SandRidge Mississippian Trust I
Form 10-Q
November 07, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35122

SANDRIDGE MISSISSIPPIAN TRUST I

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**27-6990649** (I.R.S. Employer Identification No.)
The Bank of New York Mellon Trust Company, N.A., Trustee 919 Congress Avenue, Suite 500 Austin, Texas (Address of principal executive offices)	**78701** (Zip Code)

Registrant s telephone number, including area code:

(512) 236-6531

Former name, former address and former fiscal year, if changed since last report: **Not applicable**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x

Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 31, 2014, 28,000,000 Common Units of Beneficial Interest in SandRidge Mississippian Trust I were outstanding.

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

FORM 10-Q

Quarter Ended September 30, 2014

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

All references to we, us, our, or the Trust refer to SandRidge Mississippian Trust I. References to SandRidge refer to SandRidge Energy, Inc and where the context requires, its subsidiaries. The royalty interests conveyed by SandRidge from its interests in certain properties in the Mississippian formation in Oklahoma and held by the Trust are referred to as the Royalty Interests.

Table of Contents

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (Quarterly Report) includes forward-looking statements about the Trust, SandRidge and other matters discussed herein that are subject to risks and uncertainties within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact included in this document, including, without limitation, statements under Trustee s Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of Part I and elsewhere herein regarding the Trust s or SandRidge s plans and objectives for future operations and information regarding target distributions, are forward-looking statements. Actual outcomes and results may differ materially from those projected. Forward-looking statements are generally accompanied by words such as estimate, target, project, predict, believe, e anticipate, potential, could, may, foresee, plan, goal, should, intend or other words that convey the uncertainty of future events o have based these forward-looking statements on our current expectations and assumptions about future events. These statements are based on certain assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including the risk factors discussed in Item 1A of the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (the 2013 Form 10-K), which could affect the future results of the energy industry in general, and the Trust and SandRidge in particular, and could cause those results to differ materially from those expressed in such forward-looking statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on SandRidge s business or the Trust s results. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. The Trust undertakes no obligation to publicly update or revise any forward-looking statements.

Table of Contents

PART I. Financial Information

ITEM 1. ***Financial Statements***

SANDRIDGE MISSISSIPPIAN TRUST I

STATEMENTS OF ASSETS AND TRUST CORPUS

(In thousands, except unit data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents	$ 1,794	$ 1,669
Investment in royalty interests	308,964	308,964
Less: accumulated amortization	(87,604)	(74,674)
Net investment in royalty interests	221,360	234,290
Total assets	$ 223,154	$ 235,959
TRUST CORPUS		
Trust corpus, 28,000,000 common units issued and outstanding at September 30, 2014 and 21,000,000 common units and 7,000,000 subordinated units issued and outstanding at December 31, 2013	$ 223,154	$ 235,959

The accompanying notes are an integral part of these financial statements.

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

STATEMENTS OF DISTRIBUTABLE INCOME

(In thousands, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
		(Unaudited)		
Revenues				
Royalty income	$ 8,492	$ 17,136	$ 29,125	$ 51,339
Derivative settlements, net	(69)	1,133	733	4,172
Total revenues	8,423	18,269	29,858	55,511
Expenses				
Post-production expenses	395	712	1,365	2,434
Production taxes	130	223	352	572
Trust administrative expenses	231	310	1,046	1,030
Cash reserves withheld for current Trust expenses, net of amounts used	155	104	123	426
Total expenses	911	1,349	2,886	4,462
Distributable income available to unitholders	7,512	16,920	26,972	51,049
Distributable income per common unit	$ 0.3577	$ 0.6112	$ 1.2844	$ 1.8523
Distributable income per subordinated unit	$ 0.0000	$ 0.5835	$ 0.0000	$ 1.7357

The accompanying notes are an integral part of these financial statements.

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

STATEMENTS OF CHANGES IN TRUST CORPUS

(In thousands)

	Nine Months Ended September 30, 2014	2013
	(Unaudited)	
Trust corpus, beginning of period	$ 235,959	$ 260,887
Amortization of investment in royalty interests	(12,930)	(20,120)
Net cash reserves withheld	123	426
Distributable income	26,972	51,049
Distributions paid or payable to unitholders	(26,970)	(51,049)
Trust corpus, end of period	$ 223,154	$ 241,193

The accompanying notes are an integral part of these financial statements.

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Organization of Trust

SandRidge Mississippian Trust I (the Trust) is a statutory trust formed under the Delaware Statutory Trust Act pursuant to a trust agreement, as amended and restated, by and among SandRidge Energy, Inc. (SandRidge), as Trustor, The Bank of New York Mellon Trust Company, N.A., as Trustee (the Trustee), and The Corporation Trust Company, as Delaware Trustee (the Delaware Trustee).

The Trust holds Royalty Interests in specified oil and natural gas properties located in the Mississippian formation in Alfalfa, Garfield, Grant and Woods counties in Oklahoma (the Underlying Properties). The Royalty Interests were conveyed by SandRidge to the Trust concurrent with the initial public offering of the Trust s common units in April 2011. As consideration for conveyance of the Royalty Interests, the Trust remitted the proceeds of the offering, along with 3,750,000 Trust common units and 7,000,000 Trust subordinated units, to certain wholly owned subsidiaries of SandRidge. At September 30, 2014, SandRidge owned 7,528,063 Trust units, or approximately 26.9% of all Trust units.

The Royalty Interests entitle the Trust to receive 90% of the proceeds (after deducting post-production costs and any applicable taxes) from the sale of oil, natural gas liquids (NGL) and natural gas production attributable to SandRidge s net revenue interest in 36 wells producing at December 31, 2010 and one additional well undergoing completion operations at that time (together, the Initial Wells), and 50% of the proceeds (after deducting post-production costs and any applicable taxes) from the sale of oil, NGL and natural gas production attributable to SandRidge s net revenue interest in 123 development wells drilled (the Trust Development Wells) within an area of mutual interest in Alfalfa, Garfield, Grant and Woods counties in Oklahoma between January 1, 2011, the effective date of the Royalty Interests conveyance, and June 30, 2013. Pursuant to a development agreement entered into between the Trust and SandRidge, SandRidge was obligated to drill, or cause to be drilled, the Trust Development Wells by December 31, 2015. SandRidge fulfilled this obligation in June 2013.

The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting amounts for the Trust s administrative expenses and cash reserves withheld by the Trustee, on or about 60 days following the completion of each quarter. Due to the timing of the payment of production proceeds to the Trust, each distribution covers production from a three-month period consisting of the first two months of the most recently ended quarter and the final month of the quarter preceding it.

On July 1, 2014, the day following the end of the fourth full calendar quarter subsequent to SandRidge s satisfaction of its drilling obligation, the subordinated units automatically converted into common units on a one-for-one basis. Prior to this conversion, the subordinated and common units had identical rights and privileges, except with respect to their rights to receive distributions. The subordinated units, all of which were held by SandRidge, constituted 25% of the Trust units issued and were entitled to receive pro rata distributions from the Trust each quarter if and to the extent there was sufficient cash to provide a cash distribution on the common units that was no less than 80% of the target distribution for the corresponding quarter (Subordination Threshold). If there was not sufficient cash to fund such a distribution on all of the common units, the distribution made with respect to the subordinated units was reduced or eliminated for such quarter in order to make a distribution, to the extent possible, of up to the Subordination Threshold amount on all of the common units. In exchange for agreeing to subordinate a portion of its Trust units, and in order to provide additional financial incentive to SandRidge to satisfy its drilling obligation, SandRidge was entitled to receive incentive distributions equal to 50% of the amount by which the cash available for distribution on all of the Trust units in any quarter exceeded 120% of the target distribution for such quarter (Incentive Threshold). As a result of the conversion of the subordinated units to common units in July 2014, SandRidge s right to receive incentive distributions in respect of subsequent periods terminated. Beginning with the Trust s November 2014 distribution, distributions made to common units will no longer have the benefit of the Subordination Threshold or be subject to the Incentive Threshold, and all Trust unitholders will share on a pro rata basis in the Trust s distributions. See Note 6 for further discussion.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Accounting. The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as the Trust records revenues when cash is received (rather than when earned) and expenses when paid (rather than when incurred) and may also establish cash reserves for contingencies, which would not be accrued in financial statements prepared in accordance with GAAP. This comprehensive basis of accounting other than GAAP corresponds to the accounting permitted for royalty trusts by the Securities and Exchange Commission (SEC) as specified by Staff Accounting Bulletin Topic 12:E, *Financial Statements of Royalty Trusts*. Amortization of investment in

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

royalty interests, calculated on a unit-of-production basis, and any impairments are charged directly to trust corpus. Distributions to unitholders are recorded when declared.

Significant Accounting Policies. Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with GAAP, which may require such entities to accrue or defer revenues and expenses in a period other than when such revenues are received or expenses are paid. Because the Trust s financial statements are prepared on the modified cash basis as described above, most accounting pronouncements are not applicable to the Trust s financial statements.

The Trust is treated for federal and applicable state income tax purposes as a partnership. For U.S. federal income tax purposes, a partnership is not a taxable entity and incurs no U.S. federal income tax liability. With respect to state taxation, a partnership is typically treated in the same manner as it is for U.S. federal income tax purposes.

Distributable Income Per Common and Subordinated Unit. For the periods presented, the Trust calculated distributable income per common and subordinated unit using the two-class method. In accordance with this method, undistributed earnings in the accompanying unaudited statements of distributable income have been allocated to the common and subordinated units based upon the subordinated units contractual participation rights as if all of the distributable income for the periods presented had been distributed. Distributable income per unit amounts as calculated for the periods presented in the accompanying unaudited statements of distributable income does not differ from declared distribution amounts per unit. Subsequent to the conversion of the Trust s subordinated units to common units, all Trust unitholders will share on a pro rata basis in the Trust s distributable income (See Note 1).

Interim Financial Statements. The accompanying unaudited financial statements have been prepared in accordance with the accounting policies stated in the audited financial statements contained in the 2013 Form 10-K and reflect all adjustments that are, in the opinion of the Trustee, necessary to state fairly the information in the Trust s unaudited interim financial statements. The accompanying statement of assets and trust corpus as of December 31, 2013 has been derived from audited financial statements. The unaudited financial statements should be read in conjunction with the financial statements and notes thereto included in the 2013 Form 10-K.

3. Distributions to Unitholders

The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting amounts for the Trust s administrative expenses and cash reserves withheld by the Trustee, on or about 60 days following the completion of each quarter. Distributions cover a three-month production period. See Note 6 for discussion of the Trust s quarterly distribution to be paid in November 2014. A summary of the

Trust s distributions to unitholders during the nine-month period ended September 30, 2014 and the year ended December 31, 2013 is as follows:

	Covered Production Period	Date Declared	Date Paid	Total Distribution Paid (in millions)	Distribution Per Unit Common	Distribution Per Unit Subordinated
Calendar Quarter 2014						
First Quarter	September 1, 2013 November 30, 2013	January 30, 2014	February 28, 2014	$ 10.5	$ 0.5003	$ 0.0000
Second Quarter	December 1, 2013 February 28, 2014	April 24, 2014	May 30, 2014	$ 9.0	$ 0.4263	$ 0.0000
Third Quarter	March 1, 2014 May 31, 2014	July 31, 2014	August 29, 2014	$ 7.5	$ 0.3577	$ 0.0000
Calendar Quarter 2013						
First Quarter	September 1, 2012 November 30, 2012	January 31, 2013	March 1, 2013	$ 18.2	$ 0.6507	$ 0.6507
Second Quarter	December 1, 2012 February 28, 2013	April 25, 2013	May 30, 2013	$ 15.9	$ 0.5904	$ 0.5015
Third Quarter	March 1, 2013 May 31, 2013	July 25, 2013	August 29, 2013	$ 16.9	$ 0.6112	$ 0.5835
Fourth Quarter	June 1, 2013 August 31, 2013	October 24, 2013	November 29, 2013	$ 12.7	$ 0.6029	$ 0.0000

SANDRIDGE MISSISSIPPIAN TRUST I

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

4. Related Party Transactions

Trustee Administrative Fee. Under the terms of the trust agreement, the Trust pays an annual administrative fee of $150,000 to the Trustee, which will be adjusted for inflation by no more than 3% in any year beginning in 2017. The Trustee s administrative fees paid during each of the three-month periods ended September 30, 2014 and 2013, totaled approximately $38,000. The Trustee s administrative fees paid during each of the nine-month periods ended September 30, 2014 and 2013, totaled approximately $113,000.

Registration Rights Agreement. The Trust is party to a registration rights agreement pursuant to which the Trust has agreed to register the offering of the Trust units held by SandRidge and certain of its affiliates and permitted transferees upon request by SandRidge. One such registration statement was filed and declared effective during 2012 and remains effective currently. The holders have the right to require the Trust to file no more than five registration statements in aggregate. The Trust does not bear any expenses associated with such transactions.

Administrative Services Agreement. The Trust is party to an administrative services agreement with SandRidge that obligates the Trust to pay SandRidge an annual administrative services fee for accounting, tax preparation, bookkeeping and informational services performed by SandRidge on behalf of the Trust. For its services under the administrative services agreement, SandRidge receives an annual fee of $200,000, which is payable in equal quarterly installments and will remain fixed for the life of the Trust. SandRidge is also entitled to receive reimbursement for its out-of-pocket fees, costs and expenses incurred in connection with the provision of any of the services under this agreement. The administrative services agreement will terminate on the earliest to occur of: (i) the date the Trust shall have dissolved and commenced winding up in accordance with the trust agreement, (ii) the date that all of the Royalty Interests have been terminated or are no longer held by the Trust, (iii) pertaining to services to be provided with respect to any Underlying Properties transferred by SandRidge, the date that either SandRidge or the Trustee may designate by delivering 90-days prior written notice, provided that SandRidge s drilling obligation has been completed and the transferee of such Underlying Properties assumes responsibility to perform the services in place of SandRidge and (iv) a date mutually agreed to by SandRidge and the Trustee. During each of the three-month periods ended September 30, 2014 and 2013, the Trust paid administrative fees to SandRidge equal to $50,000. During the nine-month periods ended September 30, 2014 and 2013, the Trust paid administrative fees to SandRidge equal to $200,000 and $150,000, respectively.

Derivatives Agreement. The Trust is party to a derivatives agreement with SandRidge that provides the Trust with the economic effect of certain oil and natural gas derivative contracts entered into by SandRidge with third parties. The underlying commodity derivative contracts cover volumes of oil and natural gas production through December 31, 2015. Under the derivatives agreement, SandRidge pays the Trust amounts it receives from its counterparties and the Trust pays SandRidge any amounts that SandRidge is required to pay such counterparties. The Trust did not bear any costs related to the establishment of the underlying contracts. The Trust does not have the ability to enter into its own derivative contracts. The commodity derivative contracts underlying the derivatives agreement consist of fixed price swaps and collars, which are described below:

Fixed price swaps:	The Trust receives a fixed price for the contract and pays a floating market price over a specified period for a contracted volume.
Collars:	Contain a fixed floor price (put) and a fixed ceiling price (call). If the market price exceeds the call strike price or falls below the put strike price, the Trust receives the fixed price and pays the market price. If the market price is between the call and the put strike price, no payments are due.

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The following tables present, as of September 30, 2014, the notional amount and weighted average fixed price or collar range of the open contracts underlying the derivatives agreement.

Oil Price Swaps

	Notional (MBbl)	Weighted Avg. Fixed Price
October 2014 December 2014	136	$ 100.94
January 2015 December 2015	468	$ 101.07

Natural Gas Collars

	Notional (MMBtu)	Collar Range
October 2014 December 2014	236	$4.00 - $7.78
January 2015 December 2015	1,010	$4.00 - $8.55

5. Commitments and Contingencies

Loan Commitment. Pursuant to the trust agreement, if at any time the Trust s cash on hand (including available cash reserves) is not sufficient to pay the Trust s ordinary course administrative expenses as they become due, SandRidge will, at the Trustee s request, loan funds to the Trust necessary to pay such expenses. Any funds loaned by SandRidge pursuant to this commitment will be limited to the payment of current accounts payable or other obligations to trade creditors in connection with obtaining goods or services or the payment of other accrued current liabilities arising in the ordinary course of the Trust s business, and may not be used to satisfy Trust indebtedness, or to make distributions. If SandRidge loans funds pursuant to this commitment, no further distributions will be made to unitholders (except in respect of any previously determined quarterly cash distribution amount) until such loan is repaid. Any such loan will be on an unsecured basis, and the terms of such loan will be substantially the same as those which would be obtained in an arm s length transaction between SandRidge and an unaffiliated third party. There was no such loan outstanding with SandRidge at September 30, 2014 or December 31, 2013.

Risks and Uncertainties. The Trust s revenue and distributions are substantially dependent upon the prevailing and future prices for oil and natural gas, each of which depends on numerous factors beyond the Trust s control such as overall oil and natural gas production and inventories in relevant markets, economic conditions, the global political environment, regulatory developments and competition from other energy sources.

Oil and natural gas prices historically have been volatile and may be subject to significant fluctuations in the future. The Trust s derivative arrangements serve to mitigate a portion of the effect of this price volatility through December 31, 2015. See Note 4 for a discussion of the Trust s open oil and natural gas commodity derivative contracts.

Legal Proceedings. The Trust has been named as an additional defendant in a putative class action against SandRidge and others as described below.

On December 5, 2012, James Glitz and Rodger A. Thornberry, on behalf of themselves and all other similarly situated stockholders, filed a putative class action complaint in the U.S. District Court for the Western District of Oklahoma against SandRidge and certain current and former executive officers of SandRidge. On January 4, 2013, Louis Carbone, on behalf of himself and all other similarly situated stockholders, filed a substantially similar putative class action complaint in the same court and against the same defendants. On March 6, 2013, the court consolidated these two actions under the caption In re SandRidge Energy, Inc. Securities Litigation (the Securities Litigation) and appointed a lead plaintiff and lead counsel.

On July 23, 2013 the lead plaintiff filed a consolidated amended complaint, in which the Trust was named as an additional defendant. The Consolidated Amended Complaint asserts a variety of federal securities claims against the Trust and SandRidge and certain of its current and former officers and directors, among other defendants, on behalf of a putative class of (a) purchasers of SandRidge common stock during the period from February 24, 2011 to November 8, 2012, (b) purchasers of common units of the Trust in or traceable to its initial public offering on or about April 12, 2011, and (c) purchasers of common units of SandRidge Mississippian Trust II in or traceable to its initial public offering on or about April 23, 2012. The claims are based on allegations that SandRidge and certain of its current and former officers and directors, among other defendants, including the Trust with respect to certain of the allegations, are responsible for making false and misleading statements, and omitting material information, concerning a variety of subjects, including oil and gas reserves, SandRidge s capital expenditures, and certain transactions entered into by companies allegedly affiliated with SandRidge s former CEO Tom Ward. The plaintiffs seek class certification, an order rescinding

Table of Contents

SANDRIDGE MISSISSIPPIAN TRUST I

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

the Trust s initial public offering and an unspecified amount of damages, plus interest, attorneys fees and costs. The complaint was corrected by way of a Corrected Consolidated Amended Complaint filed on July 30, 2013.

The Trust and SandRidge each filed a Motion to Dismiss the claims asserted against the Trust in the Corrected Consolidated Amended Complaint.

Regardless of the outcome of the litigation, the Trust may incur expenses in defending the litigation, and any such expenses may increase the Trust s administrative expenses significantly. The Trust will estimate and provide for potential losses that may arise out of litigation to the extent that such losses are probable and can be reasonably estimated. Significant judgment will be required in making any such estimates and any final liabilities of the Trust may ultimately be materially different than any estimates. The Trust is currently unable to assess the probability of loss or estimate a range of any potential loss the Trust may incur in connection with the Securities Litigation, and has not established any reserves relating to the Securities Litigation. The Trust may withhold estimated amounts from future distributions to cover future costs associated with the litigation if determined necessary. The Trust has not yet fully analyzed any rights it may have to indemnities that may be applicable or any claims it may make in connection with the Securities Litigation.

6. Subsequent Events

Distribution to Unitholders. On October 30, 2014, the Trust declared a cash distribution of $0.2469 per unit covering production for the three-month period from June 1, 2014 to August 31, 2014 for record holders as of November 14, 2014. The distribution will be paid on or about November 28, 2014. Distributable income for June 1, 2014 to August 31, 2014 was calculated as follows (in thousands, except for unit and per unit amounts):

Revenues		
Royalty income	$	7,792
Derivative settlements, net		(11)
Total revenues		7,781
Expenses		
Post-production expenses		308
Production taxes		174
Cash reserves withheld by Trustee (1)		386
Total expenses		868
Distributable income available to unitholders	$	6,913
Distributable income per unit (28,000,000 units issued and outstanding)(2)	$	0. 2469

(1) Includes amounts withheld for payment of future Trust administrative expenses.

(2) The Trust s subordinated units converted to common units in July 2014 (see Note 1).

Table of Contents

ITEM 2. ***Trustee s Discussion and Analysis of Financial Condition and Results of Operations***

Introduction

The following discussion and analysis is intended to help the reader understand the Trust s financial condition, results of operations, liquidity and capital resources. This discussion and analysis should be read in conjunction with the Trust s unaudited financial statements and the accompanying notes included in this Quarterly Report and the Trust s audited financial statements and the accompanying notes included in the 2013 Form 10-K.

Overview

The Trust is a statutory trust created under the Delaware Statutory Trust Act. The business and affairs of the Trust are administered by the Trustee and, as necessary, the Delaware Trustee. The Trust s purpose is to hold the Royalty Interests, to distribute to the Trust unitholders cash that the Trust receives in respect of the Royalty Interests and the derivatives agreement (described in Note 4 to the unaudited financial statements contained in Part I, Item 1 of this Quarterly Report) and to perform certain administrative functions in respect of the Royalty Interests and the Trust units. Other than the foregoing activities, the Trust does not conduct any operations or activities. The Trustee has no involvement with, control or authority over, or responsibility for, any aspect of the operations on or relating to the properties in which the Trust has an interest. The Trust derives all or substantially all of its income and cash flow from the Royalty Interests and the derivatives agreement. The Trust is treated as a partnership for federal income tax purposes.

Properties. As of September 30, 2014 and December 31, 2013, the Trust s properties consisted of Royalty Interests in the Initial Wells and the Trust Development Wells located in Alfalfa, Garfield, Grant and Woods counties in Oklahoma.

Distributions. The Trust makes quarterly cash distributions of substantially all of its cash receipts, after deducting amounts for the Trust s administrative expenses and cash reserves withheld by the Trustee, on or about 60 days following the completion of each quarter. Prior to their conversion to common units in July 2014, the Trust s subordinated units were entitled to receive pro rata distributions from the Trust each quarter, up to and including the August 2014 distribution, if and to the extent there was sufficient cash to provide a cash distribution on the common units that was at least equal to the Subordination Threshold. If there was not sufficient cash to fund such a distribution on all of the common units (including the common units SandRidge owns), the distribution made with respect to the subordinated units was reduced or eliminated for such quarter in order to make a distribution, to the extent possible, to all of the common units (including the common units held by SandRidge) up to the Subordination Threshold. However, there is no minimum distribution. If the cash available for distribution on all of the Trust units in any quarter exceeded the Incentive Threshold for the corresponding quarter, SandRidge, as holder of the Trust s subordinated units, was entitled to 50% of the amount by which the cash available for distribution exceeded the Incentive Threshold. As a result of the conversion of the subordinated units to common units in July 2014, SandRidge s right to receive incentive distributions in respect of subsequent periods terminated. Beginning with the Trust s November 2014 distribution, distributions made to common units will no longer have the benefit of the Subordination Threshold or be subject to the Incentive Threshold and the holders of all 28,000,000 common units will share on a pro rata basis in the Trust s distributions.

Pursuant to Internal Revenue Code (IRC) Section 1446, withholding tax on income effectively connected to a United States trade or business allocated to foreign partners should be made at the highest marginal rate. Under IRC Section 1441, withholding tax on fixed, determinable, annual, periodic income from United States sources allocated to foreign partners should be made at 30% of gross income unless the rate is reduced by treaty. This is intended to be a qualified notice to nominees and brokers as provided for under Treasury Regulation Section 1.1446-4(b) by the Trust, and while specific relief is not specified for IRC Section 1441 income, this disclosure is intended to suffice. Nominees and brokers should withhold at the highest marginal rate, currently 39.6% for individuals, on the distribution made to foreign partners.

Litigation. As described in more detail in Item 1 of Part II, *Legal Proceedings*, the Trust has been named as an additional defendant in a putative class action against SandRidge and others. Regardless of the outcome of the litigation, the Trust may incur expenses in defending the litigation, and any such expenses may increase the Trust s administrative expenses significantly. Further, any costs incurred by the Trust in connection with any settlement of or judgment in the litigation could increase the Trust s administrative expenses significantly.

Table of Contents

Results of Trust Operations

The primary factors affecting the Trust s revenues and costs are the quantity of oil and natural gas production attributable to the Royalty Interests, the prices received for such production and amounts paid or received as net settlements under the derivatives agreement. Royalty income, post-production expenses, certain taxes and derivative settlements are recorded on a cash basis when net revenue distributions are received by the Trust from SandRidge. Information regarding the Trust s production, pricing and costs for the three and nine-month periods ended September 30, 2014 and 2013 is presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014(1)	2013(2)	2014(3)	2013(4)
Production Data				
Oil (MBbls)(5)	53	137	196	411
Natural gas (MMcf)	717	1,337	2,499	4,389
Combined equivalent volumes (MBoe)	173	360	613	1,143
Average daily combined equivalent volumes (MBoe/d)	1.9	3.9	2.2	4.2
Well Data				
Initial and Trust Development Wells producing - average	150	156	154	145
Revenues (in thousands)				
Royalty income	$ 8,492	$ 17,136	$ 29,125	$ 51,339
Derivative settlements	(69)	1,133	733	4,172
Total revenue	$ 8,423	$ 18,269	$ 29,858	$ 55,511
Expenses (in thousands)				
Post-production expenses	$ 395	$ 712	$ 1,365	$ 2,434
Production taxes	130	223	352	572
Trust administrative expenses	231	310	1,046	1,030
Cash reserves withheld for current Trust expenses, net of amounts used	155	104	123	426
Total expenses	$ 911	$ 1,349	$ 2,886	$ 4,462
Distributable income available to unitholders	$ 7,512	$ 16,920	$ 26,972	$ 51,049
Average Prices				
Oil (per Bbl)(5)	$ 92.20	$ 85.87	$ 91.23	$ 86.21
Natural gas (per Mcf)	$ 5.00	$ 4.04	$ 4.50	$ 3.62
Combined equivalent (per Boe)	$ 49.17	$ 47.67	$ 47.55	$ 44.93
Average Prices including impact of derivative settlements and post-production expenses				
Oil (per Bbl)(5)	$ 90.90	$ 93.78	$ 94.38	$ 95.48
Natural gas (per Mcf)	$ 4.45	$ 3.55	$ 4.00	$ 3.15
Combined equivalent (per Boe)	$ 46.49	$ 48.84	$ 46.52	$ 46.45
Expenses (per Boe)				
Post-production	$ 2.28	$ 1.98	$ 2.23	$ 2.13
Production taxes	$ 0.75	$ 0.62	$ 0.57	$ 0.50

(1) Production volumes and related revenues and expenses for the three-month period ended September 30, 2014 (included in SandRidge s August 2014 net revenue distribution to the Trust) represent oil and natural gas production from March 1, 2014 to May 31, 2014.

(2) Production volumes and related revenues and expenses for the three-month period ended September 30, 2013 (included in SandRidge s August 2013 net revenue distribution to the Trust) represent oil and natural gas production from March 1, 2013 to May 31, 2013.

Table of Contents

(3) Production volumes and related revenues and expenses for the nine-month period ended September 30, 2014 (included in SandRidge s February 2014, May 2014 and August 2014 net revenue distributions to the Trust) represent oil and natural gas production from September 1, 2013 to May 31, 2014.

(4) Production volumes and related revenues and expenses for the nine-month period ended September 30, 2013 (included in SandRidge s March 2013,May 2013 and August 2013 net revenue distributions to the Trust) represent oil and natural gas production from September 1, 2012 to May 31, 2013.

(5) Includes NGLs, which comprised approximately 3.5% and 2.2% of total production in the three-month periods ended September 30, 2014 and 2013, respectively, and 3.5% and 0.9% of total production in the nine-month periods ended September 30, 2014 and 2013, respectively.

Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

Revenues

Royalty Income. Royalty income received during the three-month period ended September 30, 2014 totaled $8.5 million compared to $17.1 million received during the three-month period ended September 30, 2013. Royalty income is a function of production volumes sold attributable to the Royalty Interests and associated prices received. The decrease in royalty income was primarily attributable to the decrease in combined equivalent volumes produced resulting from natural declines in production from the Initial Wells and Trust Development Wells. No new Trust Development Wells have been drilled since April 2013, when SandRidge fulfilled its drilling obligation to the Trust. The net revenue distribution from SandRidge received by the Trust during the three-month period ended September 30, 2014 included royalty income attributable to production for the three-month period from March 1, 2014 to May 31, 2014 of 53 MBbls of oil and 717 MMcf of natural gas, or 173 MBoe of combined production. The net revenue distribution from SandRidge received by the Trust during the three-month period ended September 30, 2013 included royalty income attributable to production for the three-month period from March 1, 2013 to May 31, 2013 of 137 MBbls of oil and 1,337 MMcf of natural gas, or 360 MBoe of combined production. The decrease in total production was slightly offset by increases in the average prices received for oil and natural gas production, excluding the impact of derivative settlements and post-production expenses. The average price received for oil increased to $92.20 per Bbl during the three-month period ended September 30, 2014 from $85.87 per Bbl during the same period in 2013, while the average price received for natural gas increased to $5.00 per Mcf during the three-month period ended September 30, 2014 from $4.04 per Mcf during the same period in 2013.

Derivative Settlements. The Trust s derivatives agreement with SandRidge reduces the Trust s exposure to commodity price volatility attributable to a portion of production from the Royalty Interests through December 31, 2015 by the use of oil fixed price swaps and natural gas collars. In general, cash is received on settlements of contracts due to lower commodity prices at the time of settlement compared to the contract price for the Trust s derivative contracts, and cash is paid on settlement of contracts due to higher commodity prices at the time of settlement compared to the contract price for the Trust s derivative contracts. Net cash settlements paid under the derivatives agreement for the three-month period ended September 30, 2014 for production from March 1, 2014 to May 31, 2014 were approximately $69,000, which effectively decreased the average price received for oil by $1.30 per Bbl to $90.90 per Bbl. Net cash settlements received under the derivatives agreement for the three-month period ended September 30, 2013 for production from March 1, 2013 to May 31, 2013 were approximately $1.1 million, which effectively increased the average price received for oil by $7.91 per Bbl to $93.78 per Bbl and increased the average price received for natural gas by $0.04 per Mcf to $4.08 per Mcf ($3.55 per Mcf including the impact of post-production expenses).

Expenses

Post-Production Expenses. The Trust bears post-production expenses attributable to production from the Royalty Interests. Post-production expenses generally consist of costs incurred to gather, store, compress, transport, process, treat, dehydrate and market the oil and natural gas produced. Post-production expenses for the three-month period ended September 30, 2014 totaled approximately $0.4 million compared to approximately $0.7 million for the three-month period ended September 30, 2013. Post-production costs decreased as a result of decreased total production.

Production Taxes. Production taxes are calculated as a percentage of oil and natural gas revenues, excluding the effects of derivative settlements and net of any applicable tax credits. Production taxes for the three-month period ended September 30, 2014 totaled approximately $0.1 million, or $0.75 per Boe, and were approximately 1.5% of royalty income. Production taxes for the three-month period ended September 30, 2013 totaled approximately $0.2 million, or $0.62 per Boe, and were approximately 1.3% of royalty income.

Trust Administrative Expenses. Trust administrative expenses generally consist of fees paid to the Trustee and the Delaware Trustee, administrative services fees paid to SandRidge, tax return and related form preparation fees, legal and accounting fees, and other expenses incurred as a result of being a publicly traded entity. Trust administrative expenses for the three-month period ended September 30, 2014 totaled approximately $0.2 million compared to approximately $0.3 million for the three-month period ended

Table of Contents

September 30, 2013. The Trust paid its 2014 Oklahoma franchise tax of approximately $20,000 during the three-month period ended September 30, 2014. There were no amounts paid for Oklahoma franchise tax during the three-month period ended September 30, 2013 due to a moratorium on Oklahoma franchise tax for the period from July 1, 2010 through July 1, 2013 that was reinstated for the reporting period from July 1, 2014 through June 30, 2015.

Distributable Income

Distributable income for the three-month period ended September 30, 2014 was $7.5 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately $155,000 (approximately $386,000 withheld from the August 2014 cash distribution to unitholders partially offset by approximately $231,000 used to pay Trust expenses during the period). Distributable income for the three-month period ended September 30, 2013 was $16.9 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately $104,000 (approximately $414,000 withheld from the August 2013 cash distribution to unitholders partially offset by approximately $310,000 used to pay Trust expenses during the period).

Distributions to Common and Subordinated Unitholders. Holders of Trust common units received greater distributions than the holder of Trust subordinated units during the three-month periods ended September 30, 2014 and 2013 as a result of the Trust s subordination provisions. Because income available for distribution on the Trust common units for the August 2014 and 2013 distributions was below the Subordination Threshold, no distribution and a reduced distribution was paid to the subordinated unitholder for those periods, respectively. As a result of the subordination provisions, holders of common units received approximately $1.9 million and $0.1 million more in distributions for the three-month periods ended September 30, 2014 and 2013, respectively, than such holders would have received had the subordination provisions not existed. Subsequent to the August 2014 distribution, all Trust unitholders will share on a pro rata basis in the Trust s distributable income.

Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

Revenues

Royalty Income. Royalty income received during the nine-month period ended September 30, 2014 totaled $29.1 million compared to $51.3 million received during the nine-month period ended September 30, 2013. The decrease in royalty income was primarily attributable to the decrease in combined equivalent volumes produced resulting from natural declines in production from the Initial Wells and Trust Development Wells. The net revenue distributions from SandRidge received by the Trust during the nine-month period ended September 30, 2014 included royalty income attributable to production for the nine-month period from September 1, 2013 to May 31, 2014 of 196 MBbls of oil and 2,499 MMcf of natural gas, or 613 MBoe of combined production. The net revenue distributions from SandRidge received by the Trust during the nine-month period ended September 30, 2013 included royalty income attributable to production for the nine-month period from September 1, 2012 to May 31, 2013 of 411 MBbls of oil and 4,389 MMcf of natural gas, or 1,143 MBoe of combined production. The decrease in total production was slightly offset by increases in the average prices received for oil and natural gas production, excluding the impact of derivative settlements and post-production expenses. The average price received for oil increased to $91.23 per Bbl during the nine-month period ended September 30, 2014 from $86.21 per Bbl during the same period in 2013, while the average price received for natural gas increased to $4.50 per Mcf during the nine-month period ended September 30, 2014 from $3.62 per Mcf during the same period in 2013.

Derivative Settlements. Net cash settlements received under the derivatives agreement for the nine-month period ended September 30, 2014 for production from September 1, 2013 to May 31, 2014 were approximately $0.7 million, which effectively increased the average price received for oil by $3.15 per Bbl to $94.38 per Bbl and increased the average price received for natural gas by $0.04 per Mcf to $4.54 per Mcf ($4.00 per Mcf including the impact of post-production expenses). Net cash settlements received under the derivatives agreement for the nine-month period ended September 30, 2013 for production from September 1, 2012 to May 31, 2013 were approximately $4.2 million, which effectively increased the average price received for oil by $9.27 per Bbl to $95.48 per Bbl and increased the average price received for natural gas by $0.08 per Mcf to $3.70 per Mcf ($3.15 per Mcf including the impact of post-production expenses).

Expenses

Post-Production Expenses. Post-production expenses for the nine-month period ended September 30, 2014 totaled approximately $1.4 million compared to approximately $2.4 million for the nine-month period ended September 30, 2013. Post-production costs decreased as a result of decreased total production.

Production Taxes. Production taxes for the nine-month period ended September 30, 2014 totaled approximately $0.4 million, or $0.57 per Boe, and were approximately 1.2% of royalty income. Production taxes for the nine-month period ended September 30, 2013 totaled approximately $0.6 million, or $0.50 per Boe, and were approximately 1.1% of royalty income.

Table of Contents

Trust Administrative Expenses. Trust administrative expenses for each of the nine-month periods ended September 30, 2014 and 2013, totaled approximately $1.0 million.

Distributable Income

Distributable income for the nine-month period ended September 30, 2014 was $27.0 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately $0.1 million (approximately $1.1 million withheld from the February 2014, May 2014 and August 2014 cash distributions to unitholders partially offset by approximately $1.0 million used to pay Trust expenses during the period). Distributable income for the nine-month period ended September 30, 2013 was $51.0 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately $0.4 million (approximately $1.4 million withheld from the March 2013, May 2013 and August 2013 cash distributions to unitholders partially offset by approximately $1.0 million used to pay Trust expenses during the period).

Distributions to Common and Subordinated Unitholders. Holders of Trust common units received greater distributions than the holder of Trust subordinated units during the nine-month periods ended September 30, 2014 and 2013 as a result of the Trust s subordination provisions. Because income available for distribution on the Trust common units for the related quarterly periods was below the Subordination Threshold, no distributions or reduced distributions were paid to the subordinated unitholder for those periods. As a result of the subordination provisions, holders of common units received approximately $6.7 million and $0.6 million more in distributions for the nine-month periods ended September 30, 2014 and 2013, respectively, than such holders would have received had the subordination provisions not existed.

Liquidity and Capital Resources

The Trust s principal sources of liquidity and capital are cash flow generated from the Royalty Interests and derivative contracts under the derivatives agreement and borrowings to fund administrative expenses, including any amounts borrowed under SandRidge s loan commitment described in Note 5 to the financial statements contained in Part I, Item I of this Quarterly Report. The Trust s primary uses of cash are distributions to Trust unitholders, including, if applicable, incentive distributions to SandRidge during the subordination period, payment of amounts owed under the derivatives agreement, payment of Trust administrative expenses, including any reserves established by the Trustee for future liabilities, payment of applicable taxes and payment of expense reimbursements to SandRidge for out-of-pocket expenses incurred on behalf of the Trust. Under the conveyances granting the Royalty Interests, the Trust does not have any operating or capital cost requirements related to the wells.

Administrative expenses include payments to the Trustee and the Delaware Trustee as well as a quarterly fee of $50,000 to SandRidge pursuant to an administrative services agreement. Each quarter, the Trustee determines the amount of funds available for distribution. Available funds are the excess cash, if any, received by the Trust from the sale of oil and natural gas production attributable to the Royalty Interests that quarter over the Trust s expenses for the quarter. If at any time the Trust s cash on hand (including available cash reserves) is not sufficient to pay the Trust s ordinary course administrative expenses as they become due, the Trust may borrow funds from the Trustee or other lenders, including SandRidge, to pay such expenses. The Trustee does not intend to lend funds to the Trust. If such funds are borrowed, no further distributions will be made to unitholders (except in respect of any previously determined quarterly distribution amount) until the borrowed funds have been repaid. There was no such loan outstanding at September 30, 2014 or December 31, 2013.

Under the derivatives agreement, SandRidge pays the Trust amounts it receives from its counterparties and the Trust pays SandRidge any amounts that SandRidge is required to pay such counterparties. Payments by the Trust to SandRidge to cover such settlements reduce, and could eliminate, distributions paid to unitholders.

2014 Trust Distributions to Unitholders. During the nine months ended September 30, 2014, the Trust s distributions to unitholders were as follows:

	Covered Production Period	Date Declared	Date Paid	Total Distribution Paid (in millions)
Calendar Quarter 2014				
First Quarter	September 1, 2013 November 30, 2013	January 30, 2014	February 28, 2014	$ 10.5
Second Quarter	December 1, 2013 February 28, 2014	April 24, 2014	May 30, 2014	$ 9.0
Third Quarter	March 1, 2014 May 31, 2014	July 31, 2014	August 29, 2014	$ 7.5

Table of Contents

Future Trust Distributions to Unitholders. During the three-month production period from June 1, 2014 to August 31, 2014, total sales volumes were lower than initial Trust estimates. During the period, NGL sales volumes were higher than in previous periods as a result of a contractual change to the gathering agreement. On October 30, 2014, the Trust declared a cash distribution of $0.2469 per unit covering production for the period for record unitholders as of November 14, 2014. The distribution will be paid on or about November 28, 2014 and was calculated as follows (in thousands, except for unit and per unit amounts):

Revenues		
Royalty income	$	7,792
Derivative settlements, net		(11)
Total revenues		7,781
Expenses		
Post-production expenses		308
Production taxes		174
Cash reserves withheld by Trustee(1)		386
Total expenses		868
Distributable income available to unitholders	$	6,913
Distributable income per unit (28,000,000 units issued and outstanding)(2)	$	0. 2469

(1) Includes amounts withheld for payment of future Trust administrative expenses.

(2) The Trust s subordinated units converted to common units in July 2014 (see Note 1 to the unaudited financial statements contained in Part I, Item 1).

As no additional Trust Development Wells will be drilled, the Trust s production is expected to decline each quarter during the remainder of its life.

ITEM 3. *Quantitative and Qualitative Disclosures about Market Risk*

This discussion provides information about commodity derivative contracts, the benefits and obligations of which SandRidge has passed to the Trust pursuant to a derivatives agreement. Under the derivatives agreement, SandRidge pays the Trust amounts it receives from counterparties under certain of its derivative contracts with third parties, and the Trust pays SandRidge any amounts that SandRidge is required to pay the counterparties under such derivative contracts. The Trust did not bear any costs related to establishing the contracts underlying the derivatives agreement. The commodity derivative contracts underlying the derivatives agreement are settled in cash and do not require the actual delivery of a commodity at settlement. Fixed price swap and collar contracts are settled based upon New York Mercantile Exchange prices. Collar contracts result in a cash settlement only when the settlement price exceeds the fixed ceiling price or falls below the fixed floor price. The contracts underlying the derivatives agreement may not cover all of the future sales volumes of oil and natural gas production through December 31, 2015. The Trust does not have the ability to enter into its own derivative contracts. See Note 4 to the unaudited financial statements contained in Part I, Item I of this Quarterly Report for notional and price information of the Trust s open oil and natural gas derivative contractsThe Trust received net settlement proceeds of approximately $0.7 million and $4.2 million related to the derivatives agreement during the nine-month periods ended September 30, 2014 and 2013, respectively.

Commodity Price Risk. Because the Trust s primary asset and source of income is the Royalty Interests, which generally entitle the Trust to receive a portion of the net proceeds from sales of oil and natural gas production from the Underlying Properties, the Trust s most significant market risk relates to the prices received for oil and natural gas production. The derivative contracts described above are intended to mitigate a portion of the variability of oil and natural gas prices received for the Trust s share of production from the Underlying Properties through December 31, 2015.

Credit Risk. A portion of the Trust s liquidity is concentrated in the derivative contracts described above. The use of derivative contracts, including the arrangement between the Trust and SandRidge, involves the risk that SandRidge or its counterparties will be unable to meet their obligations under the contracts. The Trust s counterparty under the derivatives agreement is SandRidge, whose counterparties are institutions with an investment grade credit rating. SandRidge is not required to pay the Trust to the extent of payment defaults by SandRidge s counterparties.

Table of Contents

ITEM 4. ***Controls and Procedures***

The Trustee conducted an evaluation of the Trust s disclosure controls and procedures, as defined in Rules 13a-15 and 15d-15 under the Exchange Act, designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and such information is accumulated and communicated as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Trustee has concluded that the disclosure controls and procedures of the Trust are effective as of the end of the period covered by this report. In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by SandRidge.

Due to the nature of the Trust as a passive entity and in light of the contractual arrangements pursuant to which the Trust was created, including the provisions of (i) the trust agreement, (ii) the administrative services agreement, (iii) the development agreement and (iv) the conveyances granting the Royalty Interests, the Trustee s disclosure controls and procedures related to the Trust necessarily rely on (A) information provided by SandRidge, including information relating to results of operations, the status of drilling of the Trust Development Wells, the costs and revenues attributable to the Trust s interests under the conveyance and other operating and historical data, plans for future operating and capital expenditures, reserve information, information relating to projected production, and other information relating to the status and results of operations of the Underlying Properties and the Royalty Interests, and (B) conclusions and reports regarding reserves by the Trust s independent reserve engineers.

There were no changes in the Trust s internal control over financial reporting during the quarter ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Trustee s internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, has not evaluated and makes no statement concerning, the internal control over financial reporting of SandRidge.

Table of Contents

PART II. Other Information

ITEM 1. *Legal Proceedings*

The Trust has been named as an additional defendant in a putative class action against SandRidge Energy, Inc. (SandRidge) and others as described below.

On December 5, 2012, James Glitz and Rodger A. Thornberry, on behalf of themselves and all other similarly situated stockholders, filed a putative class action complaint in the U.S. District Court for the Western District of Oklahoma against SandRidge and certain current and former executive officers of SandRidge. On January 4, 2013, Louis Carbone, on behalf of himself and all other similarly situated stockholders, filed a substantially similar putative class action complaint in the same court and against the same defendants. On March 6, 2013, the court consolidated these two actions under the caption In re SandRidge Energy, Inc. Securities Litigation (the Securities Litigation) and appointed a lead plaintiff and lead counsel.

On July 23, 2013 the lead plaintiff filed a consolidated amended complaint, in which the Trust was named as an additional defendant. The Consolidated Amended Complaint asserts a variety of federal securities claims against the Trust and SandRidge and certain of its current and former officers and directors, among other defendants, on behalf of a putative class of (a) purchasers of SandRidge common stock during the period from February 24, 2011 to November 8, 2012, (b) purchasers of common units of the Trust in or traceable to its initial public offering on or about April 12, 2011, and (c) purchasers of common units of SandRidge Mississippian Trust II in or traceable to its initial public offering on or about April 23, 2012. The claims are based on allegations that SandRidge and certain of its current and former officers and directors, among other defendants, including the Trust with respect to certain of the allegations, are responsible for making false and misleading statements, and omitting material information, concerning a variety of subjects, including oil and gas reserves, SandRidge s capital expenditures, and certain transactions entered into by companies allegedly affiliated with SandRidge s former CEO Tom Ward. The plaintiffs seek class certification, an order rescinding the Trust s initial public offering and an unspecified amount of damages, plus interest, attorneys fees and costs. The complaint was corrected by way of a Corrected Consolidated Amended Complaint filed on July 30, 2013.

The Trust and SandRidge each filed a Motion to Dismiss the claims asserted against the Trust in the Corrected Consolidated Amended Complaint.

Regardless of the outcome of the litigation, the Trust may incur expenses in defending the litigation, and any such expenses may increase the Trust s administrative expenses significantly. The Trust will estimate and provide for potential losses that may arise out of litigation to the extent that such losses are probable and can be reasonably estimated. Significant judgment will be required in making any such estimates and any final liabilities of the Trust may ultimately be materially different than any estimates. The Trust is currently unable to assess the probability of loss or estimate a range of any potential loss the Trust may incur in connection with the Securities Litigation, and has not established any reserves relating to the Securities Litigation. The Trust may withhold estimated amounts from future distributions to cover future costs associated with the litigation if determined necessary. The Trust has not yet fully analyzed any rights it may have to indemnities that may be applicable or any claims it may make in connection with the Securities Litigation.

ITEM 1A. *Risk Factors*

Risk factors relating to the Trust are contained in Item 1A of the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2013. No material change to such risk factors has occurred during the three-month period ended September 30, 2014.

ITEM 6. ***Exhibits***

See the Exhibit Index accompanying this Quarterly Report.

Table of Contents

SIGNATURE

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

SANDRIDGE MISSISSIPPIAN TRUST I

By: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A, Trustee

By: /s/ Michael J. Ulrich
Michael J. Ulrich
Vice President

Date: November 7, 2014

The Registrant, SandRidge Mississippian Trust I, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that any such function exists pursuant to the terms of the trust agreement under which it serves.

Table of Contents

EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference Form	SEC File No.	Exhibit	Filing Date	Filed Herewith
3.1	Certificate of Trust of SandRidge Mississippian Trust I	S-1	333-171551	3.1	01/05/2011	
3.2	Amended and Restated Trust Agreement of SandRidge Mississippian Trust I, dated April 12, 2011, by and among SandRidge Energy, Inc., The Bank of New York Mellon Trust Company, N.A., and The Corporation Trust Company	8-K	001-35122	3.1	04/18/2011	
3.3	Amendment No. 1 to Amended and Restated Trust Agreement of SandRidge Mississippian Trust I, dated June 13, 2012, by the Bank of New York Mellon Trust Company, N.A.	10-Q	001-35122	3.3	08/13/2012	
31.1	Section 302 Certification					*
32.1	Section 906 Certification					*