



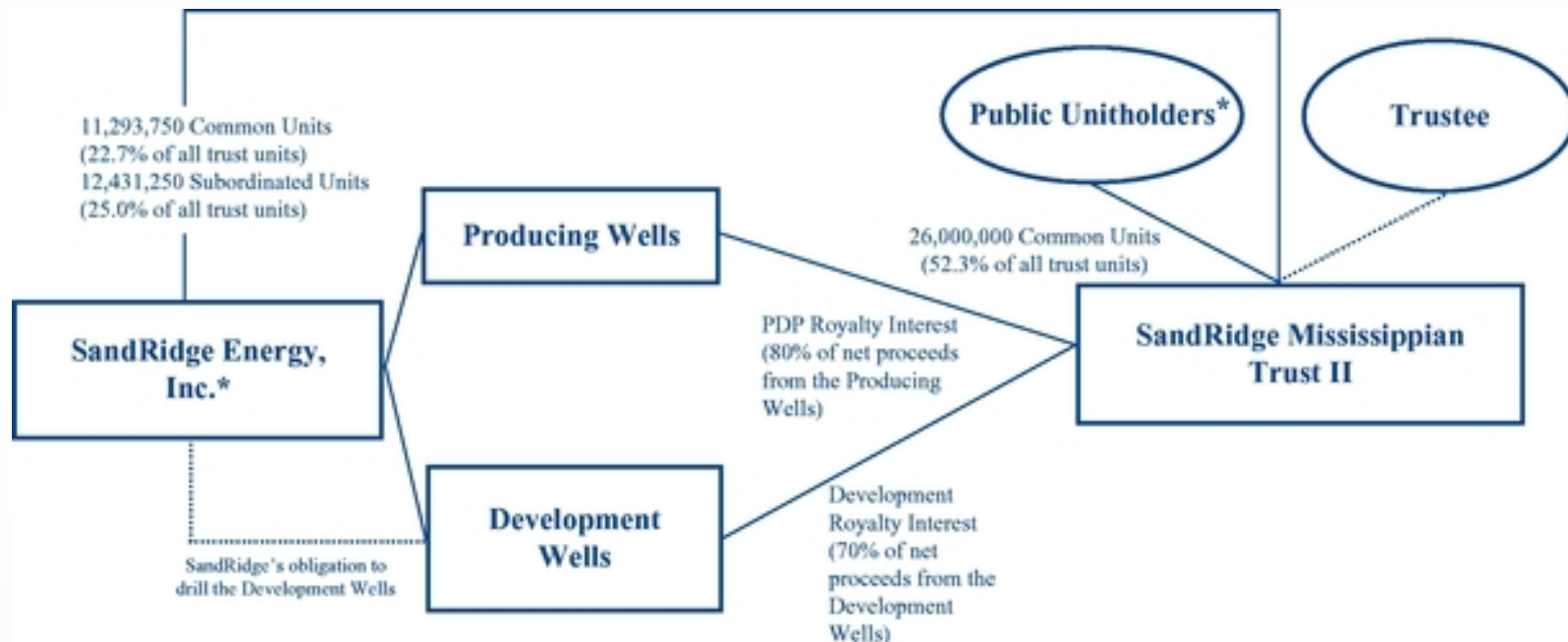
WESTERN INVESTMENT CLUB

OVERVIEW

- SandRidge is an oil and gas exploration and production company.
- SandRidge Mississippian Trust II is a trust that owns royalty streams on Sandridge's assets
 - 67 producing wells (PDP)
 - 206 development wells (PUD)

<i>IPO</i>	<i>Share Price</i>	<i>Market Cap</i>
<i>April 2012</i>	<i>\$12.66</i>	<i>\$629.52M</i>

TRUST STRUCTURE



BUSINESS MODEL

- SDR does not incur any of the capital costs or operating costs for the oil and gas assets.
- 80% royalty interest in Producing Wells and 70% royalty interest in Development Wells
- Hedge contracts between Sandridge and counterparties
- Approximately 42% of the expected production and 69% of the expected revenues from April 1, 2012 to Dec 31, 2014 will be hedged
- Proved reserves consist of 46.9% oil and 53.1% natural gas
- Finite life
- Non taxable entity

SandRidge Mississippian Trust II

INVESTMENT THESIS

Unique revenue trust structure with SandRidge operating experience

Downside protection from hedged production and subordinate shares

IRR of 11.9% in low interest rate environment

Trades at a discount compared to other trusts

Overreaction to Q42012 earnings miss, offers stock appreciation



SandRidge Mississippian Trust II

INTERNAL ANALYSIS

Management



Tom L. Ward , Chairman and CEO

- Heavily invested in SandRidge with tied compensation
- Prior experience with President and COO of Chesapeake Energy



Matthew K. Grubb , President and COO

- Experience with Samson Resources and has personal oil industry experience
- Double degree with engineering



James D. Bennett , Executive Vice President and CFO

- Previous managing director on GSO Capital Partners
- Investment banking experience

SandRidge Mississippian Trust II

INTERNAL ANALYSIS

- SandRidge (SD) has strong liquidity; post Permian sale, SD's Net Debt is \$1.4 B with market cap of \$2.7B, and Net Debt/EBITDA at 2x
- Potential overthrow of board of directors from TPG-Axon Capital and Mount Kellett Capital Management
- Early mover advantage into the Mississippian, leasing 1.85 MM acres for \$200/acre



SandRidge Mississippian Trust II

INTERNAL ANALYSIS

Assets of Mississippian Trust

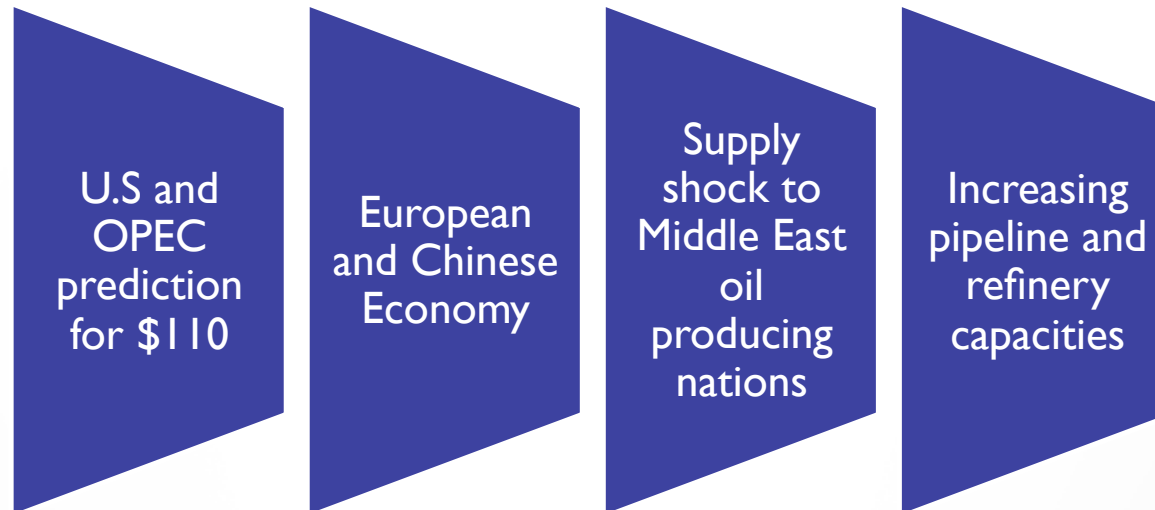
- 67 producing horizontal wells, 13 awaiting completion
 - 206 Development Wells by Dec, 31, 2016
- Geology is well understood, production since 1940's
- Concern: rising amount of natural gas quantities compared to oil
- Market Cap: \$629.52 M

	Proved Reserves				Probable Reserves			
	Oil	Nat Gas	Total	PV-10	Oil	Nat Gas	Total	PV-10
Underlying Properties	18,958	137,303	41,842	662,121	7,611	55,679	16,891	174,618
Royalty Interests								
PDP Royalty Interests (80%)	4,793	32,580	10,223	\$285,978				
Development Royalty Interests (70%)	7,416	50,792	15,882	402,631	4,579	31,075	9,758	211,261
Total	12,209	83,372	26,105	688,609	4,579	31,075	9,758	211,261

EXTERNAL ANALYSIS

Oil Drivers

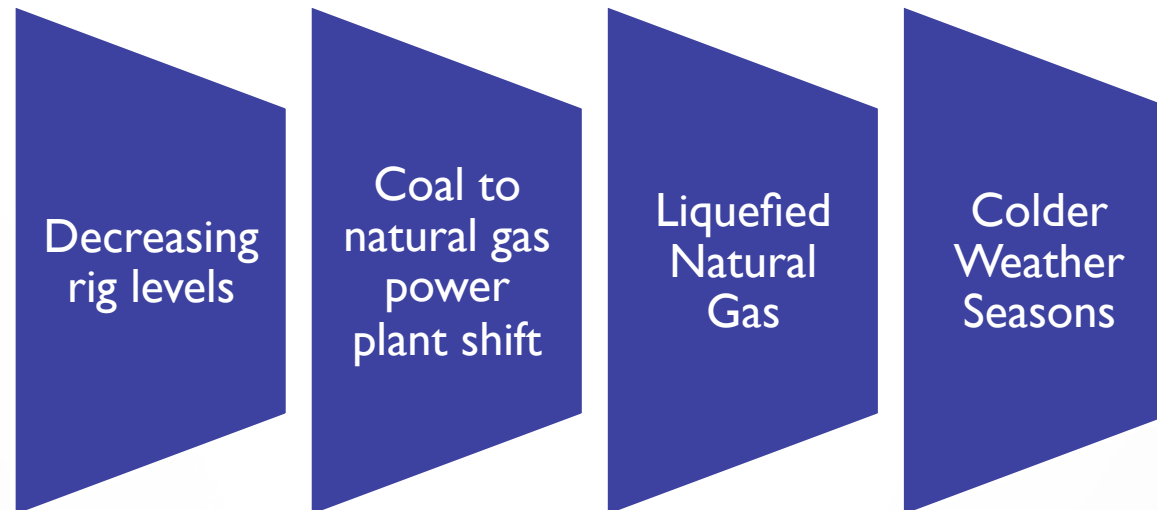
- Nature of commodities force them to compete on cost and price as price takers
- Oil Price - WTI: \$92.52, Brent: \$109.52



EXTERNAL ANALYSIS

Natural Gas Drivers

- Natural Gas - NYMEX Natural Gas: \$3.63



SandRidge Mississippian Trust II

VALUATION

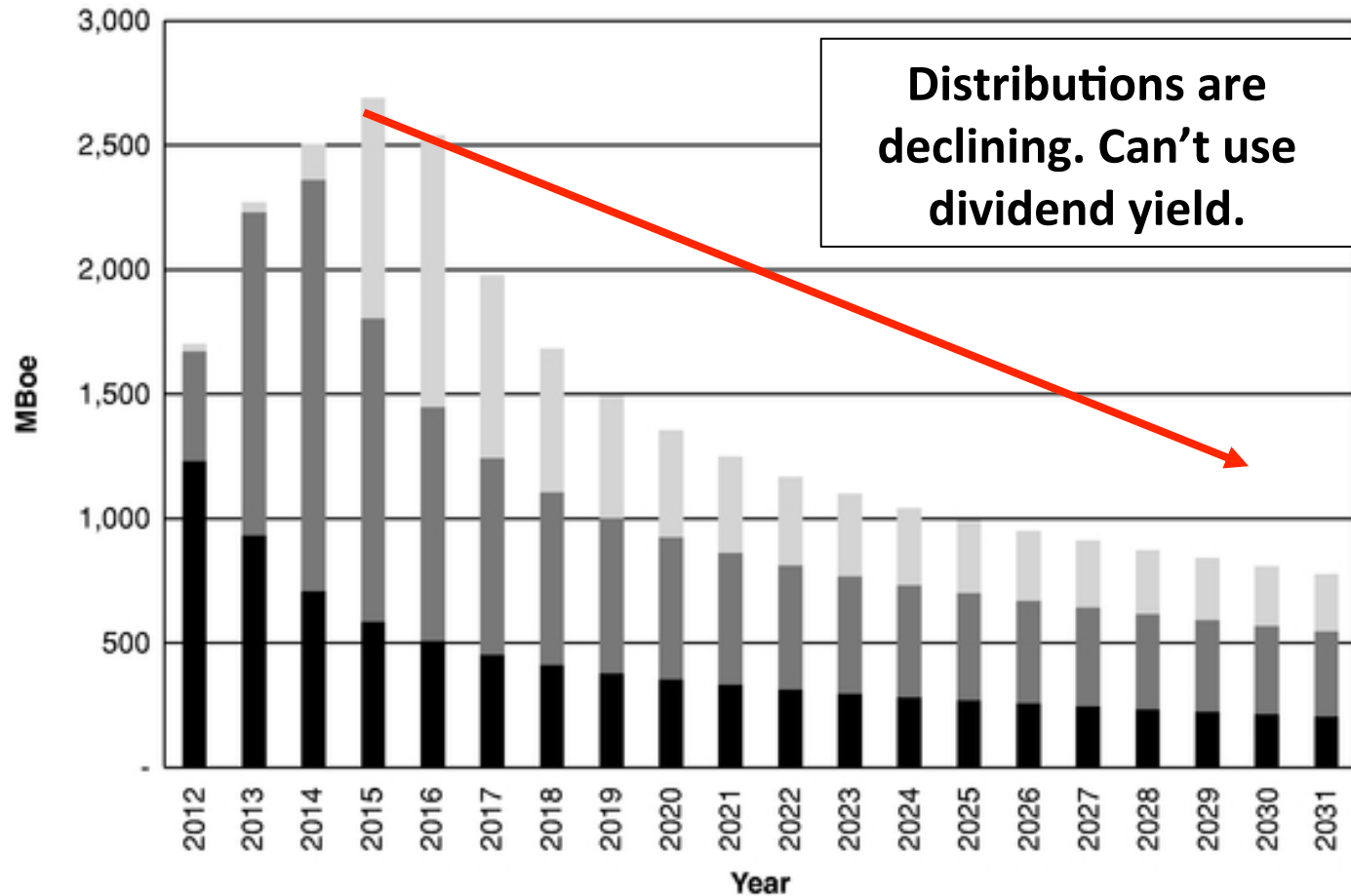
	SDR	SDT	CHKR	PER	Average
Stock Price	12.66	14.55	17.17	15.54	
Market Capitalization (\$M)	629.5	407.4	802.7	815.85	
Yields					
Year 1+	17.2%	16.1%	16.2%	14.1%	15.5%
Year 2+	18.5%	16.2%	15.8%	16.4%	16.1%
Year 3+	17.7%	14.5%	14.8%	17.1%	15.5%

- Most retail investors value these royalty trusts off of dividend yield
- SDR looks attractive from this metric

SandRidge Mississippian Trust II

VALUATION

Net Production to Trust

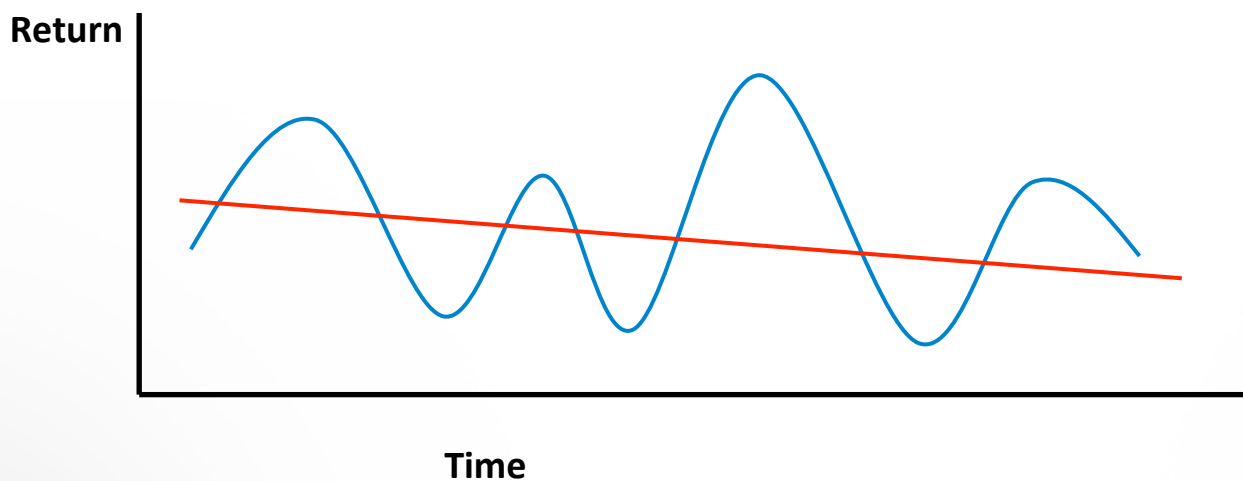


SandRidge Mississippian Trust II

VALUATION

IRR

- “The discount rate that makes the net present value of all cash flows from a particular project equal to zero.” - Investopedia



Red = IRR
Blue = annual
returns

SandRidge Mississippian Trust II

VALUATION

	SDR	SDT	CHKR	PER	Average
IRR	11.9%	8.2%	5.5%	10.8%	8.2%
Assumed distribution scenario	-30%	-30%	-20%	-10%	

Use Comps IRR as the implied discount rate for royalty trusts of this risk profile.

SDR NAV	
Discount rate = 7%	16.44
Discount rate = 10%	14.30
Discount rate = 15%	11.47
Comps IRR Average	15.72

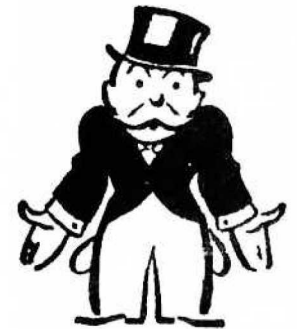
Current Share Price	12.66
Upside	24.1%

RISKS

Delayed Drilling

Lower Oil and Natural Gas Prices

Tax Treatment



CATALYSTS

Drilling Success

Clarity Surrounding Management at Sandridge

Better Debt Situation at SD

Higher Commodity Prices



RECOMMENDATION

Buy 250 shares at \$12.66

Target price \$15.72



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