UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 79607 / December 20, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17739

In the Matter of **SandRidge Energy, Inc.,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against SandRidge Energy, Inc. ("SandRidge" or "Respondent").

II.

In anticipation of the institution of these proceedings, SandRidge has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, SandRidge consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Respondent

1. SandRidge Energy, Inc. is a Delaware corporation headquartered in Oklahoma City, Oklahoma. Effective January 7, 2016, SandRidge's common stock was delisted by the New York Stock Exchange ("NYSE") due to "abnormally low" trading price levels and began trading on the OTC Pink marketplace under the symbol "SDOC." SandRidge and 24 affiliates filed

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

voluntary petitions for relief under Chapter 11 of the Bankruptcy Code on May 16, 2016. *See In re Sandridge Energy, Inc., et al.*, Case No. 16-32488 (Bankr. S. D. Tex.) (jointly administered) (the "Bankruptcy Case"). On September 20, 2016, SandRidge's Chapter 11 plan of reorganization ("Plan") was confirmed by the bankruptcy court. The Plan became effective, and the company emerged from bankruptcy, on October 4, 2016. Effective October 4, 2016, the reorganized SandRidge's common stock began trading on NYSE under the symbol "SD." SandRidge files periodic reports, including reports on Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder.

Facts

Statutory and Regulatory Framework Protecting Whistleblowers and Other Witnesses In Commission Investigations

2. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, amended the Exchange Act by adding Section 21F, "Whistleblower Incentives and Protection." The purpose of these provisions was "to encourage whistleblowers to report possible violations of the securities laws by providing financial incentives, prohibiting employment-related retaliation, and providing various confidentiality guarantees." See "Implementation of the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934," Release No. 34-64545, at p. 198 (Aug. 12, 2011) (the "Adopting Release").

3. To fulfill this Congressional purpose, the Commission adopted Rule 21F-17, which provides in relevant part:

> (a) No person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement . . . with respect to such communications.

Rule 21F-17 became effective on August 12, 2011.

4. In addition, Section 21F(h)(1), in relevant part, prohibits an employer from taking retaliatory actions, either directly or indirectly, against a whistleblower who makes a report protected under, inter alia, the Sarbanes-Oxley Act of 2002. That act protects an employee who reports information that the employee reasonably believes constitutes fraud or a violation of a Commission rule or regulation to a person with supervisory authority over the employee or to such other person working for the employer who has the authority to investigate, discover or terminate misconduct. See 18 U.S.C. 1514A(a).

From August 2011 to April 2015, SandRidge's Separation Agreements Prohibited Voluntary, Direct Communication with the Commission

5. Beginning before August 12, 2011, and continuing through the present, SandRidge enters into separation agreements with certain employees who are leaving the company. A separation agreement is a contract between an employer and a separated employee documenting the rights and responsibilities of both parties incidental to the employee's departure.

6. The form of separation agreement used by SandRidge from at least August 12, 2011 to April 2015 included a "Future Activities" provision that stated that a former employee of the company may not voluntarily cooperate with any governmental agency in any complaint or investigation concerning the company. In particular, the "Future Activities" provision expressly stated that a former employee of the company may not:

> at any time in the future voluntarily contact or participate with any governmental agency in connection with any complaint or investigation pertaining to the Company, and [may] not be employed or otherwise act as an expert witness or consultant or in any similar paid capacity in any litigation, arbitration, regulatory or agency hearing or other adversarial or investigatory proceeding involving the Company.

7. In addition, SandRidge's form separation agreement included a "Confidential Information" provision that required employees to agree "not to make any independent use of or disclose to any other person or organization, including any governmental agency, any of the Company's confidential, proprietary information unless [the employee] obtain[ed] the Company's prior written consent."

8. The form separation agreement also included a "Preserving Name and Reputation" provision that imposed requirements on employees to "not at any time in the future defame, disparage or make statements or disparaging remarks which could embarrass or cause harm to SandRidge's name and reputation or the names and reputation of any of its officers, directors, representatives, agents, employees or SandRidge's current, former or prospective vendors, professional colleagues, professional organizations, associates or contractors, to any governmental or regulatory agency or to the press or media."

<u>SandRidge Modified the Violative Provisions in Some Separation Agreements, But Continued to Use Its Standard Language in Many Others</u>

9. After the rule was enacted, several employees or officers in connection with their execution of the separation agreement requested that the problematic language be modified. Although SandRidge agreed to modify the violative language when an employee explicitly requested it, SandRidge continued to use the same violative language in its form separation agreements provided to former employees who did not identify the issue.

10. Between August 2011 and June 2015, SandRidge conducted multiple reviews and revised its form separation agreement.

11. At least as early as April 2012, SandRidge revised the "Future Activities" provision for certain employees when the employee, or his/her counsel, commented on the language or requested modification of the provision at the time of the employee's departure from the company. For example, during the course of negotiating the separation agreement, counsel for an employee expressed concern that the "Future Activities" provision might subject the employee to criminal sanctions, and counsel for an officer noted with respect to the "Future Activities" provision "that the SEC or other regulators might view this promise negatively." In both of these instances, SandRidge agreed to revise the agreements to at least partially remove or remedy the violative language. Further, at the request of employees or counsel for employees, SandRidge modified the problematic language in an additional five separation agreements. The company also made certain

modifications to separation agreements and form separation agreements provided to select other employees, but the company did not remove all of the violative provisions from any agreement and continued to use the provisions in agreements with or relating to a vast majority of its employees.

12. From August 2011 through April 2015, approximately 546 former employees of SandRidge signed separation agreements that contained all or some of the above-referenced "Future Activities" provision, "Confidential Information" provision, and "Preserving Name and Reputation" provision. In addition, approximately 240 additional employees of SandRidge received a form of the separation agreement attached to their employment agreement that included all or some of these provisions. As part of a planned reduction in force, SandRidge entered into approximately 113 separation agreements on or after April 1, 2015, the day the Commission announced its first enforcement action charging violations of Rule 21F-17 (*See In the Matter of KBR, Inc.*, No. 3-16466 (SEC Apr. 1, 2015)). On that same day, and in the days that followed, SandRidge's in-house counsel received multiple client alerts and other information about the enforcement matter. After receiving the client alerts, SandRidge asked its outside employment counsel to revise its standard form of separation agreement but did not change the language in the separation agreements used for the ongoing reduction in force.

<u>SandRidge Employed the Overly Prohibitive Provisions While under Active Commission Investigation</u>

13. The potential for its officers and employees to communicate with the Commission was not merely a hypothetical concern for SandRidge. Many of the violative separation agreements were in place, and a large number of agreements were executed, at times when SandRidge was subject to investigation by the Commission. While, as a general matter, the Commission is unable to determine if former officers or employees did not report to or communicate with the Commission because of the violative provisions, these provisions expressly limited an employee's ability to communicate possible securities law violations with any governmental agency.

14. Such restrictions on providing information regarding possible securities law violations to the Commission undermine the purpose of Section 21F, which is to "encourage[e] individuals to report to the Commission" [Adopting Release at p. 201], and violate Rule 21F-17(a) by impeding individuals from communicating directly with the Commission staff about possible securities law violations.

15. On May 11, 2015, the Commission staff contacted SandRidge to identify potential violations of Rule 21F-17(a) contained in agreements that SandRidge had attached to certain filings with the Commission, and to request that SandRidge remediate any violations. In response to the Commission staff's May 11, 2015 request, from June 2015 through July 2015, SandRidge took steps to remediate its ongoing violations of Rule 21F-17 by revising its form separation agreement and communicating such amendments to its current and former employees and advising them that the problematic provisions were no longer in effect. In particular, the revised form separation agreement removed the language in the "Future Activities" provision prohibiting an employee from contacting or participating with any governmental agency in connection with any complaint or investigation pertaining to the company and amended the "Confidential Information" and "Preserving Name and Reputation" provisions to remove the specific reference to governmental agencies. The company also added a new "Exceptions to Restrictions on

Communications, Confidentiality and Future Activities" provision which explicitly states that nothing in the agreement is intended to prohibit employees from reporting possible violations of federal law or regulation to any governmental agency or entity.

16. In addition, from June 2015 through December 2015, SandRidge amended several of its corporate codes and policies, including its Code of Business Conduct and Ethics, Anti-Retaliation Policy, Conflicts of Interest Policy, Legal Matters Policy, and Securities Trading Policy, that included general prohibitions of communications with third parties and required employees to notify the company when they were contacted by the government. The amendments were intended to make clear to employees that those policies do not restrict employees from reporting to or communicating with the Commission or other government agencies.

17. In February 2016, the Commission staff contacted counsel to a former employee of SandRidge requesting certain information concerning the circumstances of the employee's departure from the company. Through counsel, the former employee refused to speak with the staff referring to the language contained in the "Future Activities" provision of the separation agreement the employee signed with the company as the reason for the employee's refusal. The Commission staff informed the employee's counsel of SandRidge's remediation letter advising former employees that the violative provisions in the separation agreements were no longer in effect, but the employee still would not speak to the Commission staff voluntarily again referring to the original language in the separation agreement as the basis for the employee's refusal.

Whistleblower Retaliation

18. In the fall of 2012, SandRidge hired a new employee ("Whistleblower") to oversee reservoir engineers responsible for a portion of the company's drilling program.

19. Beginning within the first months of the Whistleblower's employment, and continuing over the course of the next two and a half years, the Whistleblower raised with senior management at the company certain concerns the Whistleblower had regarding the company's process in calculating oil and gas reserves that are reported by the company in its periodic reports filed with the Commission. Prompted by the Whistleblower's concerns, in the spring of 2014, SandRidge's internal audit department started an audit of the reserves process.

20. In December 2014, the Whistleblower was provided for review and comment, a draft report describing the internal audit. The Whistleblower expressed strong disagreement with the draft report, reiterating the Whistleblower's concerns about the "SEC reserves" and stating that the report "ha[d] missed the primary risks and problems associated with the entire reserves process."

21. Earlier in the same month, SandRidge had decided to offer promotions to vice president positions to three employees, including the Whistleblower. In offering the promotions, the company sought assurances from each of the employees that they would support management and were committed to the company. The Whistleblower was offered the promotion later on the same day the Whistleblower had raised concerns about the draft internal audit report. The Whistleblower declined the promotion, or to provide the assurances sought by management, because of the Whistleblower's ongoing concerns about the reserves process.

22. The draft internal audit report was subsequently revised to address certain of the Whistleblower's concerns. This revised draft was provided to the Whistleblower, and on or about January 16, 2015, the Whistleblower wrote: "Everything looks good to me. I like the changes that were made." But the internal audit was never completed and a final version of the report was never disseminated to the company's Board of Directors or Audit Committee.

23. On February 9, 2015, the Whistleblower was asked to attend a meeting to discuss updating or revising the map of oil and gas well locations that had previously been used by the company in its public disclosures. The Whistleblower asked to be recused from this project because, consistent with the concerns the Whistleblower had been raising, the Whistleblower did not support the methodology that the Whistleblower and others had used to prepare the prior map of locations. The Whistleblower stated that this had become an "ethical issue" and the Whistleblower therefore could not participate in the project. The Whistleblower later met with a member of senior management to discuss the ethical concerns the Whistleblower had regarding this project.

24. In early to mid-March 2015, the Whistleblower again informed the company's senior management of the Whistleblower's concerns regarding the company's process in calculating oil and gas reserves. In the same period, senior management was discussing a number of structural changes at the company, including a restructuring of reservoir engineering, that would have the effect of changing the Whistleblower's reporting structure and level of responsibility. In the course of these discussions, senior management considered the Whistleblower's possible termination. The company also conducted a search of the Whistleblower's past year of emails, seeking to determine if there were any external emails where the Whistleblower had made disparaging remarks regarding the company or the reserves process, or had used terms such as "type curve," "corporate reserves," "overstated" or "SEC."

25. On or about March 31, 2015, SandRidge senior management decided to terminate the Whistleblower. In discussing the Whistleblower's termination, members of SandRidge senior management expressed among themselves their belief that the manner in which the Whistleblower was raising concerns regarding the reserve process was disruptive, and that the company could replace the Whistleblower with someone "who could do the work without creating all of the internal strife." At that time, SandRidge had not investigated the Whistleblower's concerns regarding the reserves process, other than conducting its incomplete internal audit.

26. The company terminated the Whistleblower on April 1, 2015, the same day it made its large scale reduction in force. As it did with the employees subject to the reduction in force, SandRidge provided the Whistleblower with its standard form of separation agreement, which contained the violative provisions that would have precluded the Whistleblower from communicating with the Commission staff. Through counsel, the Whistleblower negotiated with the company over the severance amount and other terms of the separation. Included in those negotiations was a request on May 28, 2015, by the Whistleblower's counsel that the company "remov[e] the provisions that violate federal law," referring to the violative provisions contained in the separation agreement. At that time, nearly two months had elapsed since the Commission had issued its *KBR* order and SandRidge had already provided the name of the Whistleblower and a description of the Whistleblower's allegations to the Commission staff in response to a subpoena. Nevertheless, the company stated in its response to the Whistleblower's counsel that it would not be in a position to respond to any of the Whistleblower's demands, including the Whistleblower's

request to remove the violative provisions, until it had completed a review of the matter, including interviewing the Whistleblower. SandRidge agreed to remove the violative provisions from the proposed separation agreement, which has never been signed, on June 9, 2015.

Violations

27. Through its conduct described above, SandRidge violated Section 21F(h) of the Exchange Act and Rule 21F-17 under the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent SandRidge's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent SandRidge, including Reorganized SandRidge as defined in the Plan, cease and desist from committing or causing any violations and any future violations of Section 21F(h) of the Exchange Act and Rule 21F-17 under the Exchange Act;

B. Subject to the payment provisions set forth in the remainder of this Paragraph IV.B., Respondent is ordered to pay a civil money penalty in the amount of $1,400,000.00 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). Respondent's payment of such $1,400,000.00 civil money penalty shall be accomplished as follows: (i) the Respondent shall allow and not contest the Commission's general unsecured claim in the amount of $1,400,000.00 in the Bankruptcy Case; and (ii) because the Commission generally cannot accept securities, and the Plan provides for the payment of allowed general unsecured claims in both securities and cash, Respondent shall pay, and the Commission shall accept (a) the cash amount that the Commission is entitled to receive as the holder of an allowed general unsecured claim in the amount of $1,400,000.00 under the Plan, plus (b) an additional cash amount equal to 50% of the monetary value of the securities it would otherwise be entitled to receive as the holder of an allowed general unsecured claim in the amount of $1,400,000.00 under the Plan (together, the "Post-Bankruptcy Penalty Amount"). Upon, or as soon as reasonably practicable after, bankruptcy court approval of the settlement contemplated by this Order, (a) the Respondent shall notify the Commission in writing of the Post-Bankruptcy Penalty Amount, along with supporting documentation as to how such amount was calculated, and (b) the Respondent shall pay the Post-Bankruptcy Penalty Amount. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying SandRidge as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to David L. Peavler, Associate Regional Director, Fort Worth Regional Office, Division of Enforcement, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, Texas, 76102.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of relief by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court or agency in any Related Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Action" means an administrative claim filed with respect to, or a private damages action brought against Respondent, based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary