for our executive officers based on the recommendations of Mr. Ward. Cash bonus awards are based on a subjective evaluation of the performance of the Company and the individual over the previous six months in light of the considerations described above. Currently,

we give greater consideration to strategic and operational performance, rather than financial performance, as strategic and operational performance most directly result in long term value to our stockholders. Performance was evaluated in the following areas: the successful completion of particular projects; productivity unique to an officer's responsibilities; management of an officer's budgetary responsibilities; the acquisition and implementation of new technical knowledge; individual accomplishments that further Company objectives; and performance of functional responsibility.

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Cash bonuses are discretionary and not awarded pursuant to a formal plan or an agreement with any executive officer. Additionally, cash bonuses are not awarded based on specific Company or individual performance criteria or targets. We believe the discretionary and subjective approach taken by the Compensation Committee in addition to the various factors considered by the committee in its decision-making process help to mitigate the incentive an executive officer may have to take excessive risk to increase his or her potential cash bonus.

The Compensation Committee evaluated Mr. Ward's bonus recommendations for the compensation reviews conducted in December 2007 and June and December 2008. Following discussion and analysis of the factors discussed above, and after appropriate adjustments, the members of the Compensation Committee approved the cash bonus awards for our executive officers, including the payments to our named executive officers reflected in the Summary Compensation Table below.

Restricted Stock Grants. Our Board of Directors has the discretion to grant restricted stock under our 2005 Stock Plan (and if approved by the stockholders, under the 2009 Incentive Plan) pursuant to our restricted stock awards program. Our restricted stock awards are granted on a semi-annual basis and typically vest over a four-year period. We believe these awards help us to attract highly qualified individuals by providing the potential for the increased returns associated with a high growth company and better aligns the interests of our named executive officers with those of our stockholders. In addition, the gradual vesting period of these awards serves as a tool for the retention of our employees, including our executive officers.

Grants of restricted stock are based on a subjective evaluation of the same factors that are used to determine the base salary levels described above taking into consideration the Peer Company benchmarking information provided to the Compensation Committee. In addition, the Compensation Committee considers the cost of such equity awards, the potential impact on dilution and the relative value in relation to the other components of the executive compensation program.

Other Benefits

We also provide our executive officers the following forms of compensation:

Health and Welfare Benefits. Our executive officers are eligible to participate in medical, dental, vision, disability and life insurance to meet their health and welfare needs. These benefits are provided to assure that we are able to maintain a competitive position in terms of attracting and retaining officers and other employees. This is a fixed component of compensation and the benefits are provided on a non-discriminatory basis to all of our employees.

Perquisites and Other Personal Benefits. We believe that the total mix of compensation and benefits provided to our executive officers is competitive and perquisites should generally not play a large role in our executive officers' total compensation. As a result, the perquisites and other personal benefits we provide to our executive officers are limited. Under the terms of Mr. Ward's employment agreement, we pay the fees and expenses related to one country club membership in Oklahoma City, Oklahoma. In addition, Mr. Ward receives accounting support from certain employees for his personal investments. Mr. Ward reimburses us for half of each such accounting support employee's annual salary and bonus. We have also agreed to provide access to an aircraft at our expense for the personal travel of Mr. Ward and his family and guests who accompany him or them. If Mr. Ward does not accompany his family or guests, he reimburses us for the variable costs of the use of such aircraft. Variable costs include fuel, pilot charges, landing fees, hourly charges under co-ownership arrangements and other such costs. Mr. Ward will pay all personal income taxes accruing as a result of aircraft use for personal travel.

Retirement Plan. We maintain a 401(k) retirement plan for the benefit of all of our executive officers and employees on a non-discretionary basis. Under the plan, eligible employees may elect to defer a portion of their earnings up to

the annual maximum allowed by regulations promulgated by the Internal Revenue Service. We make matching contributions equal to 100% on the first 15% of employee deferred wages. Matching contributions are made in shares of our common stock. To be eligible to participate in the 401(k)

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retirement plan, an employee must be at least 21 years of age and have completed not less than two months of continuous employment. Enrollment is conducted on a quarterly basis.

Nonqualified Deferred Compensation Plan. We maintain a nonqualified deferred compensation plan (NQDC Plan) to provide our executive officers and other eligible employees flexibility for meeting their future income needs and assisting them in their retirement planning. Under the terms of the plan, eligible employees are provided the opportunity to defer income in excess of the Internal Revenue Service annual limitations on qualified 401(k) retirement plans.

Under the NQDC Plan, we may make discretionary contributions to the deferred compensation account of each participant. In 2008, the Board of Directors approved matching contributions for the plan equal to 100% of employee contributions up to 15% of the employee s annual cash compensation minus any matching contributions made under the 401(k) retirement plan. Matching contributions are made with our common stock.

Employment Agreements, Severance Benefits and Change in Control Provisions

Employment Agreements of our Named Executive Officers. We maintain employment agreements with our named executive officers to help ensure the retention of our executive officers in a competitive marketplace. These agreements are described in more detail below. Please read Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table Employment Agreements. These agreements provide for severance compensation to be paid if the employment of the named executive officer is terminated under certain conditions, such as a change in control or termination without cause, each as defined in the agreements.

The employment agreements between us and our named executive officers and the related severance provisions are designed to meet the following objectives:

Change in Control. In certain scenarios, the potential to merge with, or be acquired by, another company may be in the best interest of our stockholders. As a result, we have agreed to provide severance compensation to our named executive officers if employment is terminated following a change in control transaction in recognition of the fact that our named executive officers may take actions in the best interest of our stockholders that ultimately lead to the termination of their employment.

Termination without Cause. If we terminate any of our named executive officers employment without cause, we are obligated to pay certain compensation and other benefits to the terminated named executive officer. We believe these payments are appropriate because they represent the general market triggering events found in employment agreements of companies against whom we compete for executive-level talent. We also believe it is beneficial for us and our named executive officers to have mutually agreed upon severance package in place prior to any termination event, which we believe provides us with more flexibility to make a change in senior management if such a change is in our and our stockholders best interest.

Other Matters

Stock Ownership Guidelines and Hedging Prohibition. We do not currently have ownership requirements or a stock retention policy for our named executive officers in general. However, Mr. Ward s employment agreement requires the value of the shares of our common stock that he beneficially owns to remain above 500% of his annual salary and bonus. Based on Mr. Ward s salary and bonus paid during 2008, the current price of our common stock and Mr. Ward s current share ownership levels, he is well above the required holding amount. We do not have a policy that restricts our executive officers from limiting their economic exposure to our stock. We will continue to periodically review best practices and re-evaluate our position with respect to stock ownership and hedging guidelines.

Tax Treatment of Executive Compensation Decisions. Section 162(m) of the Internal Revenue Code limits the deductibility of compensation in excess of \$1,000,000 paid to our principal executive officer, our

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principal financial officer or any of the three other most highly compensated executive officers, unless the compensation qualifies as performance-based compensation. In order to be deemed performance-based compensation, the compensation must be based, among other things, on the achievement of pre-established, objective performance criteria and must be pursuant to a plan that has been approved by our stockholders. Our Compensation Committee considers the impact of Section 162(m) when making compensation decisions and attempts to preserve the tax deductibility of executive compensation when doing so is consistent with the committee's overall compensation philosophy and in the Company's best interest. However, the Compensation Committee may award nondeductible compensation when it believes that such awards are in the Company's best interest, balancing short term tax efficiency with the Company's long term strategic objectives.

Changes to Executive Compensation Due to Market Conditions. As of the date of this Proxy Statement, current economic conditions and the current financial institution crises has not affected how we evaluate executive compensation. However, we are mindful of the current state of the United States and world economies and continue to evaluate whether adjustments to executive compensation are appropriate in light of the circumstances.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the disclosure set forth above under the heading "Compensation Discussion and Analysis" with management and, based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the "Compensation Discussion and Analysis" be included in this Proxy Statement.

Compensation Committee Members in 2008

William A. Gilliland
Stuart W. Ray*
D. Dwight Scott
Roy T. Oliver, Jr.

* No longer a member of the Compensation Committee

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The following table sets forth the compensation of the named executive officers for each of the fiscal years ended December 31, 2006, 2007 and 2008.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(7)	All Other Compensation(8)	Total
Tom L. Ward	2008	\$ 1,185,680	\$ 1,050,000	\$ 5,793,365	\$ 1,286,898	\$ 9,315,943
<i>Chairman, Chief</i>	2007	\$ 1,078,023	\$ 1,450,000	\$ 2,210,137	\$ 771,936	\$ 5,510,096
<i>Executive Officer and</i>	2006	\$ 526,124	\$ 950,000		\$ 270,740	\$ 1,746,894
<i>President(1)</i>						
Dirk M. Van Doren	2008	\$ 567,135	\$ 735,000	\$ 1,203,230	\$ 200,504	\$ 2,705,869
<i>Executive Vice President</i>	2007	\$ 476,374	\$ 650,000	\$ 370,137	\$ 69,580	\$ 1,566,091
<i>and Chief Financial</i>	2006	\$ 251,923	\$ 225,000	\$ 72,512	\$ 7,961	\$ 557,396
<i>Officer(2)</i>						
Matthew K. Grubb	2008	\$ 515,591	\$ 460,000	\$ 775,403	\$ 121,620	\$ 1,872,614
<i>Executive Vice President</i>	2007	\$ 426,236	\$ 400,000	\$ 192,815	\$ 44,576	\$ 1,063,627
<i>and Chief Operating</i>	2006	\$ 136,250	\$ 150,000	\$ 34,226	\$ 165,944	\$ 486,420
<i>Officer(3)</i>						
Todd N. Tipton	2008	\$ 357,115	\$ 270,000	\$ 389,124	\$ 90,538	\$ 1,106,777
<i>Executive Vice</i>	2007	\$ 313,393	\$ 210,000	\$ 189,251	\$ 444,961	\$ 1,157,605