DENVER, Feb. 22, 2017 /PRNewswire/ -- SM Energy Company ("SM Energy" or the "Company") (NYSE: SM) announces today fou quarter and full year 2016 financial and operating results, year-end 2016 reserves and the Company's 2017 operating plan. Highligh include:

- transformative second half of 2016; more than $6 billion in completed or announced transactions that reposition the Company have a top tier asset base in both the Midland Basin and Eagle Ford
- positioned in 2017 with significant liquidity; enter 2017 with revolving line of credit undrawn plus expected proceeds from announced divestitures
- 2017 operating plan that targets near 150% growth in Midland Basin production and near 50% improvement in the Company's operating margin per Boe, for the fourth quarter of 2017 compared with the fourth quarter of 2016
- three-year operating and financial plan that is expected to generate more than 15% production CAGR from retained assets for 2016-2019, while aligning expected capital expenditures and cash flow from operations beginning in 2019
- outstanding initial performance from wells on acquired Midland Basin assets, with new wells to date exceeding the Company's acquisition assumptions by more than 30%

President and Chief Executive Officer Jay Ottoson comments: "It is an understatement that 2016 was an exciting and transformation year for our Company, accomplished in a challenging macro-economic environment. We commence 2017 with a plan focused entire on development of top tier oil, natural gas and NGL assets. During 2016, we acquired substantial assets in the Midland Basin, wher we believe we have the ability to create value through optimized drilling and completions and to drive margin expansion that we exp will deliver growing cash flows per debt-adjusted share in the coming years.

"Our Midland Basin assets are already demonstrating value creation through the outstanding performance of our recently completec wells. Our current 2017 operating plan focuses on completion optimization, testing to prepare for increased density drilling, and furt delineation of our acreage position. This plan, combined with increasing our activity in 2018 and beyond, is expected to be the prima driver of accelerating value creation.

"During 2017, we anticipate completing the process of coring up our asset portfolio, which will result in short term contraction of our production profile in favor of long term, higher margin production growth. We expect that proceeds from planned assets sales will he fund our accelerated drilling program and allow us to maintain high levels of liquidity while reducing debt. We have a clear strategy and visible path to our objective of being a highly focused premier operator of top tier assets."

2017 OPERATING PLAN AND GUIDANCE

The Company's strategy in 2017 is to drive growth in production from its highest margin assets and to deliver increasing cash flow, while reducing its outstanding debt. Key assumptions in the Company's 2017 operating plan include:

- Total capital spend* (costs incurred less ARO, capitalized interest and acquisitions) of approximately $875 million. Total capita spend assumptions include modest increases for higher vendor costs (under a largely flat oil price scenario), specifically for pressure pumping.
  - Permian – Drill approximately 100 wells and complete approximately 80 wells (gross, operated)
  - Eagle Ford – Drill approximately 25 wells and complete approximately 35 wells (gross, operated)
  - Williston – No capital allocation
  - Facilities – Approximately $50-$55 million is included for facilities build-out
- Actual asset divestiture timing: Third-party operated Eagle Ford asset sale assumed to close at the end of February 2017 and Divide County, North Dakota asset sale assumed to close at the end of the second quarter of 2017.
- Actual average commodity price projections:
  - 2017 WTI oil $55.00, Henry Hub natural gas $3.30, NGLs $27.50
- Actual hedges: Based on the production guidance mid-point, the Company has hedges in place for approximately 65% of oil production, 85% of natural gas production and 75% of NGL production (hedges are ethane, propane, butanes and gasoline)

*Total capital spend is a non-GAAP measure. The Company is unable to present quantitative reconciliation of this forward-looking non-GAAP financial measure to costs incurred in oil and gas producing activities without unreasonable effort, because acquisition costs are inherently unpredictable. Acquisition costs could be significant in future periods and would depend on a wide variety of factors outside the Company's control. Accordingly, investors are cautioned not to place undue reliance on this number.

2017 guidance:

- Total capital spend: $875 million.
- Production: 40-43 MMBoe, with oil approximately 29% of quarterly commodity mix through the year as new production begins offset asset sales. Due to the timing of asset sales and development activity, total Company production will decline through the third quarter of 2017.
- LOE: ~$4.00 per Boe, with 1H17 exceeding the average and 2H17 below the average as high cost asset sales are completed. Includes ad valorem taxes.
- Transportation: $5.50-$5.75 per Boe, with higher costs in the first quarter of 2017 as high cost asset sales are completed.
- Production taxes: ~$1.25 per Boe or 4.0-4.5%.
- G&A: $120-130 million, including approximately $18-23 million of non-cash compensation.

- Capitalized overhead/Exploration: $65-70 million, before dry hole expense, all of which is included in capital expenditure guidance.
- DD&A: $13.00-15.00 per Boe.

First quarter of 2017 guidance:

- Production of approximately 11.0-11.4 MMBoe. Lower sequential production from the fourth quarter of 2016 is primarily the res of: assets sold that contributed to fourth quarter production, including Raven/Bear Den on December 1, 2016; the expected sa of the third-party operated Eagle Ford assets at the end of February 2017; normal declines in the Eagle Ford and Divide Coun which will not be offset by new wells due to minimal operated and third-party operated completion activity; all of which will be partially offset by increased production from the Midland Basin.
- Completion of approximately 17 wells during the quarter. The total number of completions each quarter is affected by pad drilli
- Total capital spend of approximately $200 million, plus $60 million for the acquisition of additional Permian Basin acreage announced in the fourth quarter of 2016 and closed in January 2017.

2016 IN REVIEW

FOURTH QUARTER AND FULL YEAR RESULTS

As previously announced, fourth quarter and full year 2016 production were:

| PRODUCTION - MMBoe | | |
|---|---|---|
| | Fourth Quarter 2016 | Full Year 2016 |
| Oil (MMBbls) | 4.0 | 16.6 |
| Natural gas (Bcf) | 35.2 | 146.9 |
| NGLs (MMBbls) | 3.5 | 14.2 |
| Total MMBoe | 13.4 | 55.3 |

| | |
|---|---|
| • | Production includes production from assets sold (through the closing date) or pending sale |

By region:

| REGIONAL PRODUCTION - MMBoe | | |
|---|---|---|
| | Fourth Quarter 2016 | Full Year 2016 |
| Eagle Ford (operated) | 7.6 | 31.5 |
| Eagle Ford (third-party operated) | 2.2 | 9.7 |
| Permian Basin | 1.4 | 3.8 |
| Rocky Mountain | 2.2 | 10.3 |
| Total MMBoe | 13.4 | 55.3 |

| | |
|---|---|
| • | Permian Basin full year includes ~275 MBoe outside the Midland Basin sold in the third quarter of 2016 |
| • | Eagle Ford (operated) includes nominal other production from the region |

Fourth quarter production of 13.4 MMBoe was down sequentially from the third quarter of 2016, primarily due to transaction timing, including various non-core asset sales completed late in the third quarter of 2016 and the closing of the Raven/Bear Den asset sale

December 1, 2016, which were partly offset by a partial quarter of production from acquired assets. Production from retained assets included increased production from Midland Basin assets offset by slowed activity in the Eagle Ford at both operated and third-party operated assets. Fourth quarter of 2016 production was down from 14.9 MMBoe in the fourth quarter of 2015, primarily due to reduc activity in the Eagle Ford and asset sales, partially offset by a 160% increase in Permian Basin production. Full year 2016 productio totaled 55.3 MMBoe, down from 64.2 MMboe in 2015. Production from retained assets (Midland Basin, Operated Eagle Ford and retained Powder River Basin) was 36.0 MMBoe in 2016.

Operating costs for the fourth quarter and full year were:

| CASH PRODUCTION COSTS $ PER BOE | | |
|---|---|---|
| | Fourth Quarter 2016 | Full Year 2016 |
| Total LOE, incl. ad valorem tax | 3.84 | 3.72 |
| Transportation | 6.39 | 6.16 |
| Production tax | 1.11 | 0.94 |
| Total $ Per Boe | 11.34 | 10.82 |

Cash production costs totaled $11.34 per Boe in the fourth quarter, up sequentially from the third quarter at $10.78 per Boe, primaril due to higher LOE expense in the Permian Basin due to one-time costs associated with integrating the Rock Oil operations to SM Energy's systems and standards, as well as significantly increased charges from the third-party operator in the Eagle Ford for both LOE and transportation. Cash production costs declined slightly from $11.36 per Boe in the prior year period. Full year 2016 cash production costs averaged $10.82 per Boe compared with $11.27 per Boe in 2015.

Fourth quarter of 2016 general and administrative expense was $33.3 million and included $5.0 million in non-cash stock-based compensation and $2.2 million in one-time charges associated with office closure and re-organization. Full year 2016 general and administrative expense was $126.4 million and included $20.5 million in non-cash stock-based compensation and $5.1 million in one-time charges associated with office closures and re-organization. General and administrative expenses declined in 2016 compared with 2015, primarily due to consolidation of regional offices and reduced headcount.

The Company's GAAP net loss for the fourth quarter of 2016 was $200.9 million or $2.20 per diluted common share compared with fourth quarter of 2015 net loss of $340.3 million, or $5.01 per diluted common share. The year-over-year lower fourth quarter net los is primarily due to lower impairment and abandonment charges taken in the 2016 period at $151.2 million versus $448.2 million in th 2015 period. In addition, the cash production margin increased 67% in the fourth quarter of 2016 compared with the fourth quarter o 2015 due to higher commodity prices and lower costs. Full year 2016 net loss was $757.7 million, or $9.90 per diluted common shar compared with $447.7 million, or $6.61 per diluted common share in 2015.

As discussed below, adjusted EBITDAX, adjusted net income (loss) and adjusted net income (loss) per diluted common share are non-GAAP measures. Please reference the reconciliations to the most directly comparable GAAP financial measures at the end of t release.

The Company's adjusted EBITDAX for the fourth quarter of 2016 was $186.2 million, compared with $216.3 million in the prior year period. The 2015 period benefited from significantly higher realized gains from hedging activity, $124.8 million in the fourth quarter o 2015 versus $23.2 million in fourth quarter of 2016, which more than offset the higher production revenue and production margins realized in 2016. For the full year 2016, adjusted EBITDAX was $790.8 million compared with $1,124.8 million in 2015. Higher 2015 adjusted EBITDAX was predominantly driven by 14% higher full year production, a higher pre-hedge margin per Boe and $512.6 million in realized hedge gains (versus $329.5 million in 2016).

The Company's adjusted net loss for the fourth quarter was $28.7 million, or $0.31 per diluted common share, compared with $61.1 million, or $0.90 per diluted common share, in the fourth quarter of 2015. The 2016 period benefited from a 20% decline in DD&A pe Boe. Full year 2016 adjusted net loss was $142.4 million, or $1.86 per diluted common share, compared with $35.9 million, or $0.53 per diluted common share, in 2015.

CAPITAL SPEND

Costs incurred for 2016 were $3,374 million, which included $2,660 million of proved and unproved property acquisitions. Full year 2016 total capital spend (see below for GAAP reconciliation) was $687 million and was allocated 32% to the Permian Basin, 37% to the Eagle Ford, 31% to the Bakken/Three Forks and Powder River Basin. Total capital spend included $590 million for development $8 million for leasehold, $23 million for infrastructure and $66 million for corporate and exploration costs. Total capital spend was les than guidance primarily as a result of cost savings and operating efficiencies. During 2016, the Company drilled 70 net wells and completed 137 net wells (including third-party operated wells), and acquired assets in the Midland Basin for a total of $2.6 billion.

YEAR-END 2016 PROVED RESERVES

Year-end 2016 proved reserves of 396 MMBoe are calculated in accordance with SEC pricing at $42.75 per barrel of oil NYMEX, $2.47 per MMBtu of natural gas at Henry Hub and $19.50 per barrel of NGLs at Mt. Belvieu. Year-end proved reserves were 27% oi 27% NGLs and 46% natural gas. 53% were proved developed.

Year-end 2016 proved reserves declined 16%, reflecting a significant reduction in drilling and completion activity compared to the pr year, sales of producing assets and a change in the Company's long-term plan to focus development activity in the Midland Basin (resulting in 5-year rule revisions). Adjusting for divestitures, price revisions and 5-year rule revisions, proved reserves would have increased 11%. During the year, the Company shifted investment to the Midland Basin where proved reserves increased more than 250%. The Company expects its 2017 capital program will focus on development of this area to drive continued, substantial growth reserves and production.

The table below provides a reconciliation of changes in the Company's proved reserves from year-end 2015 to year-end 2016 (numbers are rounded):

| | | |
|---|---|---|
| Proved reserves year-end 2015 | 471 | MMBoe |
| Production | (55) | |
| Divestitures | (48) | |
| Reserve additions through drilling | 108 | |
| Reserve additions through acquisition | 16 | |
| Reserve revisions primarily price and 5-year rule | (96) | |
| Proved reserves year-end 2016 | 396 | MMBoe |

UPCOMING EVENTS

EARNINGS WEBCAST AND CALL

As previously announced, SM Energy will host a webcast and conference call to discuss the 2016 results and the 2017 operating pla at 8:00 a.m. Mountain time/10:00 a.m. Eastern time tomorrow, February 23, 2017. Please join us via webcast at www.SM-Energy.com or by telephone 877-303-1292 (toll free) or 315-625-3086 (international) with passcode 57100689. The webca and call will also be available for replay. The dial-in replay number is 855-859-2056 (toll free) or 404-537-3406 (international) with passcode 57100689 and is available through March 2, 2017.

A presentation will be posted to the Company's website to accompany this call at www.SM-Energy.com

UPCOMING CONFERENCE PARTICIPATION

- March 7, 2017 - Raymond James 38th Annual Institutional Investors Conference. Executive Vice President and Chief Financia Officer Wade Pursell will present at 1:40 p.m. Eastern time. This event will be webcast. The presentation for this event will be posted March 6, 2017.
- March 27, 2017 – Scotia Howard Weil Energy Conference. President and Chief Executive Officer Jay Ottoson will prese at 2:20 p.m. Central time. This event is not webcast. The presentation for this event will be posted March 26, 2017.

Investor presentations for these events will be posted to the Company's website at www.SM-Energy.com.

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. These statements involve known and unkno risks, which may cause SM Energy's actual results to differ materially from results expressed or implied by the forward-looking statements. Forward-looking statements in this release include, among other things, guidance estimates for the first quarter and full year 2017, timing of pending and expected asset sales and expected results from a three-year operating and financial plan and futu cash flows per share. General risk factors include the availability, proximity and capacity of gathering, processing and transportation facilities; the volatility and level of oil, natural gas, and natural gas liquids prices, including any impact on the Company's asset carry values or reserves arising from price declines; uncertainties inherent in projecting future rates of production or other results from drilling and completion activities; the imprecise nature of estimating oil and gas reserves; uncertainties inherent in projecting future drilling and completion activities, costs or results; the uncertainty of negotiations to result in an agreement or a completed transactio the uncertain nature of 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 divestiture, joint venture, farm down or similar efforts; the availabil 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 i the "Risk Factors" section of SM Energy's 2016 Annual Report on Form 10-K, as such risk factors may be updated from time to time the Company's other periodic reports filed with the Securities and Exchange Commission. The forward-looking statements containe 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.

ABOUT THE COMPANY

SM Energy Company is an independent energy company engaged in the acquisition, exploration, development, and production of crude oil, natural gas, and natural gas liquids in onshore North America. SM Energy routinely posts important information about the Company on its website. For more information about SM Energy, please visit its website at www.SM-Energy.com.

SM ENERGY CONTACTS

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SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

| | For the Three Months Ended December 31, | | | | For the Twelve Ended Decemb | |
|---|---|---|---|---|---|---|
| Production Data: | 2016 | 2015 | Percent Change | | 2016 | 2015 |
| Average realized sales price, before the effects of derivative settlements: | | | | | | |
| Oil (per Bbl) | $ 43.58 | $ 34.93 | 25 | % | $ 36.85 | $ 41.49 |
| Gas (per Mcf) | $ 2.86 | $ 2.19 | 31 | % | $ 2.30 | $ 2.57 |
| NGL (per Bbl) | $ 20.02 | $ 14.99 | 34 | % | $ 16.16 | $ 15.92 |
| Equivalent (per BOE) | $ 25.86 | $ 20.03 | 29 | % | $ 21.32 | $ 23.36 |
| Average realized sales price, including the effects of derivative settlements: | | | | | | |
| Oil (per Bbl) | $ 48.96 | $ 55.81 | (12) | % | $ 51.48 | $ 60.34 |
| Gas (per Mcf) | $ 3.21 | $ 2.96 | 8 | % | $ 2.94 | $ 3.28 |
| NGL (per Bbl) | $ 16.92 | $ 15.60 | 8 | % | $ 15.56 | $ 17.61 |
| Equivalent (BOE) | $ 27.59 | $ 28.40 | (3)% | | $ 27.28 | $ 31.34 |
| Production: | | | | | | |
| Oil (MMBbls) | 4.0 | 4.4 | (8) | % | 16.6 | 19.2 |
| Gas (Bcf) | 35.2 | 40.2 | (12) | % | 146.9 | 173.6 |
| NGL (MMBbls) | | | | | | |

%

| | | | | | | |
|---|---|---|---|---|---|---|
| MMBOE (6:1) | 13.4 | 14.9 | (10) | % | 55.3 | 64.2 |
| Average daily production: | | | | | | |
| Oil (MBbls/d) | 43.9 | 47.7 | (8) | % | 45.4 | 52.7 |
| Gas (MMcf/d) | 382.7 | 436.6 | (12) | % | 401.5 | 475.7 |
| NGL (MBbls/d) | 37.9 | 41.6 | (9) | % | 38.8 | 44.0 |
| MBOE/d (6:1) | 145.6 | 162.1 | (10) | % | 151.0 | 175.9 |
| Per BOE Data: | | | | | | |
| Realized price before the effects of derivative settlements | $ 25.86 | $ 20.03 | 29 | % | $ 21.32 | $ 23.36 |
| Lease operating expense | 3.67 | 3.85 | (5) | % | 3.51 | 3.73 |
| Transportation costs | 6.39 | 6.10 | 5 | % | 6.16 | 6.02 |
| Production taxes | 1.11 | 1.03 | 8 | % | 0.94 | 1.13 |
| Ad valorem tax expense | 0.17 | 0.38 | (55) | % | 0.21 | 0.39 |
| General and administrative | 2.49 | 2.26 | 10 | % | 2.29 | 2.46 |
| Operating profit, before the effects of derivative settlements | $ 12.03 | $ 6.41 | 88 | % | $ 8.21 | $ 9.63 |
| Derivative settlement gain | 1.73 | 8.37 | (79) | % | 5.96 | 7.98 |
| Operating profit, including the effects of derivative settlements | $ 13.76 | $ 14.78 | (7) | % | $ 14.17 | $ 17.61 |
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | $ 12.81 | $ 16.10 | (20) | % | $ 14.30 | $ 14.34 |

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Consolidated Balance Sheets

| (in thousands, except share amounts) | December |
|---|---|
| ASSETS | 2016 |
| | |
| Current assets: | |
| Cash and cash equivalents | $ 9,372 |
| Accounts receivable | 151,950 |
| Derivative asset | 54,521 |
| Prepaid expenses and other | 8,799 |
| Total current assets | 224,642 |
| | |
| Property and equipment (successful efforts method): | |
| Proved oil and gas properties | 5,700,418 |
| Less - accumulated depletion, depreciation, and amortization | (2,836,532 |
| Unproved oil and gas properties | 2,471,947 |
| Wells in progress | 235,147 |
| Oil and gas properties held for sale, net | 372,621 |
| Other property and equipment, net of accumulated depreciation of $42,882 and $32,956, respectively | 137,753 |
| Total property and equipment, net | 6,081,354 |
| | |
| Noncurrent assets: | |
| Derivative asset | 67,575 |
| Other noncurrent assets | 19,940 |
| Total other noncurrent assets | 87,515 |
| | |
| Total Assets | $ 6,393,51 |
| | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current liabilities: | |
| Accounts payable and accrued expenses | $ 299,708 |
| Derivative liability | 115,464 |
| Total current liabilities | 415,172 |
| | |
| Noncurrent liabilities: | |
| Revolving credit facility | — |

| | |
|---|---|
| Senior Notes, net of unamortized deferred financing costs | 2,766,719 |
| Senior Convertible Notes, net of unamortized discount and deferred financing costs | 130,856 |
| Asset retirement obligation | 96,134 |
| Asset retirement obligation associated with oil and gas properties held for sale | 26,241 |
| Deferred income taxes | 315,672 |
| Derivative liability | 98,340 |
| Other noncurrent liabilities | 47,244 |
| Total noncurrent liabilities | 3,481,206 |
| | |
| Stockholders' equity: | |
| Common stock, $0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 111,257,500 and 68,075,700 shares, respectively | 1,113 |
| Additional paid-in capital | 1,716,556 |
| Retained earnings | 794,020 |
| Accumulated other comprehensive loss | (14,556) |
| Total stockholders' equity | 2,497,133 |
| | |
| Total Liabilities and Stockholders' Equity | $ 6,393,51 |

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Consolidated Statements of Operations

| (in thousands, except share amounts) | For the Three Months Ended December 31, | | For the Twelve Mont Ended December 31 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Operating revenues and other income: | | | | |
| Oil, gas, and NGL production revenue | $ 346,296 | $ 298,719 | $ 1,178,426 | $ 1,499, |
| Net gain on divestiture activity | 33,661 | 4,534 | 37,074 | 43,031 |
| Marketed gas system revenue | — | 4 | — | 9,485 |
| Other operating revenues | (57) | 477 | 1,950 | 4,544 |
| Total operating revenues and other income | 379,900 | 303,734 | 1,217,450 | 1,556,9 |
| | | | | |
| Operating expenses: | | | | |
| Oil, gas, and NGL production expense | 151,907 | 169,229 | 597,565 | 723,633 |
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | 171,552 | 240,025 | 790,745 | 921,009 |
| Exploration[1] | 23,699 | 37,942 | 65,641 | 120,569 |

| | | | | |
|---|---|---|---|---|
| Impairment of proved properties | 76,780 | 344,249 | 354,614 | 468,679 |
| Abandonment and impairment of unproved properties | 74,450 | 54,597 | 80,367 | 78,643 |
| Impairment of other property and equipment | — | 49,369 | — | 49,369 |
| General and administrative (including stock-based compensation)[1] | 33,311 | 33,642 | 126,428 | 157,668 |
| Change in Net Profits Plan liability | (751) | (6,351) | (7,200) | (19,525 |
| Net derivative (gain) loss[2] | 129,547 | (123,340) | 250,633 | (408,83 |
| Marketed gas system expense | — | (7) | — | 13,922 |
| Other operating expenses | 3,792 | 9,952 | 17,972 | 30,612 |
| Total operating expenses | 664,287 | 809,307 | 2,276,765 | 2,135,7 |
| | | | | |
| Loss from operations | (284,387) | (505,573) | (1,059,315) | (578,78 |
| | | | | |
| Non-operating income (expense): | | | | |
| Interest expense | (46,356) | (31,566) | (158,685) | (128,14 |
| Gain (loss) on extinguishment of debt | — | — | 15,722 | (16,578 |
| Other, net | 130 | 26 | 362 | 649 |
| | | | | |
| Loss before income taxes | (330,613) | (537,113) | (1,201,916) | (722,86 |
| Income tax benefit | 129,667 | 196,855 | 444,172 | 275,151 |
| | | | | |
| Net loss | $ (200,946) | $ (340,258) | $ (757,744) | $ (447,7 |
| | | | | |
| Basic weighted-average common shares outstanding | 91,440 | 67,976 | 76,568 | 67,723 |
| Diluted weighted-average common shares outstanding | 91,440 | 67,976 | 76,568 | 67,723 |
| Basic net loss per common share | $ (2.20) | $ (5.01) | $ (9.90) | $ (6.61) |
| Diluted net loss per common share | $ (2.20) | $ (5.01) | $ (9.90) | $ (6.61) |
| | | | | |
| [1] Non-cash stock-based compensation component included in: | | | | |
| Exploration expense | $ 1,410 | $ 2,082 | $ 6,447 | $ 7,411 |
| General and administrative expense | $ 5,002 | $ 4,893 | $ 20,450 | $ 20,05 |
| | | | | |
| [2] The net derivative (gain) loss line item consists of the following: | | | | |
| Settlement gain | $ (23,244) | $ (124,847) | $ (329,478) | $ (512,5 |
| Loss on fair value changes | 152,791 | 1,507 | 580,111 | 103,735 |
| Net derivative (gain) loss | $ 129,547 | $ (123,340) | $ 250,633 | $ (408,8 |

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

| | Common Stock | |
|---|---|---|
| | Shares | Amo |
| Balances, January 1, 2014 | 67,078,853 | $ 67 |
| Net income | — | &md |
| Other comprehensive loss | — | &md |
| Cash dividends, $ 0.10 per share | — | &md |
| Issuance of common stock under Employee Stock Purchase Plan | 83,136 | 1 |
| Issuance of common stock upon vesting of RSUs and settlement of PSUs, net of shares used for tax withholdings | 256,718 | 3 |
| Issuance of common stock upon stock option exercises | 39,088 | &md |
| Stock-based compensation expense | 5,265 | &md |
| Other income tax expense | — | &md |
| Balances, December 31, 2014 | 67,463,060 | $ 67 |
| Net loss | — | &md |
| Other comprehensive loss | — | &md |
| Cash dividends, $ 0.10 per share | — | &md |
| Issuance of common stock under Employee Stock Purchase Plan | 197,214 | 2 |
| Issuance of common stock upon vesting of RSUs and settlement of PSUs, net of shares used for tax withholdings | 375,523 | 4 |
| Stock-based compensation expense | 39,903 | &md |
| Other income tax expense | — | &md |
| Balances, December 31, 2015 | 68,075,700 | $ 68 |
| Net loss | — | &md |
| Other comprehensive loss | — | &md |
| Cash dividends, $ 0.10 per share | — | &md |
| Issuance of common stock under Employee Stock Purchase Plan | 218,135 | 2 |
| Issuance of common stock upon vesting of RSUs and settlement of PSUs, net of shares used for tax withholdings | 199,243 | 2 |
| Stock-based compensation expense | 53,473 | 1 |
| Issuance of common stock from stock offerings, net of tax | 42,710,949 | 427 |
| Equity component of 1.50% Senior Convertible Notes due 2021 issuance, net of tax | — | &md |
| Purchase of capped call transactions | — | &md |
| Other income tax expense | — | &md |
| Balances, December 31, 2016 | | |

111,257,500

$

1,

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Consolidated Statements of Cash Flows

| (in thousands) | For the Three Months | | For the Twelve Mor | |
|---|---|---|---|---|
| | Ended December 31, | | Ended December 3 | |
| | 2016 | 2015 | 2016 | 2015 |
| Cash flows from operating activities: | | | | |
| Net loss | $ (200,946) | $ (340,258) | $ (757,744) | $ (447,7 |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Net gain on divestiture activity | (33,661) | (4,534) | (37,074) | (43,031 |
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | 171,552 | 240,025 | 790,745 | 921,009 |
| Exploratory dry hole expense | — | 13,752 | (16) | 36,612 |
| Impairment of proved properties | 76,780 | 344,249 | 354,614 | 468,679 |
| Abandonment and impairment of unproved properties | 74,450 | 54,597 | 80,367 | 78,643 |
| Impairment of other property and equipment | — | 49,369 | — | 49,369 |
| Stock-based compensation expense | 6,412 | 6,975 | 26,897 | 27,467 |
| Change in Net Profits Plan liability | (751) | (6,351) | (7,200) | (19,525 |
| Net derivative (gain) loss | 129,547 | (123,340) | 250,633 | (408,83 |
| Derivative settlement gain | 23,244 | 124,847 | 329,478 | (512,56 |
| Amortization of discount and deferred financing costs | 4,251 | 1,907 | 9,938 | 7,710 |
| Non-cash (gain) loss on extinguishment of debt | — | — | (15,722) | 4,123 |
| Deferred income taxes | (133,873) | (196,334) | (448,643) | (276,72 |
| Plugging and abandonment | (992) | (1,956) | (6,214) | (7,496) |
| Other, net | 5,891 | 10,091 | 3,499 | 13,761 |
| Changes in current assets and liabilities: | | | | |
| Accounts receivable | (11,783) | 34,864 | (10,562) | 140,200 |
| Prepaid expenses and other | 826 | 1,976 | 8,478 | 2,563 |
| Accounts payable and accrued expenses | 11,956 | (12,020) | (53,210) | (86,267 |
| Accrued derivative settlements | 14,889 | (4,356) | 34,540 | 5,232 |
| Net cash provided by operating activities | 137,792 | 193,503 | 552,804 | 978,352 |
| Cash flows from investing activities: | | | | |
| Net proceeds from the sale of oil and gas properties | 744,233 | 22,835 | 946,062 | 357,938 |
| Capital expenditures | | | | |

(137,117)

(231,737)

(629,911)

(1,493,

| | | | | |
|---|---|---|---|---|
| Acquisition of proved and unproved oil and gas properties | (2,161,937) | (896) | (2,183,790) | (7,984) |
| Other, net | 46,000 | 5 | (3,000) | (985) |
| Net cash used in investing activities | (1,508,821) | (209,793) | (1,870,639) | (1,144, |
| | | | | |
| Cash flows from financing activities: | | | | |
| Proceeds from credit facility | 204,000 | 268,000 | 947,000 | 1,872,5 |
| Repayment of credit facility | (204,000) | (250,000) | (1,149,000) | (1,836, |
| Debt issuance costs related to credit facility | — | — | (3,132) | &mdas |
| Net proceeds from Senior Notes | (757) | — | 491,640 | 490,95 |
| Cash paid to repurchase Senior Notes | — | — | (29,904) | (350,00 |
| Net proceeds from Senior Convertible Notes | (64) | — | 166,617 | &mdas |
| Cash paid for capped call transactions | (86) | — | (24,195) | &mdas |
| Net proceeds from sale of common stock | 405,002 | 1,687 | 938,268 | 4,844 |
| Dividends paid | (4,347) | (3,399) | (7,751) | (6,772) |
| Net share settlement from issuance of stock awards | (13) | (176) | (2,354) | (8,678) |
| Other, net | — | (1) | — | (160) |
| Net cash provided by financing activities | 399,735 | 16,111 | 1,327,189 | 166,18 |
| | | | | |
| Net change in cash and cash equivalents | (971,294) | (179) | 9,354 | (102) |
| Cash and cash equivalents at beginning of period | 980,666 | 197 | 18 | 120 |
| Cash and cash equivalents at end of period | $ 9,372 | $ 18 | $ 9,372 | $ 18 |

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December

Adjusted EBITDAX[(1)]

(in thousands)

| | |
|---|---|
| Reconciliation of net loss (GAAP) to adjusted EBITDAX (non-GAAP) to net cash provided by operating activities (GAAP): | For the Th Ended De |
| | 2016 |
| Net loss (GAAP) | $ (200,94 |
| Interest expense | 46,356 |
| Other non-operating income, net | (130) |
| Income tax benefit | (129,667) |

| | |
|---|---|
| Depletion, depreciation, amortization, and asset retirement obligation liability accretion | 171,552 |
| Exploration[2] | 22,289 |
| Impairment of proved properties | 76,780 |
| Abandonment and impairment of unproved properties | 74,450 |
| Impairment of other property and equipment | — |
| Stock-based compensation expense | 6,412 |
| Net derivative (gain) loss | 129,547 |
| Derivative settlement gain[3] | 23,244 |
| Change in Net Profits Plan liability | (751) |
| Net gain on divestiture activity | (33,661) |
| (Gain) loss on extinguishment of debt | — |
| Materials inventory impairment | 744 |
| Adjusted EBITDAX (Non-GAAP) | $ 186,219 |
| Interest expense | (46,356) |
| Other non-operating income, net | 130 |
| Income tax benefit | 129,667 |
| Exploration[2] | (22,289) |
| Exploratory dry hole expense | — |
| Amortization of discount and deferred financing costs | 4,251 |
| Deferred income taxes | (133,873) |
| Plugging and abandonment | (992) |
| Loss on extinguishment of debt | — |
| Other, net | 5,147 |
| Changes in current assets and liabilities | 15,888 |
| Net cash provided by operating activities (GAAP) | $ 137,792 |

(1) Adjusted EBITDAX represents net income (loss) before interest expense, other non-operating income or expense, income taxes, depletion, depreciation, amortization and asset retirement obligation liability accretion expense, exploration expense, property impairments, non-cash stock-based compensation expense, derivative gains and losses net of settlements, change in the Net Profits Plan liability, gains and losses on divestitures, gains or losses on extinguishment of debt, and materials inventory impairments. Adjusted EBITDAX excludes certain items that we

believe affect the comparability of operating results and can exclude items that are generally one-time in nature or whose timing and/or amount cannot be reasonably estimated. Adjusted EBITDAX is a non-GAAP measure that we present because we believe it provides useful additional information to investors and analysts, as a performance measure, for analysis of our ability to internally generate funds for exploration, development, acquisitions, and to service debt. We are also subject to financial covenants under our Credit Agreement based on adjusted EBITDAX ratios. In addition, adjusted 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. Adjusted EBITDAX should not be considered in isolation or as a substitute for net income (loss), income (loss) from operations, net cash provided by operating activities, or profitability or liquidity measures prepared under GAAP. Because adjusted EBITDAX excludes some, but not all items that affect net income (loss) and may vary among companies, the adjusted EBITDAX amounts presented may not be comparable to similar metrics of other companies. Our credit facility provides a material source of liquidity for us. Under the terms of our Credit Agreement, if we fail to comply with the covenants that establish a maximum permitted ratio of senior secured debt to adjusted EBITDAX and a minimum permitted ratio of adjusted EBITDAX to interest, we will be in default, an event that would prevent us from borrowing under our credit facility and would therefore materially limit our sources of liquidity. In addition, if we default under our credit facility and are unable to obtain a waiver of that default from our lenders, lenders under that facility and under indentures governing our outstanding Senior Notes and Senior Convertible Notes would be entitled to exercise all of their remedies for default.

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

expense recorded to exploration expense.

(3) Derivative settlement gain for the year ended December 31, 2015, includes $15.3 million of gains on the early settlement of futures contracts as a result of divesting our Mid-Continent assets during the second quarter of 2015.

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Adjusted Net Loss (in thousands, except per share data)

| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Net loss (GAAP) | $ (200,946) | $ (340,258) | $ (757,744) | $ (447,710) |
| Change in Net Profits Plan liability | (754) | (6,351) | (7,200) | (19,525) |
| Derivative (gain) loss | 129,547 | (123,340) | 250,633 | (408,831) |
| Derivative settlement gain | 26,244 | 124,847 | 329,478 | 512,566 |
| Net gain on divestiture activity | (38,661) | (4,534) | (37,074) | (43,031) |
| Impairment of proved properties | 76,780 | 344,249 | 354,614 | 468,679 |
| Abandonment and impairment of unproved properties | 24,450 | 54,597 | 80,367 | 78,643 |
| Impairment of other property and equipment | — | 49,369 | — | 49,369 |
| Termination fee on temporary second lien facility | — | — | 10,000 | — |
| (Gain) loss on extinguishment of debt | — | — | (15,722) | 16,578 |
| Unwinding of derivatives contracts related to Mid-continent divestiture | — | — | — | (15,329) |
| Other (1) | [illegible] | 850 | (531) | 9,390 |
| Tax effect of adjustments (2) | (94,760) | (160,486) | (349,173) | (236,707) |
| Adjusted net loss (Non-GAAP) | $ (28,682) | $ (61,057) | $ (142,352) | $ (12,908) |
| Diluted net loss per common share (GAAP) | $ (2.28) | $ (5.01) | $ (9.90) | $ (6.61) |
| Change in Net Profits Plan liability | (0.01) | (0.09) | (0.09) | (0.29) |
| Derivative (gain) loss | 1.42 | (1.81) | 3.27 | (6.04) |
| Derivative settlement gain | 0.35 | 1.84 | 4.30 | 7.57 |
| Net gain on divestiture activity | (0.37) | (0.07) | (0.48) | (0.64) |
| Impairment of proved properties | 0.84 | 5.06 | 4.63 | 6.92 |
| Abandonment and impairment of unproved properties | 0.27 | 0.80 | 1.05 | 1.16 |
| Impairment of other property and equipment | — | 0.73 | — | 0.73 |
| Termination fee on temporary second lien facility | — | — | 0.13 | — |
| (Gain) loss on extinguishment of debt | — | — | (0.21) | 0.24 |
| Unwinding of derivatives contracts related to | | | | |

Mid-continent

| | | | |
|---|---|---|---|
| — | — | — | (0.23) |
| (2) Other — | 0.01 | (0.01) | 0.14 |

Tax
effect

of
adjustments (1)

| | | | |
|---|---|---|---|
| (1.05) | (2.36) | (4.55) | (3.48) |

| | | | | |
|---|---|---|---|---|
| Adjusted net loss per diluted common share (Non-GAAP) (2) | $ (0.31) | $ (0.90) | $ (1.86) | $ (0.53) |
| Diluted weighted-average shares outstanding (GAAP) | 91,440 | 67,976 | 76,568 | 67,723 |

(1) For the three and twelve-month periods ended December 31, 2016, adjustments are shown before tax effect which is calculated using a tax rate of 36.2%, which approximates the Company's statutory tax rate adjusted for ordinary permanent differences. For the three and twelve-month periods ended December 31, 2015, adjustments are shown before tax effect and are calculated using a tax rate of 36.5%, which approximates

the Company's statutory tax rate adjusted for ordinary permanent differences.

(2) Adjusted net income (loss) excludes certain items that the Company believes affect the comparability of operating results. Items excluded generally are non-recurring items or are items whose timing and/or amount cannot be reasonably estimated. These items include non-cash and other adjustments, such as the change in the Net Profits Plan liability, derivative gain, net of derivative settlement gains,

impairments, and net gain on divestiture activity. The non-GAAP measure of adjusted net income (loss) 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 (loss) 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 (loss) should not be considered in isolation or as a substitute for net income (loss), income (loss) from operations, cash provided by operating activities, or other income, profitability, cash flow, or liquidity measures prepared under GAAP. Since adjusted net income (loss) excludes some, but not all, items that affect net income (loss) and may vary among companies, the adjusted net income (loss) amounts presented may not be comparable to similarly titled measures of other companies.

(3) For the three and twelve-month periods ended December 31, 2016 and December 31, 2015, the adjustments are related to the impairment of materials inventory and estimated adjustments relating to claims on royalties on certain Federal and Indian leases, which are included in other

operating expenses on the Company's consolidated statements of operations. These items are included as a portion of other operating revenues and non-operating income (expense), other, net, on the Company's consolidated statements of operations.

Regional proved oil and gas reserve quantities:

| Year-end 2016 proved reserves | South Texas & Gulf Coast / Rocky Mountain / [illegible] |
|---|---|
| Oil (MMBbl) | [illegible] |
| Gas (Bcf) | [illegible] |
| NGL (MMBbl) | [illegible] |
| Total (MMBOE) | [illegible] |
| % Proved developed | [illegible] |

SM ENERGY COMPANY

FINANCIAL HIGHLIGHTS

December 31, 2016

Costs incurred in oil and gas producing activities[1]:

(in thousands)

| Reconciliation of Cost Incurred in Oil and Gas Producing Activities (GAAP) to Total Capital Spend (Non-GAAP) | For the Year Ended December 31, 2016 |
|---|---|
| Development costs [2] | $ 595,331 |
| Exploration costs | 118,224 |
| Acquisition costs: | |
| Proved properties | 201,672 |
| Unproved properties | 2,458,667 |
| Total, including asset retirement obligation | $ 3,373,894 |
| Less: Asset retirement obligation | (15,574) |
| Less: Capitalized interest | (17,004) |
| Less: Proved property acquisitions | (201,672) |
| Less: Unproved property acquisitions | (2,451,152) |
| Less: Other | (1,938) |
| Total Capital Spend | $ 686,554 |

[1] The non-GAAP measure of total capital spend is presented because management believes it provides useful information to investors for analysis of SM Energy's fundamental business on a recurring basis. In addition, management believes that total capital spend 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. total capital spend should not be considered in isolation or as a substitute for Cost Incurred or other capital spending measures prepared under GAAP. The total capital spend amounts presented may not be comparable to similarly titled measures of other companies.

[2] Includes facility costs of $25.9 million.