

1st Quarter Earnings Call and Operational Update

April 30, 2014





Forward Looking Statements - Cautionary Language

Except for historical information contained herein, statements in this presentation, including information regarding the business of the Company, contain forward looking statements within the meaning of securities laws, including forecasts and projections. The words “anticipate,” “assume,” “believe,” “budget,” “estimate,” “expect,” “forecast,” “intend,” “plan,” “project,” “will” and similar expressions are intended to identify forward looking statements. These statements involve known and unknown risks, which may cause SM Energy’s actual results to differ materially from results expressed or implied by the forward looking statements. These risks include factors such as the availability, proximity, and capacity of gathering, processing and transportation facilities; the uncertainty of negotiations to result in an agreement or a completed transaction; the uncertain nature of announced acquisition, divestiture, joint venture, farm down, or similar efforts and the ability to complete any such transactions; the uncertain nature of expected benefits from the actual or expected acquisition, divestiture, joint venture, farm down, or similar efforts; the volatility and level of oil, natural gas, and natural gas liquids prices; uncertainties inherent in projecting future rates of production from drilling activities and acquisitions; the imprecise nature of estimating oil and gas reserves; the availability of additional economically attractive exploration, development, and acquisition opportunities for future growth and any necessary financings; unexpected drilling conditions and results; unsuccessful exploration and development drilling results; the availability of drilling, completion, and operating equipment and services; the risks associated with the Company’s commodity price risk management strategy; uncertainty regarding the ultimate impact of potentially dilutive securities; and other such matters discussed in the “Risk Factors” section of SM Energy’s 2013 Annual Report on Form 10-K. The forward looking statements contained herein speak as of the date of this announcement. Although SM Energy may from time to time voluntarily update its prior forward looking statements, it disclaims any commitment to do so except as required by securities laws.

Proved reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. In this presentation, the Company uses the terms “probable,” “possible,” “3P,” and “resources.” Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations (subject to other conditions). Resources are quantities of oil and gas and related substances estimated to exist in naturally occurring accumulations. SM Energy also uses the term “EUR” (estimated ultimate recovery), which is the sum of reserves remaining as of a given date and cumulative production as of that date. Estimates of probable and possible reserves included in 3P reserves and resources which may potentially be recoverable through additional drilling or recovery techniques are by their nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by the Company.

Key Messages



- **Solid execution on 2014 plan.**
 - ✓ Top end of production guidance.
 - ✓ Performed well on most guided cost measures.
- **Following through on inventory enhancement testing in operated Eagle Ford and Bakken/Three Forks, with results expected later in year.**
- **Accelerating Powder River Basin delineation program; pending PRB transactions complement existing asset base.**
- **New Ventures activities in Permian and East Texas progressing.**

1st Quarter 2014 Performance



Production

	1Q14 Actual Performance	1Q14 Guidance
Average daily production (MBOE/d)	138.6	133 - 140
Total production (MMBOE)	12.47	12.0 - 12.6

Costs

LOE (\$/BOE)	\$4.58	\$5.25 - \$5.50
Transportation (\$/BOE)	\$6.35	\$5.75 - \$6.05
Production taxes (% of pre-derivative oil, gas, & NGL revenue)	4.4%	5.0% - 5.5%
G&A -- Cash (\$/BOE)	\$2.18	\$2.00 - \$2.20
G&A -- Cash NPP (\$/BOE)	\$0.24	\$0.20 - \$0.35
G&A -- Non-cash (\$/BOE)	\$0.39	\$0.35 - \$0.50
TOTAL G&A (\$/BOE)	\$2.81	\$2.55 - \$3.05
DD&A (\$/BOE)	\$14.21	\$15.10 - \$15.90

Net Income

- GAAP net income of \$65.6 million, or \$0.96 per diluted share.
- Adjusted net income* (non-GAAP) of \$107.6 million, or \$1.58 per adjusted diluted share.

EBITDAX

- EBITDAX* (non-GAAP) of \$398.9 million.

* Please see adjusted net income and EBITDAX reconciliations in the Appendix.



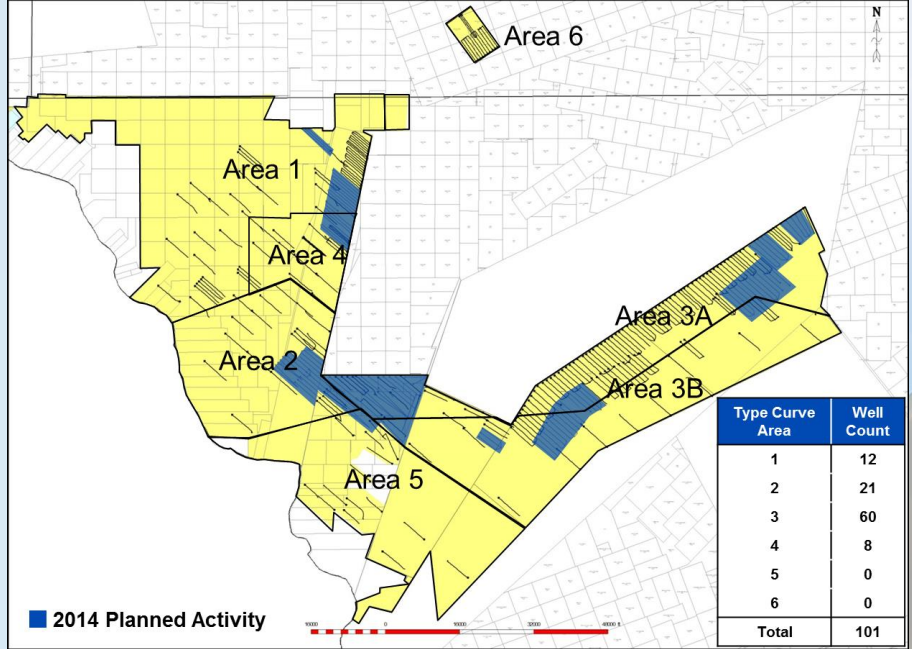
Operational Update

Operated Eagle Ford

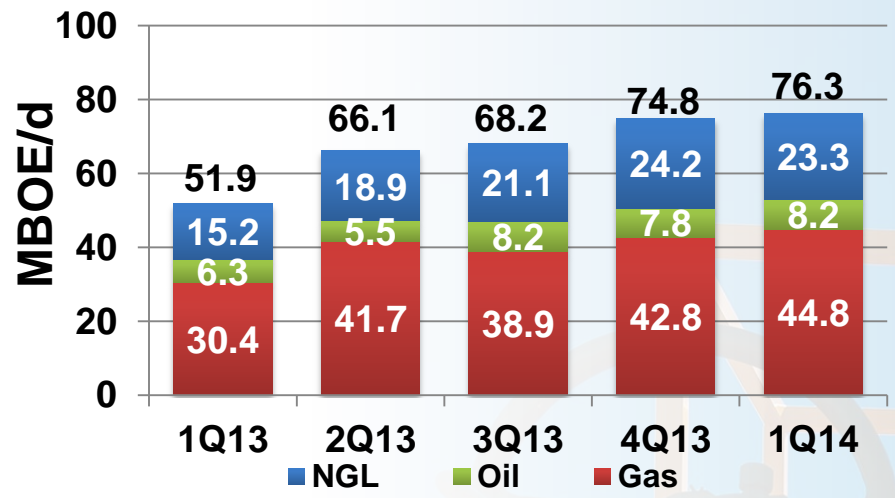


Operational Highlights

- SM Energy made 20 flowing completions in 1Q14.
- Average drilled lateral length increased by ~25% in 1Q14 from 2013 average.



Net Production



- ~144,000 total net acres
- ✓ Area 1: ~ 35,000 net acres
- ✓ Area 2: ~ 22,000 net acres
- ✓ Area 3: ~ 52,000 net acres
- ✓ Area 4: ~ 8,000 net acres
- ✓ Area 5: ~ 25,000 net acres
- ✓ Area 6: ~ 2,000 net acres

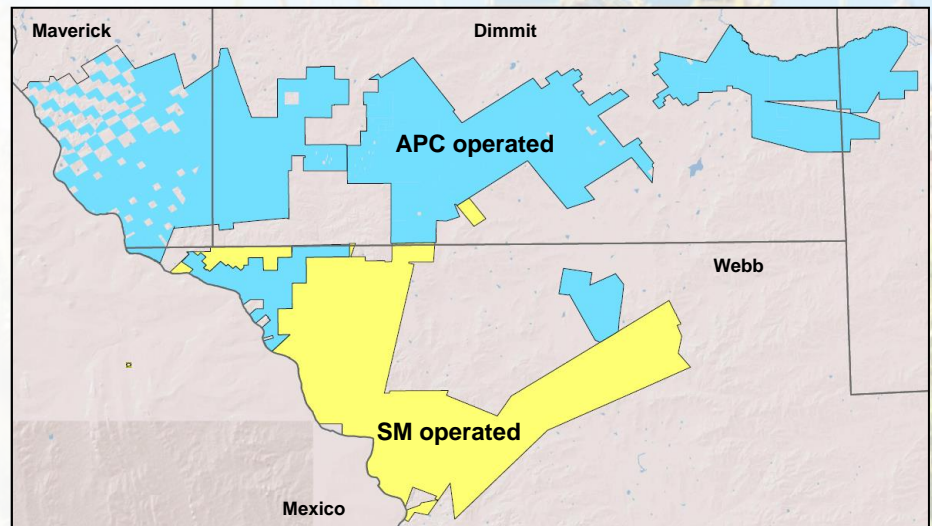
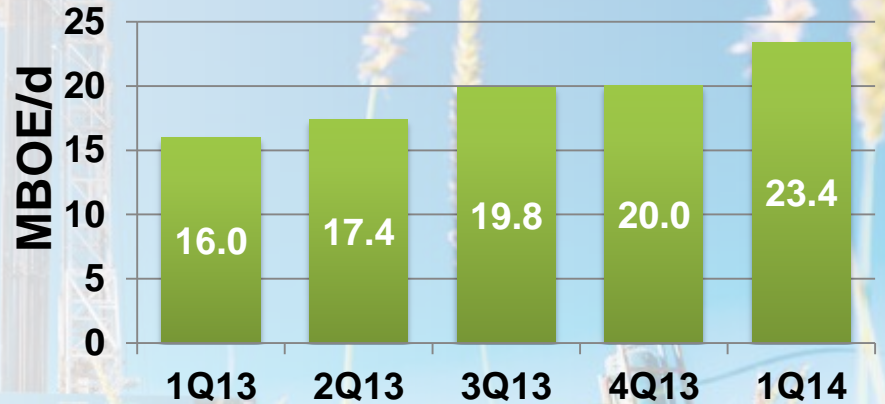


Non-operated Eagle Ford

Operational Highlights

- APC made 107 flowing completions in 1Q14.
- SM Energy expects its drilling and completion carry with Mitsui to be exhausted during 2Q14.

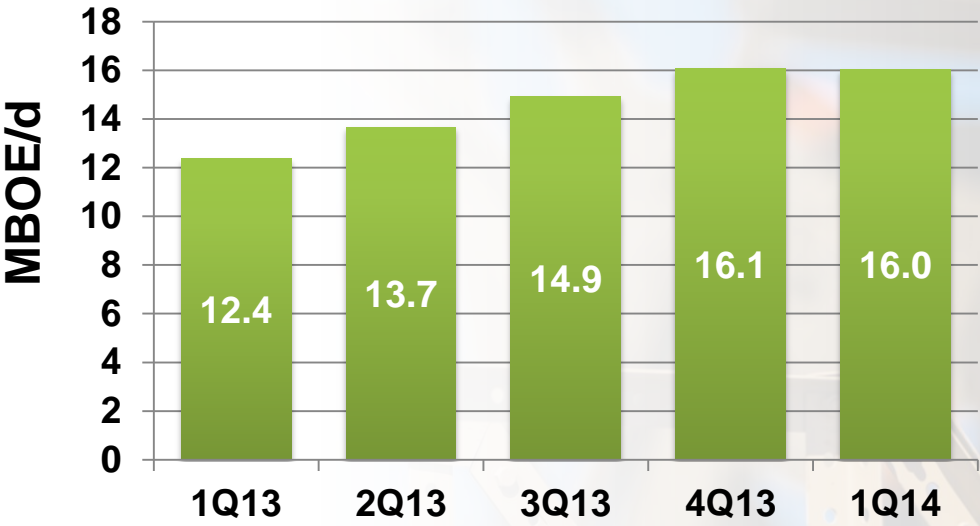
Net Production



Bakken/Three Forks

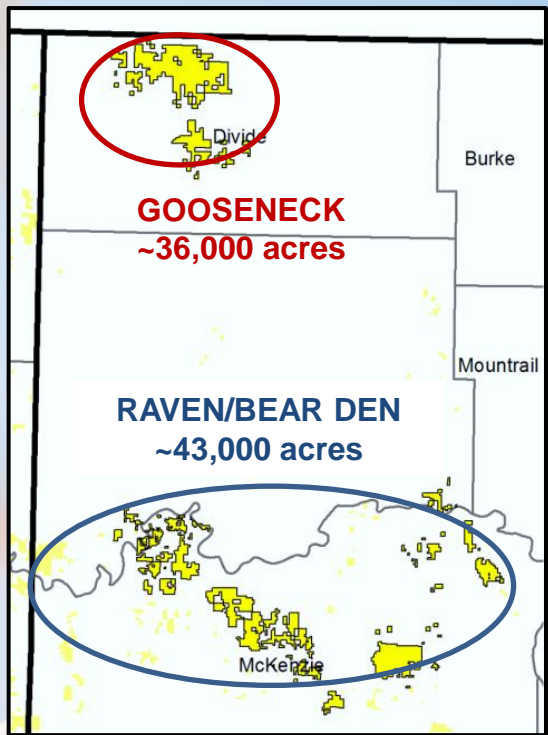


Net Production



Operational Highlights

- SM Energy made 12 gross flowing completions in 1Q14.
- Weather related delays in 1Q14 pushed back completion dates.



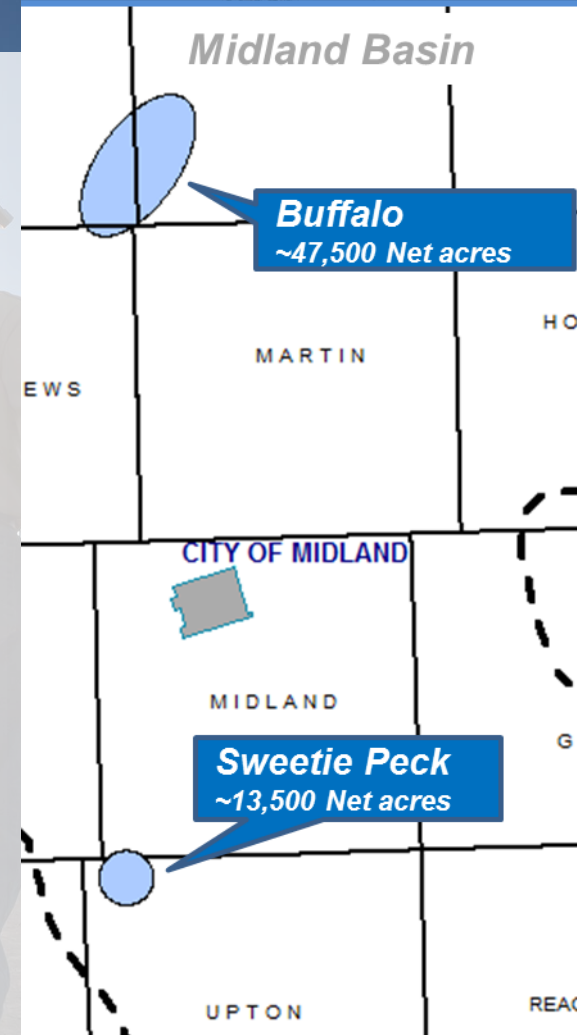
- Total Bakken/TFS net acreage
✓ ~159,000

Permian Region



Operational Highlights

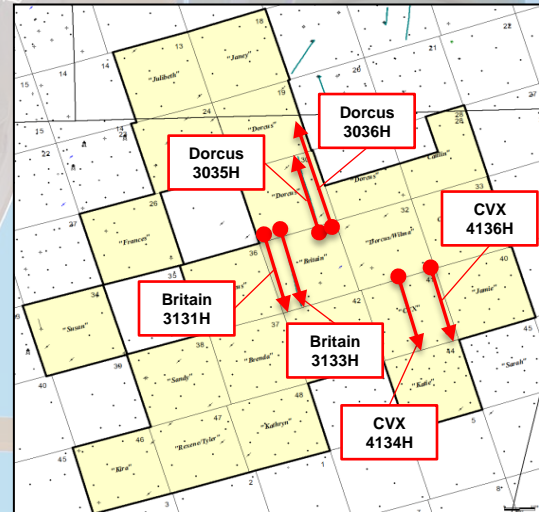
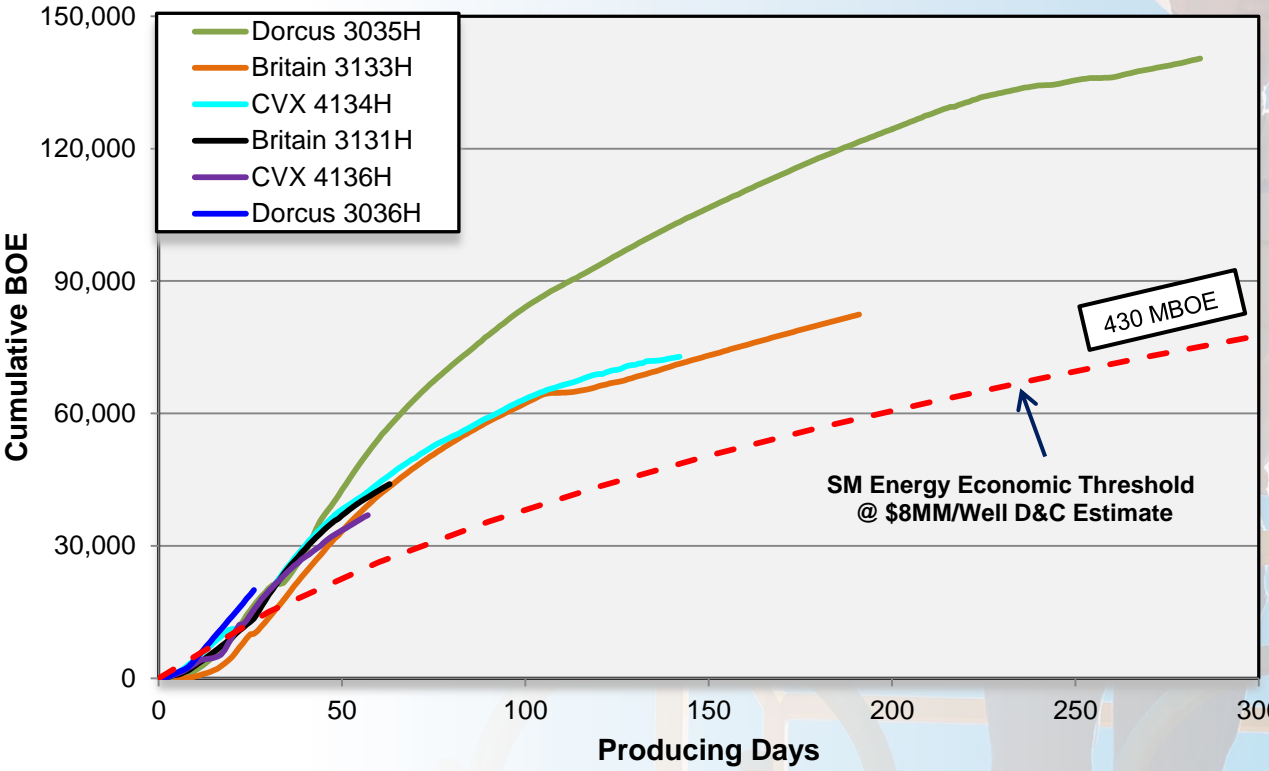
- **SM Energy plans to drill its first Wolfcamp D well on its Buffalo acreage in 2Q14.**
- **The Company made 3 flowing completions in 1Q14.**
- **Sweetie Peck wells appear to be exceeding economic threshold to date.**



Sweetie Peck Wolfcamp B Performance



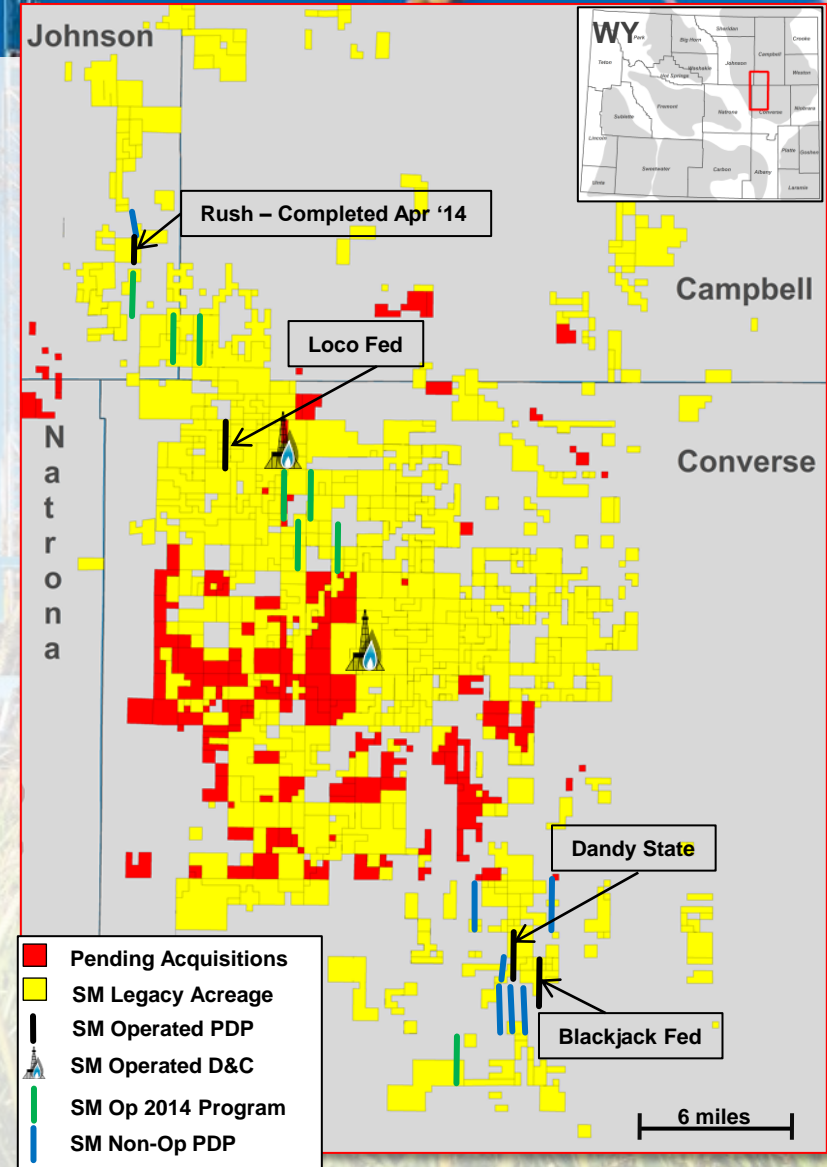
Well Name	Lateral Length	Stages	2-Stream 30-Day Peak IP Rate (BOE/d)	Proppant	Lift Mechanism
Dorcus 3035H	4,960	25	1,226	White Sand	ESP
Britain 3133H	4,960	25	981	RCP	Gas Lift
Britain 3131H	4,904	25	925	LWC	ESP
CVX 4134H	4,932	25	950	LWC	Rod Pump
CVX 4136H	4,974	25	890	RCP	ESP
Dorcus 3036H	7,647	39	Not available	White + Resin Tail	Flowing Back (to be ESP)



Powder River Basin Update



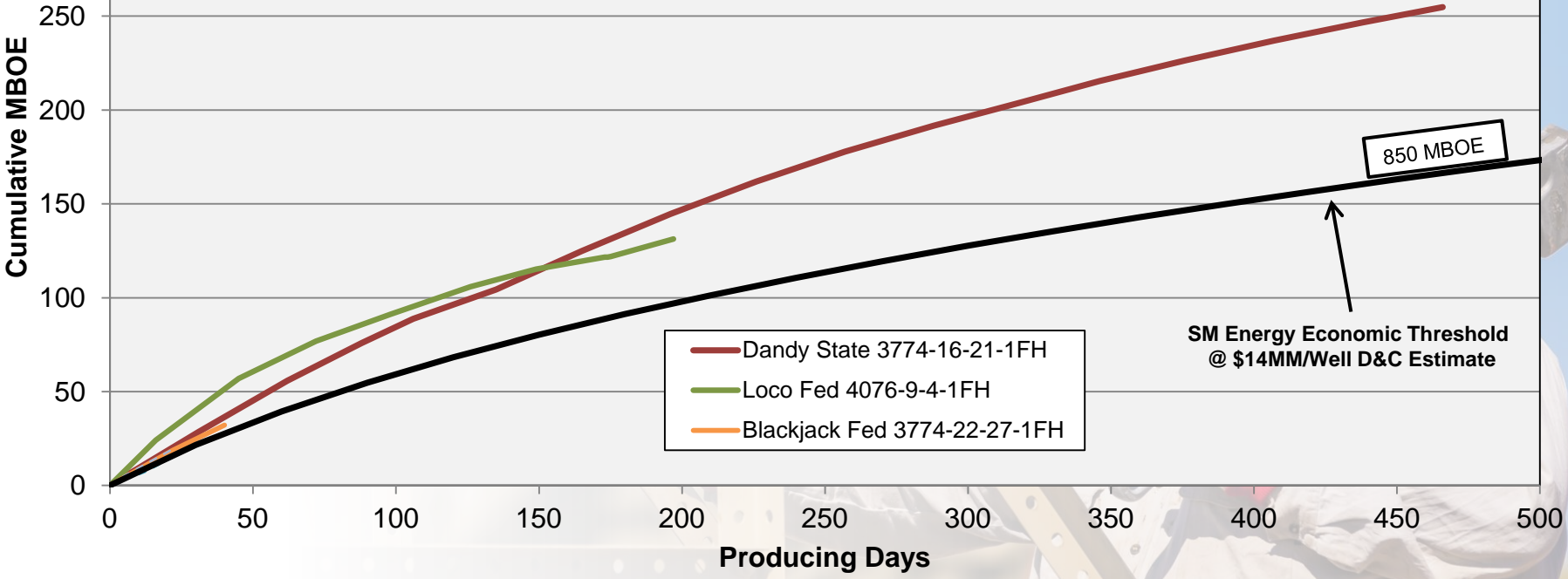
- **SM Energy recently has entered into agreements to acquire additional acreage in the PRB.**
 - ✓ ~28,000 net acres to be added adjacent to existing leasehold upon closing.
 - ✓ Cash consideration of ~\$100 MM plus ~7,000 net acres of non-core PRB acreage
 - ✓ Upon closing, the Company will have ~161,000 net acres in PRB, ~122,000 of which is prospective in the Frontier.
- **Increasing activity to accelerate delineation of Frontier interval.**
 - Currently running 2 operated rigs and plans to add 3rd rig in 2Q14.
 - Expect to complete 11 wells in PRB in 2014, up from 8 wells.
 - Company currently has 25 drilling permits in hand.



Operated Frontier Horizontal Performance



Well Name	Operator	Lateral Length	Stages	2-Stream Peak 30-Day IP (BOE/d)*
Dandy State 3774-16-21-1FH	SM Energy	9,342	30	927
Loco Fed 4076-9-4-1FH	SM Energy	8,572	27	1,408
Blackjack Fed 3774 27-22-1FH	SM Energy	9,108	30	917



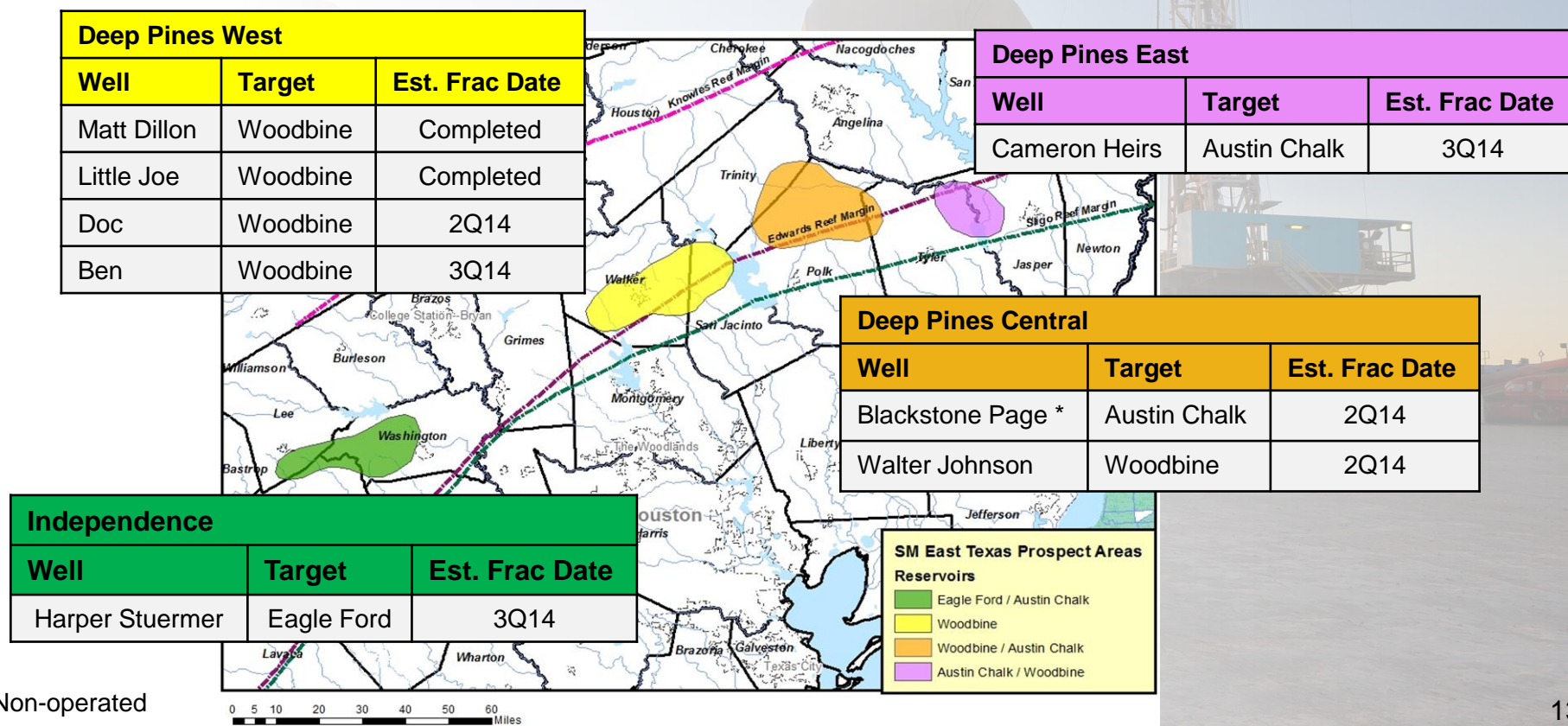
* 1280 Horizontal well oil percentage range of approx. 75% - 85% in early stages. Based on vertical well performance, GOR is expected to increase over time.

2014 East Texas Program



~215,000 Net Acres

- Drill additional test wells in each of the four prospect areas to delineate and high-grade acreage position.

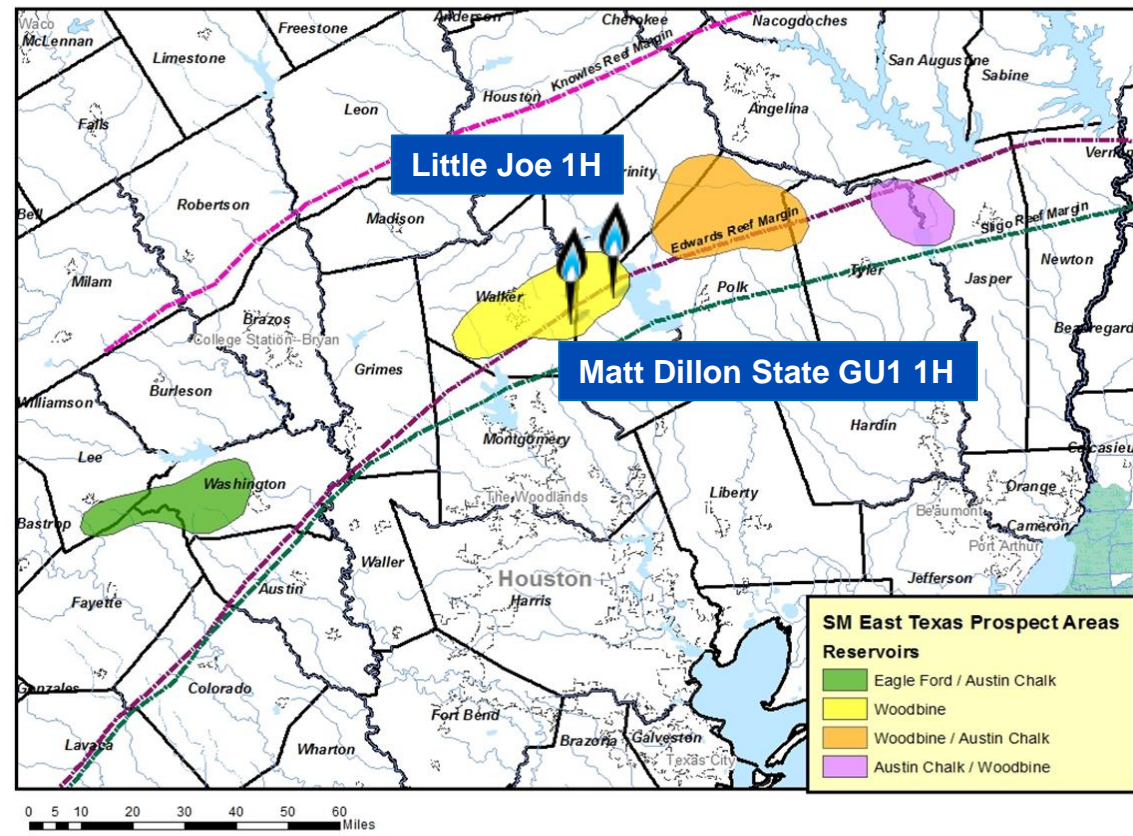


Recent East Texas Results



Well Name	Target Interval	Effective Lateral Length	Stages	7-Day 2-stream IP* (BOE/d)	% Oil	BTU Gas	FCP (PSI)
Matt Dillon State GU1 1H	Woodbine	4,600	18	1,046	16	1,257	1,926
Little Joe 1H	Woodbine	5,100	20	820	29	1,278	2,121

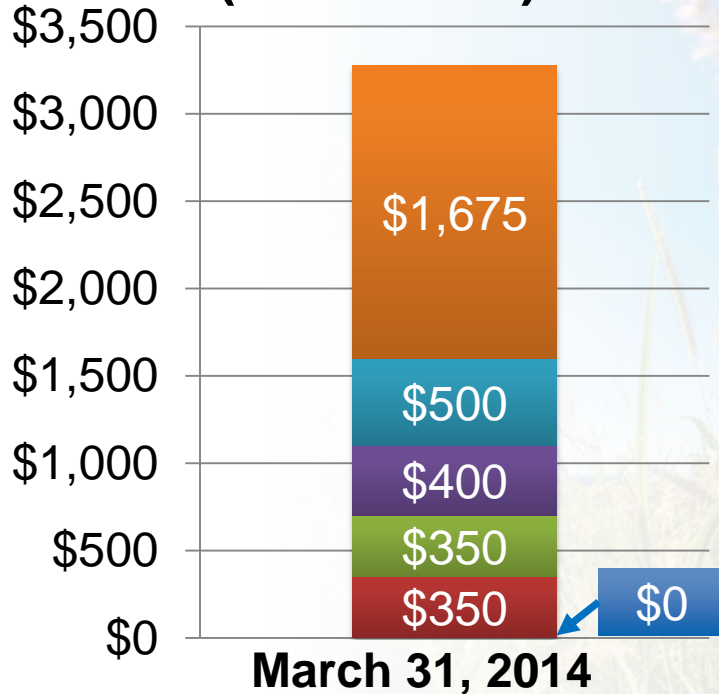
* Initial production rates are constrained due to infrastructure limitations.





Financial Position

TOTAL BOOK CAPITALIZATION (in millions)



- At March 31, 2014, the Company's net debt to trailing EBITDAX was 0.9 and net debt to book capitalization was 42%.
- In 1Q14, the Company's borrowing base was maintained at \$2.2 billion, taking into account 2H13 divestitures.

Revolving Credit Facility

Senior Notes due 2019

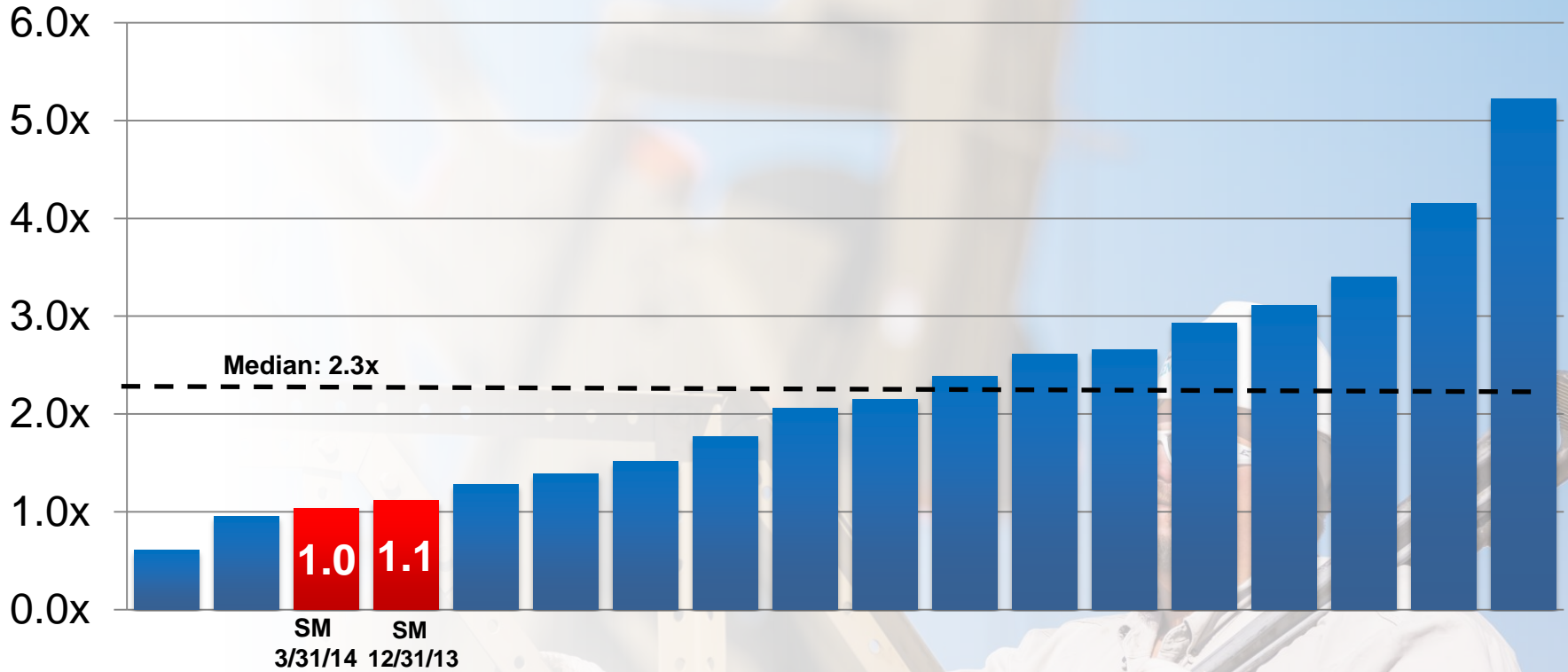
Senior Notes due 2021

Senior Notes due 2023

Senior Notes due 2024

Stockholders' Equity

Debt to TTM EBITDAX



➤ **SM Energy's debt to trailing twelve-month EBITDAX is below its peer median average of 2.3x.**

Note: 3/31/31 SM TTM EBITDAX is calculated by Company per Bloomberg definition. 12/31/13 Balance sheet and TTM EBITDAX data sourced from Bloomberg. Peer Group includes CLR, COG, CXO, DNR, EGN, NFX, OAS, PXD, QEP, ROSE, RRC, UPL, WLL, WPX, XCO, XEC.

Key Takeaways



- **The Company is executing well on its 2014 plan.**
- **SM Energy continues to pursue a number of inventory enhancement tests in its core development programs.**
- **The Company announced significant bolt-on acquisitions in the PRB and is accelerating its program.**
- **The Company is encouraged by recent results in its New Ventures programs in the Permian Basin and East Texas.**



Appendix

1Q14 Regional Realizations



NYMEX WTI OIL (Bbl)	\$	98.72
Hart Composite NGL (Bbl)	\$	45.61
NYMEX Henry Hub Gas (MMBTU)	\$	5.25

Production Volumes	STGC	Rockies	Mid-Con	Permian	SM Total
Oil (MBbls)	1,598	1,613	3	443	3,657
Gas (MMcf)	28,281	1,533	4,712	1,013	35,539
NGL (MBbls)	2,830	25	37	0	2,892
MBOE	9,142	1,894	825	612	12,472

Revenue (in thousands)						
Oil	\$	142,503	\$	141,263	\$	325,317
Gas		142,143		13,766		185,608
NGL		109,484		1,112		112,184
Total	\$	394,130	\$	156,141	\$	623,109

Expenses						
LOE	\$	21,563	\$	19,391	\$	57,064
Transportation	\$	74,909	\$	2,186	\$	79,178
Production Taxes	\$	7,058	\$	16,369	\$	27,467

Per Unit Metrics:						
Realized Oil/Bbl	\$	89.19	\$	87.59	\$	88.96
% of Benchmark – WTI		90 %		89 %		90 %
Realized Gas/Mcf	\$	5.03	\$	8.98	\$	5.22
% of Benchmark - NYMEX HH		96 %		171 %		99 %
Realized NGL/Bbl	\$	38.68	\$	43.98	\$	38.79
% of Benchmark – HART		85 %		96 %		85 %
Realized BOE	\$	43.11	\$	82.46	\$	49.96
LOE/BOE	\$	2.36	\$	10.24	\$	4.58
Transportation/BOE	\$	8.19	\$	1.15	\$	6.35
Production Tax - % of Total Revenue		1.8 %		10.5 %		4.4 %

* Totals may not sum due to rounding.

EBITDAX Reconciliation



EBITDAX (1)
(in thousands)

Reconciliation of net income(GAAP) to EBITDAX (non-GAAP) to net cash provided by operating activities (GAAP):

For the Three Months Ended
March 31,

	2014	2013
Net income (GAAP)	\$65,607	\$16,727
Interest expense	24,190	19,101
Interest income	(26)	(12)
Income tax expense	38,863	10,382
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	177,215	198,709
Exploration (2)	19,938	13,224
Impairment of properties	2,801	21,521
Stock-based compensation expense	6,344	8,113
Derivative loss	97,662	30,572
Cash settlement gain (loss)	(28,940)	11,792
Change in Net Profits Plan liability	(1,776)	(1,925)
(Gain) loss on divestiture activity (3)	(2,958)	574
EBITDAX (Non-GAAP)	\$398,920	\$328,778
Interest expense	(\$24,190)	(\$19,101)
Interest income	26	12
Income tax expense	(38,863)	(10,382)
Exploration (2)	(19,938)	(13,224)
Exploratory dry hole expense	-	159
Amortization of debt discount and deferred financing costs	1,477	1,077
Deferred income taxes	38,374	10,280
Plugging and abandonment	(1,325)	(1,378)
Other	(3,103)	1,836
Changes in current assets and liabilities	(51,650)	(15,765)
Net cash provided by operating activities (GAAP)	\$299,728	\$282,292

(1) EBITDAX represents income before interest expense, interest income, income taxes, depreciation, depletion, amortization and accretion, exploration expense, property impairments, non-cash stock compensation expense, derivative loss net of cash settlements, change in the Net Profit Plan liability, and loss on divestitures. EBITDAX excludes certain items that the Company believes affect the comparability of operating results and can exclude items that are generally one-time or whose timing and/or amount cannot be reasonably estimated. EBITDAX is a non-GAAP measure that is presented because the Company believes that it provides useful additional information to investors, as a performance measure, for analysis of the Company's ability to internally generate funds for exploration, development, acquisitions, and to service debt. The Company is also subject to financial covenants under its credit facility based on its debt to EBITDAX ratio. In addition, EBITDAX is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the oil and gas exploration and production industry, and many investors use the published research of industry research analysts in making investment decisions. EBITDAX should not be considered in isolation or as a substitute for net income, income from operations, net cash provided by operating activities, profitability, or liquidity measures prepared under GAAP. Because EBITDAX excludes some, but not all items that affect net income and may vary among companies, the EBITDAX amounts presented may not be comparable to similar metrics of other companies.

(2) Stock-based compensation expense is a component of exploration expense and general and administrative expense on the accompanying condensed consolidated statements of operations. Therefore, the exploration line items shown in the reconciliation above will vary from the amount shown on the accompanying condensed consolidated statements of operations because of the component of stock-based compensation expense recorded to exploration.

(3) (Gain) loss on divestiture activity is included within the other operating revenues line item of the accompanying condensed consolidated statements of operations.

Adjusted Net Income Reconciliation

Reconciliation of net income (GAAP) to adjusted net income (Non-GAAP):

(in thousands, except per share data)

	For the Three Months Ended March 31,	
	2014	2013
Reported Net Income (GAAP)	\$ 65,607	\$ 16,727
Adjustments net of tax: ⁽¹⁾		
Change in Net Profits Plan liability	(1,115)	(1,188)
Derivative loss	61,332	18,863
Derivative cash settlement (loss) gain	(18,174)	7,276
(Gain) loss on divestiture activity	(1,858)	354
Impairment of properties	1,759	13,279
Adjusted net income (Non-GAAP): ⁽²⁾	\$ 107,551	\$ 55,311
Adjusted net income per diluted common share:	\$ 1.58	\$ 0.82
Diluted weighted-average common shares outstanding:	68,126	67,521

(1) For the three-month period ended March 31, 2014, adjustments are shown net of tax and are calculated using a tax rate of 37.2%, which approximates the Company's statutory tax rate for that period, as adjusted for ordinary permanent differences. For the three-month period ended March 31, 2013, adjustments are shown net of tax using the Company's effective rate as calculated by dividing income tax expense by income before income taxes on the consolidated statement of operations.

(2) Adjusted net income excludes certain items that the Company believes affect the comparability of operating results and generally are items whose timing and/or amount cannot be reasonably estimated. These items include non-cash adjustments and impairments such as the change in the Net Profits Plan liability, derivative loss, derivative cash settlement gain (loss), impairment of properties, and (gain) loss on divestiture activity. The non-GAAP measure of adjusted net income is presented because management believes it provides useful additional information to investors for analysis of SM Energy's fundamental business on a recurring basis. In addition, management believes that adjusted net income is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the oil and gas exploration and production industry, and many investors use the published research of industry research analysts in making investment decisions. Adjusted net income should not be considered in isolation or as a substitute for net income, income from operations, cash provided by operating activities or other income, profitability, cash flow, or liquidity measures prepared under GAAP. Since adjusted net income excludes some, but not all, items that affect net income and may vary among companies, the adjusted net income amounts presented may not be comparable to similarly titled measures of other companies.

2Q14 Guidance



	2Q14	FY 2014
Production (MMBOE)	12.4 – 13.0	51.5 – 53.5
Average daily production (MBOE/d)	136 – 143	140 – 148
LOE (\$/BOE)	\$4.80 – \$5.05	\$4.75 – \$5.00
Transportation (\$/BOE)	\$6.10 – \$6.50	\$6.10 – \$6.50
Production taxes (% of pre-derivative oil and gas revenue)	4.5% - 5.0%	4.5% - 5.0%
G&A – Cash (\$/BOE)	\$2.25 – \$2.45	\$2.20 – \$2.45
G&A – Cash NPP (\$/BOE)	\$0.25 – \$0.40	\$0.25 – \$0.40
G&A – Non-cash (\$/BOE)	\$0.40 – \$0.60	\$0.30 – \$0.50
G&A Total (\$/BOE)	\$2.90 – \$3.45	\$2.75 – \$3.35
DD&A (\$/BOE)	\$14.00 – \$14.75	\$14.00 – \$14.75
Effective income tax rate range		37.0% – 37.5%
% of income tax that is current		<3%

Oil Derivative Position*



Oil Swaps - NYMEX Equivalent

	<u>Bbls</u>		<u>\$/Bbl</u>
2014			
Q2	2,373,000	\$	94.95
Q3	1,533,000	\$	96.04
Q4	1,353,000	\$	94.88
2014 Total	5,259,000		
2015			
Q1	1,217,000	\$	89.83
Q2	896,000	\$	88.93
Q3	615,000	\$	89.15
Q4	580,000	\$	89.14
2015 Total	3,308,000		
2016			
Q1	1,382,000	\$	85.19
Q4	1,322,000	\$	85.19
2016 Total	2,704,000		
Grand Total	11,271,000		

Oil Collars - NYMEX Equivalent

	<u>Bbls</u>	<u>Ceiling</u>		<u>Floor</u>	
		<u>\$/Bbl</u>		<u>\$/Bbl</u>	
2014					
Q2	431,000	\$	102.50	\$	85.00
Q3	973,000	\$	102.58	\$	85.00
Q4	923,000	\$	102.63	\$	85.00
2014 Total	2,327,000				
2015					
Q1	882,000	\$	99.53	\$	85.00
Q2	709,000	\$	94.06	\$	85.00
Q3	906,000	\$	91.25	\$	85.00
Q4	869,000	\$	92.19	\$	85.00
2015 Total	3,366,000				
Grand Total	5,693,000				

*As of 4/21/14

Gas Derivative Position*



Natural Gas Swaps - NYMEX Equivalent

	<u>MMBTU</u>		<u>\$/MMBTU</u>
2014			
Q2	23,758,000	\$	4.02
Q3	24,541,000	\$	4.06
Q4	22,014,000	\$	4.10
2014 Total	70,313,000		
2015			
Q1	17,342,000	\$	4.25
Q2	15,985,000	\$	3.99
Q3	14,950,000	\$	4.11
Q4	9,667,000	\$	4.11
2015 Total	57,944,000		
2016			
Q1	14,703,000	\$	4.36
Q2	9,130,000	\$	4.09
Q3	7,004,000	\$	4.16
Q4	6,635,000	\$	4.18
2016 Total	37,472,000		
2017			
Q1	6,299,000	\$	4.25
Q2	5,974,000	\$	4.21
Q3	5,712,000	\$	4.21
Q4	5,445,000	\$	4.36
2017 Total	23,430,000		
2018			
Q1	5,203,000	\$	4.38
Q2	4,997,000	\$	4.37
2018 Total	10,200,000		
Grand Total	199,359,000		

Natural Gas Collars - NYMEX Equivalent

	<u>MMBTU</u>		<u>Ceiling \$/MMBTU</u>		<u>Floor \$/MMBTU</u>
2014					
Q2	4,194,000	\$	5.35	\$	4.44
Q3	-				
Q4	-				
2014 Total	4,194,000				
2015					
Q1	2,525,000	\$	4.35	\$	4.05
Q2	2,296,000	\$	4.36	\$	4.06
Q3	2,005,000	\$	4.36	\$	4.06
Q4	6,176,000	\$	4.38	\$	4.05
2015 Total	13,002,000				
Grand Total	17,196,000				

*As of 4/21/14

NGL Derivative Position*



Natural Gas Liquid Swaps - Mont. Belvieu

	<u>Bbls</u>		<u>\$/Bbl</u>
2014			
Q2	1,096,000	\$	58.04
Q3	960,000	\$	58.06
Q4	861,000	\$	58.06
2014 Total	2,917,000		
Grand Total	2,917,000		

*As of 4/21/14