

**Capital One
Southcoast
7th Annual
Energy
Conference**

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CEO

December 5, 2012



CAUTIONARY LANGUAGE

Except for historical information contained herein, statements in this presentation, including information regarding the business of the Company, may contain “forward looking statements” within the meaning of securities laws, including forecasts and projections. The words “will,” “believe,” “budget,” “anticipate,” “plan,” “intend,” “estimate,” “forecast,” and “expect” 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 such factors as the volatility and level of oil, natural gas, and natural gas liquids prices, the uncertain nature of the expected benefits from the acquisition, divestiture, or joint venture of oil and gas properties, the uncertain nature of announced divestiture, joint venture, farm down or similar efforts and the ability to complete such transactions, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, the ability of midstream service providers to purchase or market the Company’s production, the ability of purchasers of production to pay for those sales, the availability of debt and equity financing for purchasers of oil and gas properties, the ability of the banks in the Company’s credit facility to fund requested borrowings, the ability of derivative counterparties to settle derivative contracts in favor of the Company, the imprecise nature of estimating oil and gas reserves, the availability of additional economically attractive exploration, development, and property acquisition opportunities for future growth and any necessary financings, unexpected drilling conditions and results, unsuccessful exploration and development drilling, 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 the Company’s 2011 Annual Report on Form 10-K, which the Company filed with the Securities and Exchange Commission on February 23, 2012 and subsequent quarterly reports filed on Form 10-Q. The forward-looking statements in this presentation speak as of the date of this presentation. 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 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.

COMPANY PROFILE

SM
LISTED
NYSE

Market Value (11/30/12)

(In millions except per share data)

Share Price	\$49.69
Market Cap	\$3,283
Enterprise Value	\$4,611

3Q12 Financial Metrics

Liquidity ⁽¹⁾	\$771 million
Debt to Book Capitalization	47%
Debt to TTM EBITDAX ⁽²⁾	1.3x

Operational Metrics

3Q12 Production

MMCFEPD / MBOEPD 620 / 103.3

Production Mix (% liquids) 45%

YE 11 Proved Reserves

Oil (MMBbls) 72

Gas (Bcf) 664

NGL (MMBbls) 28

MMBOE 210

Proved Developed 67%

SEC PV10 Value \$3.5 billion

(1) Liquidity calculated as \$1 billion in commitments under our revolving credit facility less \$228 million drawn on the credit facility and \$0.8 million LCs outstanding plus cash and cash equivalents.

(2) See EBITDAX reconciliation in the Appendix.

SM ENERGY STRATEGY

➤ Internally generated growth

- ✓ Emphasis on early resource capture
- ✓ Develop our own drilling projects

➤ Focus on returns

- ✓ Rates of return drive production growth

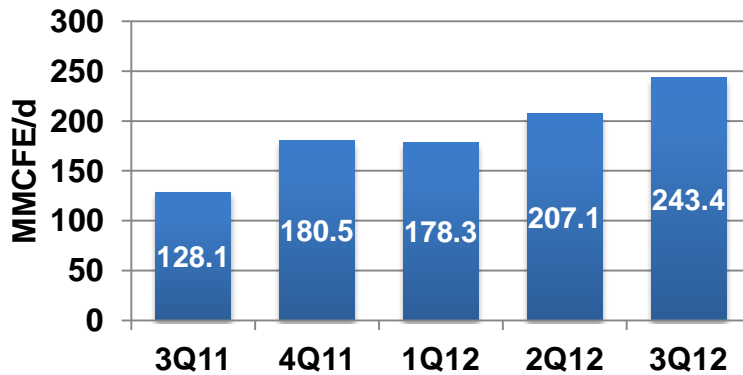
➤ Maintain strength of balance sheet

- ✓ Prudent use of leverage
- ✓ Harvest legacy assets



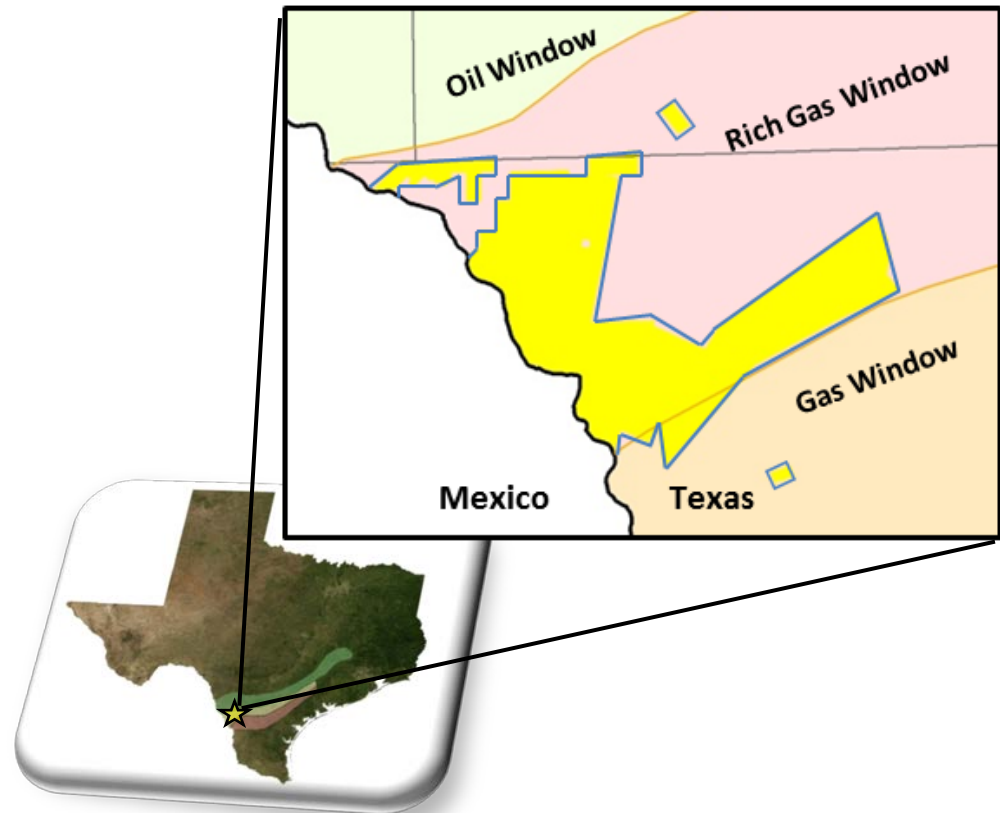
OPERATED EAGLE FORD SHALE

Net Production



Operational Highlights

- Year over year, third quarter production growth of ~90%.
- Build out of third party gathering system on track.
- SM Energy plans to drill and complete 74 wells in 2012 with 20 wells waiting on completion at YE12; at the end of 3Q12 the Company had drilled and completed 54 wells.
- Company will exit the year with 5 operated rigs.



- ~149,000 total net acres
 - ✓ ~ 65,000 net acres - Briscoe Ranch
 - ✓ ~ 19,000 net acres - Apache Ranch
 - ✓ ~ 65,000 net acres - Galvan Ranch

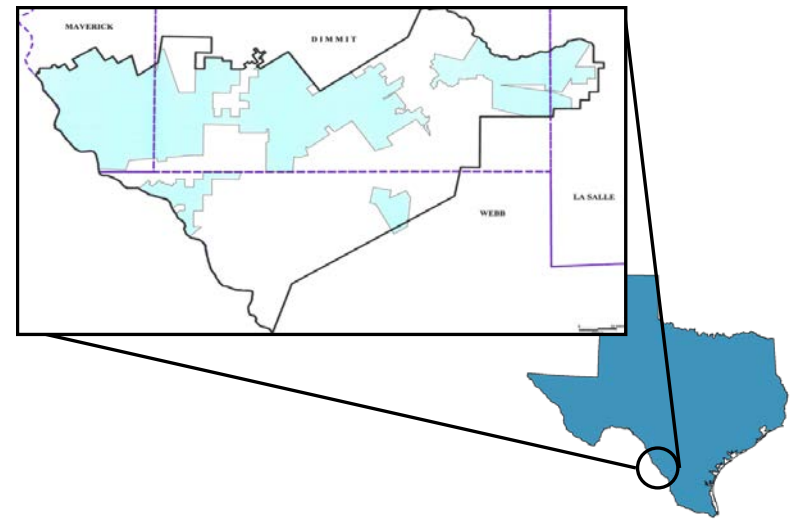
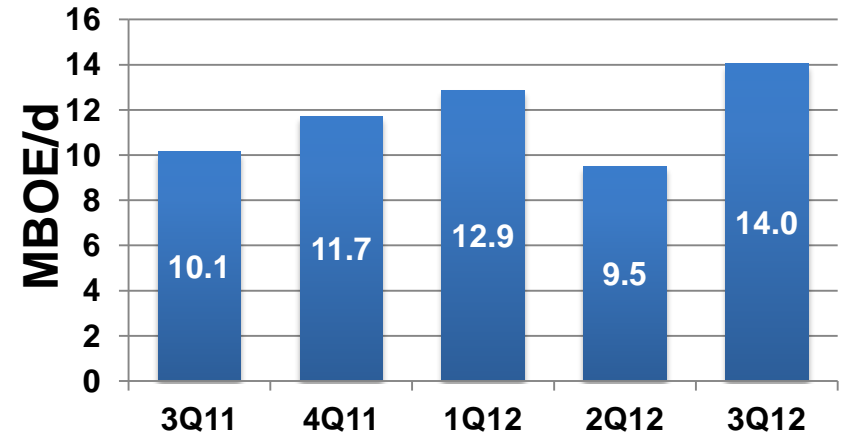
NON-OPERATED EAGLE FORD SHALE

Operational Highlights

- SM Energy anticipates that the operator's drilling program will run approximately 9 drilling rigs and 1 spudder rig.
- SM Energy expects to be essentially 100% carried on non-operated program for next 2 to 3 years.



Net Production

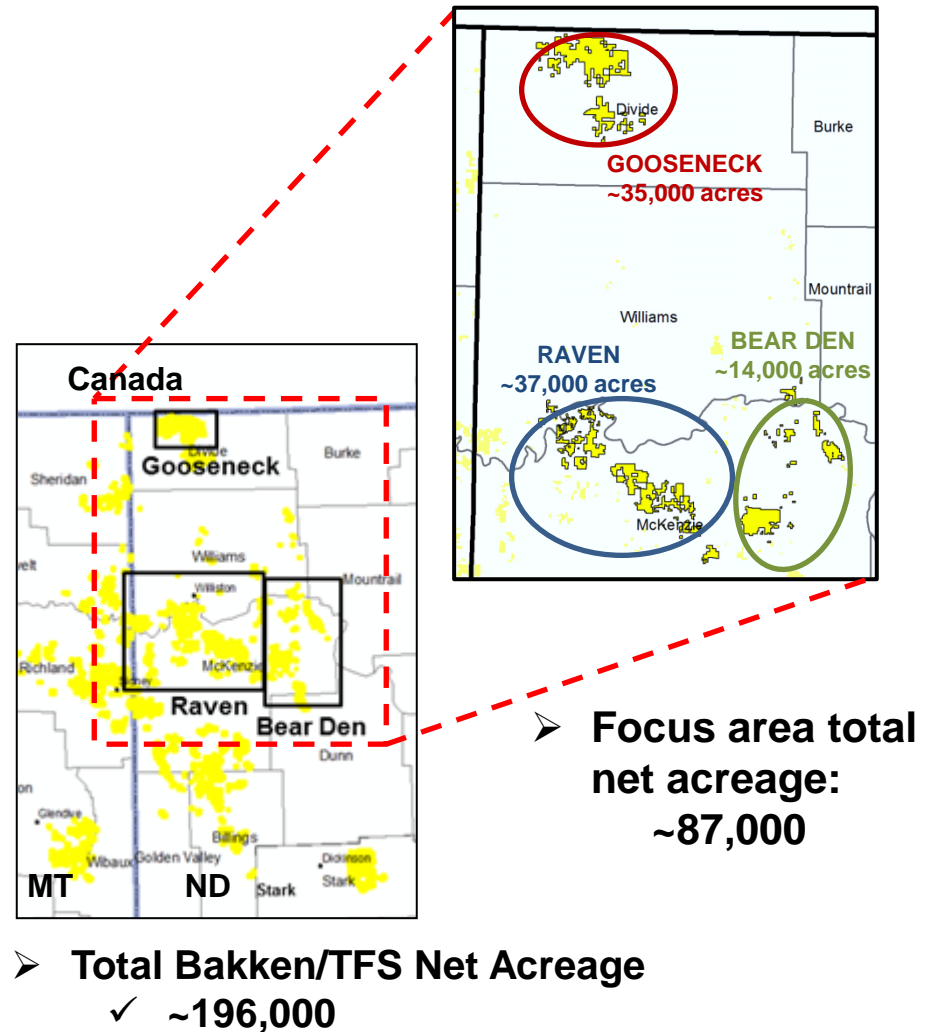
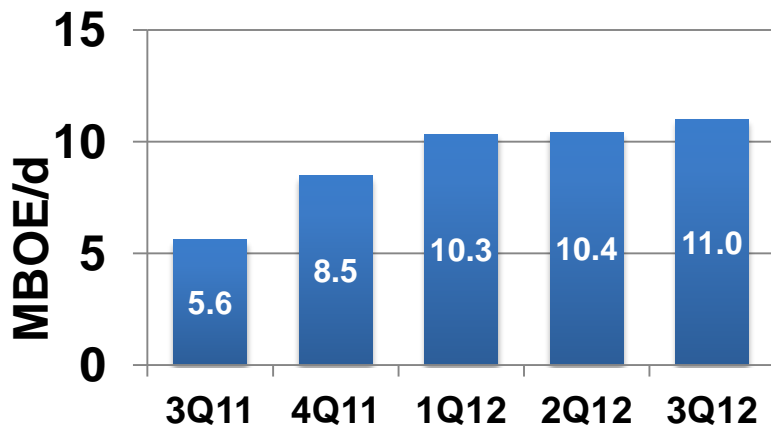


BAKKEN/THREE FORKS

Operational Highlights

- 3Q12 production increased by ~96% from 3Q11.
- SM Energy operated 4 drilling rigs at the end of 3Q12.
- 3Q12 drilling program continues shift toward infill drilling program, utilizing multi-well pad drilling.

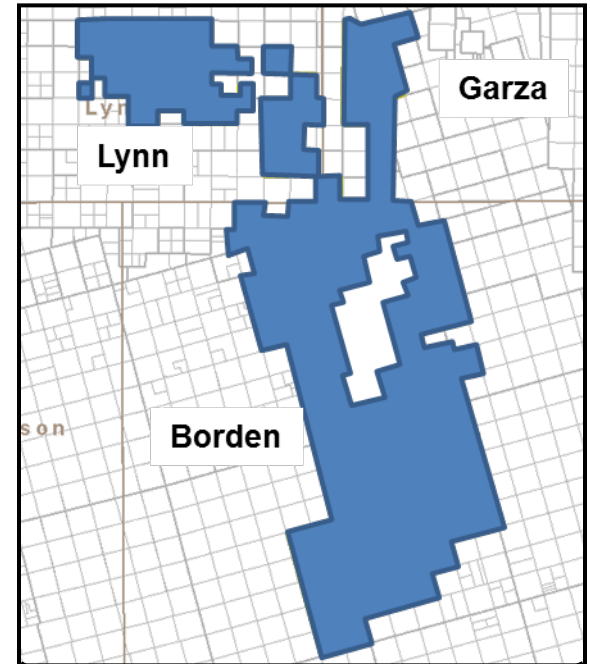
Net Production



MISSISSIPPIAN LIMESTONE

Operational Highlights

- SM Energy operated 2 rigs in 3Q12.
- Company continues to delineate acreage position.
- Recent well results have average 7-day rates of ~580 BOE/d and average 30-day rates of ~480 BOE/d.

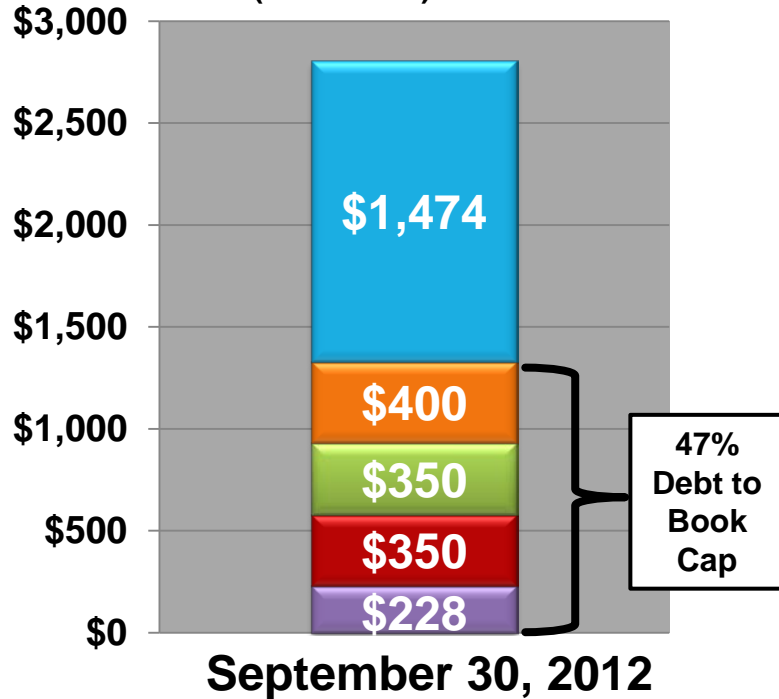


➤ ~68,000 net acres

FINANCIAL POSITION

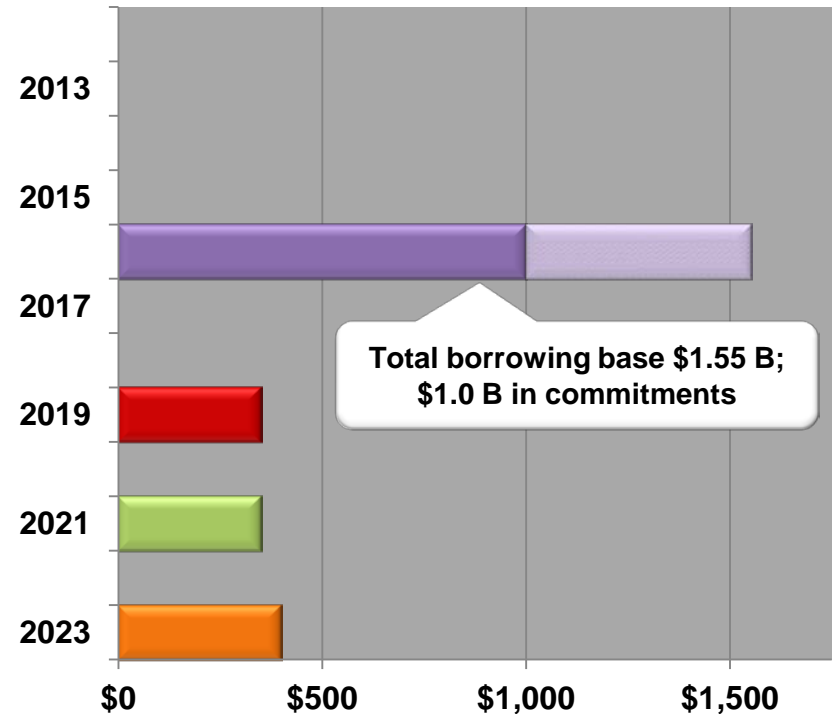
3Q12 TOTAL BOOK CAPITALIZATION

(in millions)



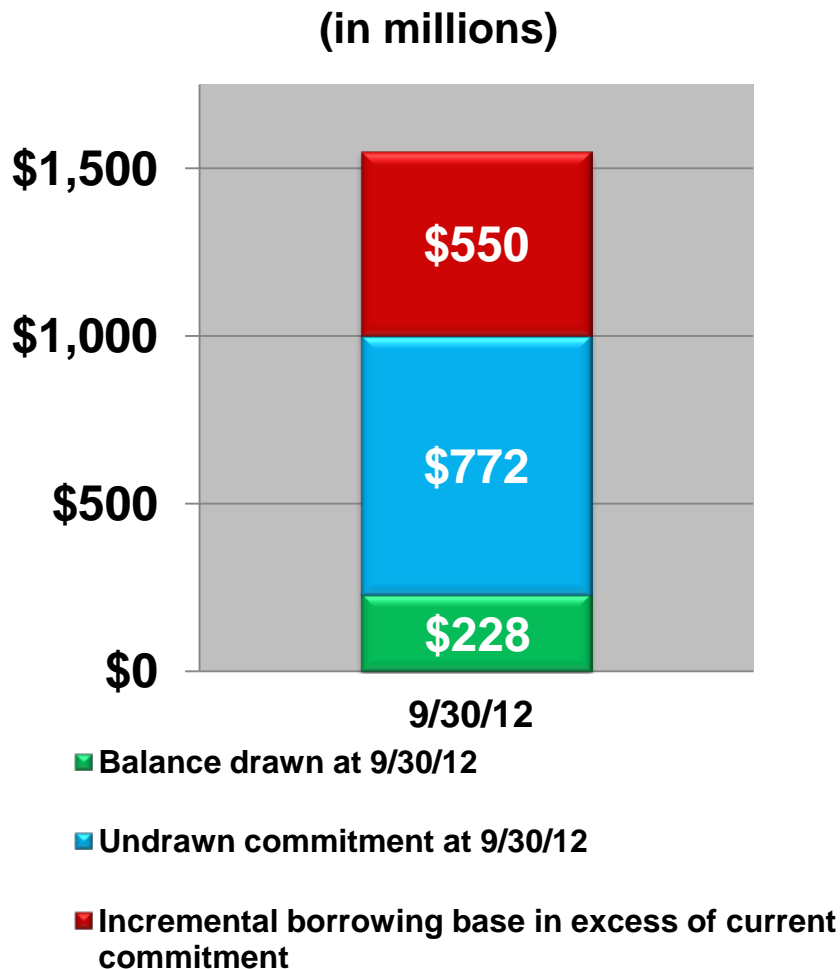
DEBT MATURITIES

(in millions)



- Stockholders' Equity
- Senior Notes due 2019
- Senior Notes due 2023
- Revolving Credit Facility
- Senior Notes due 2021

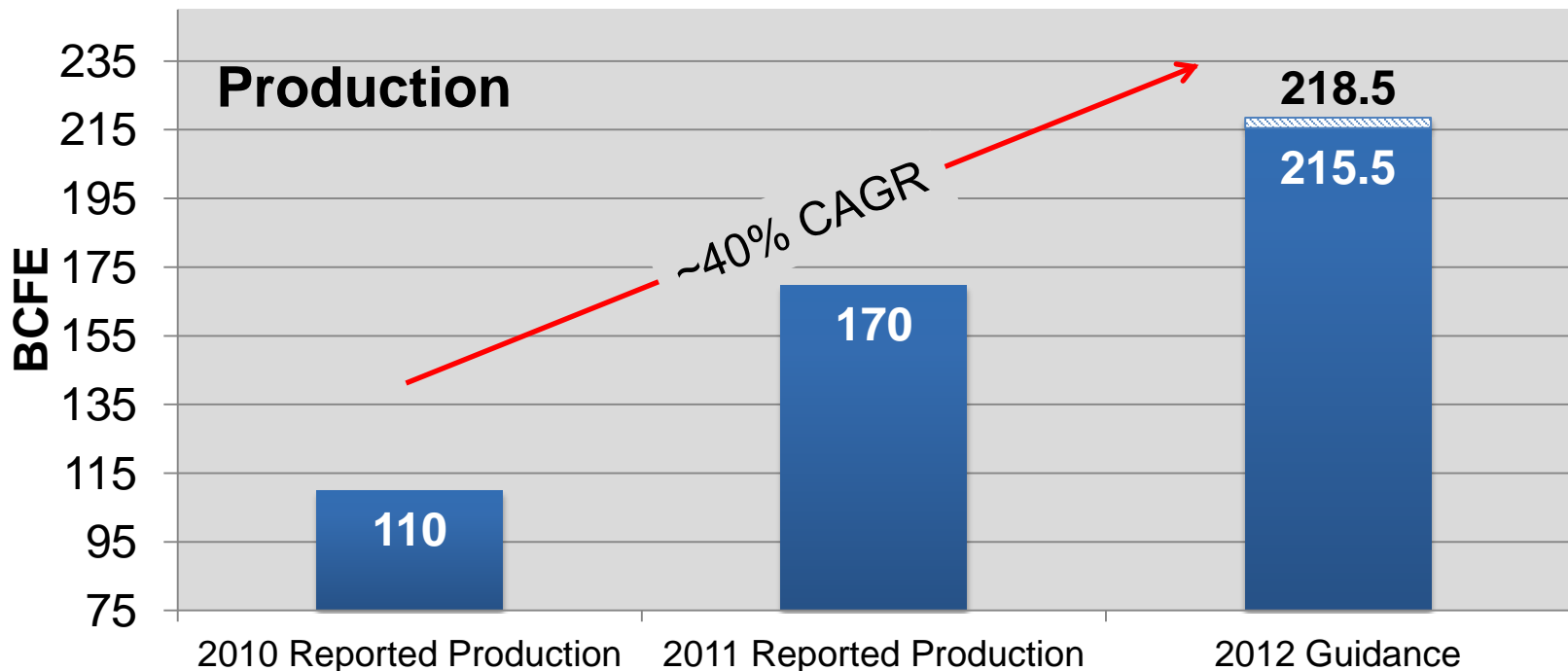
REVOLVING CREDIT FACILITY



- **Borrowing base is currently \$1.55 billion.**
- **SM Energy maintains its commitments at \$1.0 billion.**
- **Substantial liquidity is available to Company.**

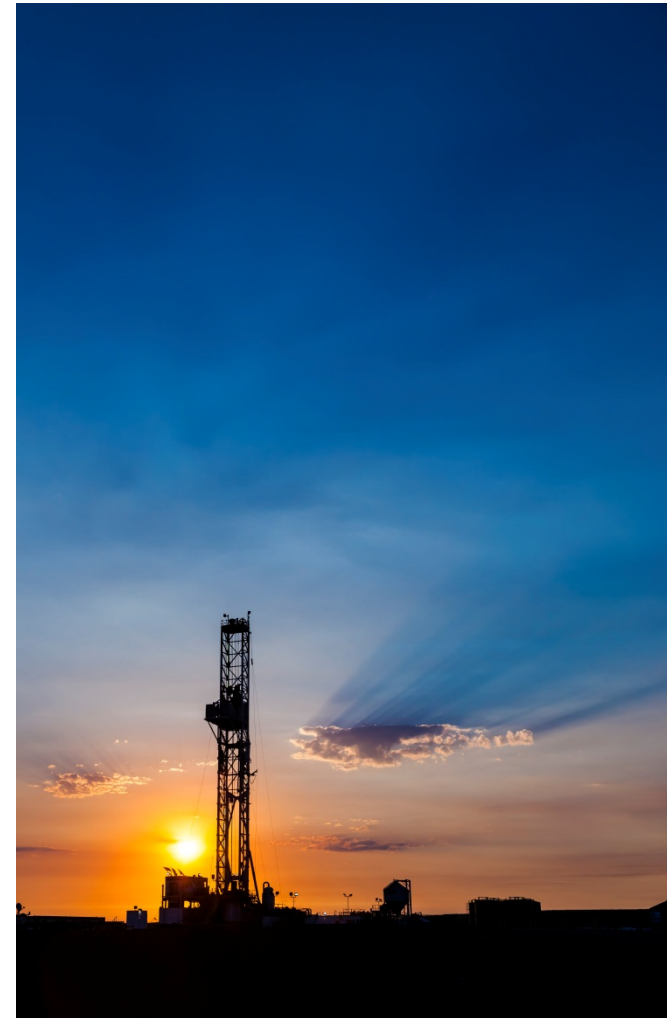
2012 GROWTH OUTLOOK

- SM Energy is positioned to grow production by approximately 28% in 2012 based on the midpoint of 3Q12 guidance assumptions.
- Represents 40% compounded annual growth over 2 year period.



KEY TAKEAWAYS

- **3Q12 Eagle Ford shale and Bakken/Three Forks production grew over 90% from 3Q11; guiding 28% production growth overall for 2012.**
- **Liquids production percentage to be 50% of total production by 2014.**
- **Encouraging recent results in the Permian with an increasing acreage position.**
- **Strong balance sheet with gap between capex and cash flow closing in late 2013.**



APPENDIX

GUIDANCE PROVIDED ON NOVEMBER 1, 2012

	4Q12	FY 2012
Production (BCFE)	57.5 – 60.5	215.5 – 218.5
Average daily production (MMCFE/d)	625 – 658	589 – 597
Oil production (as % of total)		~28%
Natural gas production (as % of total)		~55%
NGL production (as % of total)		~17%
LOE (\$/MCFE)	\$0.82 – \$0.87	\$0.81 – \$0.86
Transportation (\$/MCFE)	\$0.69 – \$0.73	\$0.62 – \$0.65
Production taxes (% of pre-derivative oil and gas revenue)	6.1%	5.3%
G&A – Cash NPP (\$/MCFE)	\$0.07 – \$0.09	\$0.08 – \$0.10
G&A – Cash (\$/MCFE)	\$0.40 – \$0.44	\$0.41 – \$0.45
G&A – Non-cash (\$/MCFE)	\$0.11 – \$0.13	\$0.10 – \$0.12
G&A Total (\$/MCFE)	\$0.58 – \$0.66	\$0.59 – \$0.67
DD&A (\$/MCFE)	\$3.20 – \$3.40	\$3.20 – \$3.40
Non-cash interest expense (\$MM)	\$1.1	\$6.8
Effective income tax rate range		37.3% – 37.8%
% of income tax that is current		<5%

EBITDAX RECONCILIATION

EBITDAX (1)

Reconciliation of net income (GAAP) to EBITDAX (Non-GAAP)

	For the Twelve Months Ended September 30,	
(in thousands)	2012	
Reported net income (GAAP)	\$	(107,822)
Adjustments:		
Net Interest expense		57,280
Tax expense		(63,817)
Depletion, depreciation, amortization, and asset retirement obligation liability accretion		690,908
Exploration		85,981
Impairment of proved properties		209,035
Abandonment and impairment of unproved properties		14,347
Stock-based compensation expense		29,005
Unrealized derivative gain		38,026
Change in Profit Plan Liability		(18,100)
(Gain) loss on divestiture activity		56,232
EBITDAX (Non-GAAP) (1)	\$	991,075

(1) EBITDAX represents income or loss before interest expense, interest income, income taxes, depreciation, depletion, amortization and accretion, exploration expense, property impairments, non-cash stock compensation expense, unrealized derivative gains and losses, change in the Net Profit Plan liability, and gains and losses 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 its 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. Since 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.

SUMMARIZED OIL DERIVATIVE POSITION*

Oil Swaps - NYMEX Equivalent

	<u>Bbls</u>		<u>\$/Bbl</u>
2012			
Q4	854,000	\$	88.61
2012 Total	854,000		
2013			
Q1	514,000	\$	89.87
Q2	534,000	\$	88.99
Q3	300,000	\$	91.47
Q4	265,000	\$	91.22
2013 Total	1,613,000		
2014			
Q1	236,000	\$	90.98
Q2	755,000	\$	91.40
Q3	139,000	\$	89.78
Q4	126,000	\$	89.16
2014 Total	1,256,000		
2015			
Q1	115,000	\$	88.63
Q2	241,000	\$	88.30
2015 Total	356,000		
Grand Total	4,079,000		

Oil Collars - NYMEX Equivalent

	<u>Bbls</u>		<u>Ceiling \$/Bbl</u>		<u>Floor \$/Bbl</u>
2012					
Q4	566,000	\$	112.28	\$	80.03
2012 Total	566,000				
2013					
Q1	755,000	\$	107.36	\$	79.87
Q2	620,000	\$	109.08	\$	76.65
Q3	765,000	\$	107.98	\$	74.89
Q4	726,000	\$	116.09	\$	81.02
2013 Total	2,866,000				
2014					
Q1	694,000	\$	115.07	\$	80.97
Q2	123,000	\$	111.00	\$	85.00
Q3	692,000	\$	104.00	\$	85.00
Q4	665,000	\$	104.00	\$	85.00
2014 Total	2,174,000				
2015					
Q1	639,000	\$	101.80	\$	85.00
Q2	481,000	\$	94.30	\$	85.00
2015 Total	1,120,000				
Grand Total	6,726,000				

*As of 10/26/12

SUMMARIZED GAS DERIVATIVE POSITION*

Natural Gas Swaps - NYMEX Equivalent

	<u>MMBTU</u>		<u>\$/MMBTU</u>
2012			
Q4	10,951,000	\$	4.20
2012 Total	10,951,000		
2013			
Q1	8,611,000	\$	4.43
Q2	7,205,000	\$	4.08
Q3	6,114,000	\$	4.29
Q4	5,593,000	\$	4.49
2013 Total	27,523,000		
2014			
Q1	5,147,000	\$	4.87
Q2	2,028,000	\$	3.84
Q3	5,828,000	\$	3.99
Q4	5,466,000	\$	4.12
2014 Total	18,469,000		
2015			
Q1	5,140,000	\$	4.15
Q2	4,845,000	\$	3.90
2015 Total	9,985,000		
Grand Total	66,928,000		

Natural Gas Collars - NYMEX Equivalent

	<u>MMBTU</u>		<u>Ceiling \$/MMBTU</u>		<u>Floor \$/MMBTU</u>
2012					
Q4	-				
2012 Total	-				
2013					
Q1	1,330,000	\$	5.55	\$	4.48
Q2	1,910,000	\$	5.41	\$	4.48
Q3	1,770,000	\$	5.40	\$	4.48
Q4	1,640,000	\$	5.41	\$	4.49
2013 Total	6,650,000				
2014					
Q1	1,540,000	\$	5.69	\$	4.51
Q2	4,194,000	\$	5.40	\$	4.49
Q3	-				
Q4	-				
2014 Total	5,734,000				
Grand Total	12,384,000				

*As of 10/26/12

SUMMARIZED NGL DERIVATIVE POSITION*

Natural Gas Liquid Swaps - Mont. Belvieu

	<u>Bbls</u>		<u>\$/Bbl</u>
2012			
Q4	465,000	\$	49.32
2012 Total	465,000		
2013			
Q1	419,000	\$	45.54
Q2	321,000	\$	39.52
Q3	177,000	\$	47.12
Q4	164,000	\$	46.91
2013 Total	1,081,000		
2014			
Q1	0		
Q2	0		
Q3	0		
Q4	0		
2014 Total	0		
Grand Total	1,546,000		

*As of 10/26/12