

# SM|ENERGY

## INVESTOR PRESENTATION

MARCH 2022



# DISCLAIMERS

## Forward-looking statements

This presentation contains forward-looking statements within the meaning of securities laws. The words “build,” “demonstrate,” “establish,” “estimate,” “goal,” “generate,” “grow,” “optimize,” “target,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this presentation include, among other things, projections for the first quarter and full year 2022 regarding guidance for capital, production, operating costs, general and administrative expenses, exploration expenses, and DD&A; total expected inventory and inventory estimates by operating area, the Company’s 2022 strategic objectives including reductions in leverage and absolute debt, as well as targeted reinvestment rate, the portion of capital expenditures to be allocated to drilling and completion costs and each of our operating areas; expected breakeven pricing; the number of wells expected to be drilled and completed in each of our operating areas; planned completion design and expected PDP decline rates. 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. Future results may be impacted by the risks discussed in the Risk Factors section of SM Energy’s most recent Annual Report on Form 10-K, as such risk factors may be updated from time to time in the Company’s other periodic reports filed with the Securities and Exchange Commission, specifically the 2021 Form 10-K. The forward-looking statements contained herein speak as of the date of this release. 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.

## Non-GAAP financial measures

This presentation references non-GAAP financial measures. Please see the “Non-GAAP Definitions and Reconciliations” section of the Appendix, which includes definitions of non-GAAP measures used in this presentation and reconciliations to the most directly comparable GAAP measure.

## Reserves Disclosure

The SEC requires oil and natural gas companies, in their filings with the SEC, to disclose proved reserves, which are those quantities of oil, natural gas and natural gas liquids (NGLs), that, 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 (using the trailing 12-month average first-day-of-the-month prices), 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, regardless of whether deterministic or probabilistic methods are used for the estimation. The SEC also permits the disclosure of separate estimates of probable or possible reserves that meet SEC definitions for such reserves; however, the Company currently does not disclose probable or possible reserves in its SEC filings.

Proved reserves attributable to the Company as of December 31, 2021, are estimated utilizing SEC reserve recognition standards and pricing assumptions based on the trailing 12-month average first-day-of-the-month prices of \$66.56 per Bbl of oil, \$3.60 per MMBtu of natural gas, and \$36.60 per Bbl of NGLs. At least 80% of the PV-10 of the Company’s estimate of its total proved reserves at December 31, 2021, was audited by Ryder Scott Company, L.P.

# Outline

I. Looking Back

II. Looking Ahead

III. Looking Underneath



# PREMIER OPERATOR OF TOP-TIER ASSETS

2021 RESULTS SIGNIFICANTLY EXCEEDED PLAN GOALS

## 2021 Plan Goals

## 2021 Plan Results

2021 Goal: Generate positive free cash flow<sup>(1)</sup>



2021 Result:

**\$378MM**  
Free Cash Flow<sup>(1)</sup>

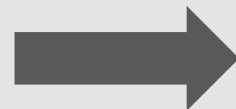
2021 Goal: Reduce leverage



2021 Result:

**1.47x** (YE20: 2.3x)  
Net debt-to-Adjusted EBITDAX<sup>(1)</sup>

2021 Goal: Maintain top-tier inventory and inventory value



2021 Result:

**13+** years  
Total Expected Inventory Life

2021 Goal: Meet AXP top-quartile<sup>(2)</sup> rank for safety & environmental metrics



2021 Result:



Exceeded internal targets for:  
Methane Intensity  
Greenhouse Gas Intensity  
Total Produced Fluid Spill Rate

# PREMIER OPERATOR OF TOP-TIER ASSETS

## EXECUTING ON OUR PRIORITIES

### 2021 Highlights

#### WELL PERFORMANCE

- Full year production of 51.4 MMBoe (140.7 MBoe/d) and 54% oil
- Production volumes exceeded expectations, benefiting from higher base production, reduced flaring and the effect of larger fracture stimulations in the Midland Basin and the successful early completion of certain wells in South Texas

#### CAPITAL EFFICIENCY

- Full year capital expenditures of \$674.8 million adjusted for decreased capital accruals of \$10.8 million totaled \$664.0 million<sup>(1)</sup>
- Capital expenditures reflected continued capital efficiencies with costs at ~\$535 per lateral foot for the full year

#### CASH FLOWS & BALANCE SHEET STRENGTH

- Generated ~\$260 million in free cash flow<sup>(1)</sup> during the fourth quarter and ~\$378MM for the full year
- Full year Net cash provided by operating activities of \$1.16 billion before net change in working capital of \$117.4 million totaled \$1.04 billion<sup>(1)</sup>
- ~\$475MM reduction in net debt<sup>(1)</sup>
- Net debt-to-Adjusted EBITDAX<sup>(1)</sup> at 1.47x as of year-end

#### RESERVE GROWTH

- Proved reserves up 22% compared to prior year
- Reserve adds = 143 MMBoe, including 83 MMBoe from Austin Chalk
- Pre-tax PV-10<sup>(1)</sup> (proved reserves) = ~\$8 billion, up 200% compared to prior year
- Standardized measure = ~\$7 billion, up 160% from YE 2020
- Proved reserve additions through drilling and net performance revisions replaced 2021 production by 277%

(1) Cash flow from operations before net change in working capital, capital expenditures before accruals and other, free cash flow, net debt, net debt-to-Adjusted EBITDAX, and pre-tax PV-10 are non-GAAP measures. See the "Non-GAAP Definitions and Reconciliations" section in the Appendix.

# BALANCE SHEET

## FOCUSED ON IMPROVING BALANCE SHEET STRENGTH

As of December 31, 2021:

Net debt-to-Adjusted EBITDAX<sup>(1)</sup>

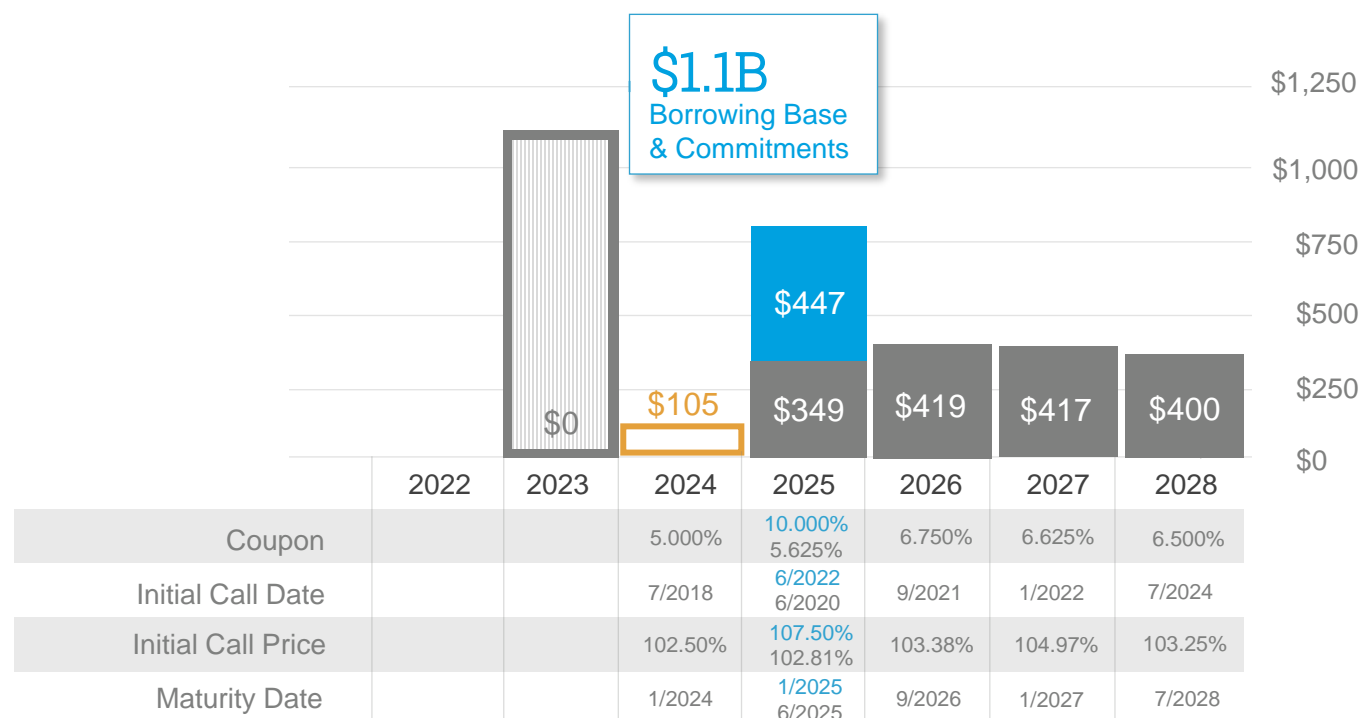
# 1.47x

- Liquidity \$1.43 billion
- Cash balance ~\$333 million

Redeemed 5.00% Senior Notes due 2024 subsequent to year-end

## Debt Maturities<sup>(2)</sup>

in millions

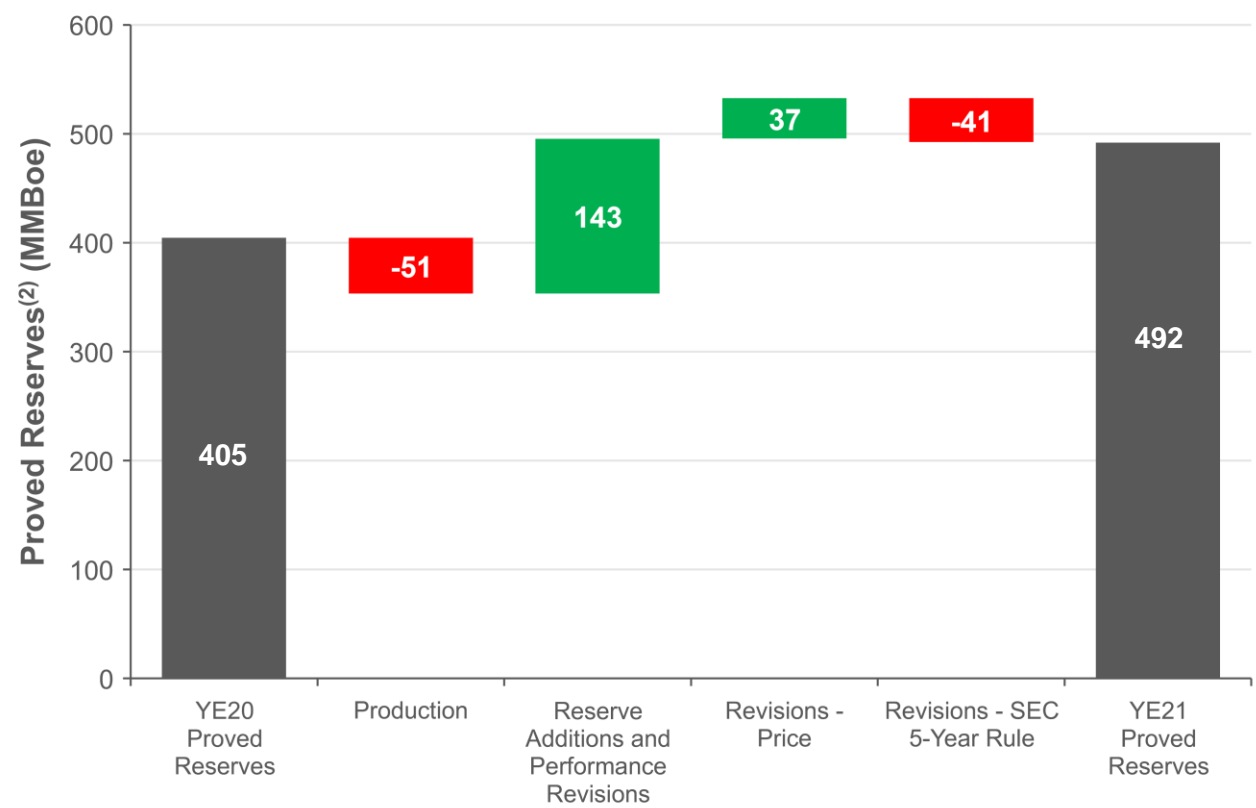


- Second Lien Secured
- Redeemed on February 14, 2022

# YEAR-END 2021 PROVED RESERVES

PROVED RESERVES UP 22% COMPARED TO PRIOR YEAR

- Pre-tax PV-10<sup>(1)</sup>  
(proved reserves) **\$8B**
- Reserves life index  
(proved reserves / 2021 production) **~10 years**
- Production Replacement  
(reserve adds / 2021 production) **2.8x**
- Reserve Adds **143 MMBoe**



**61%** Proved Developed

**41%** oil | **42%** natural gas | **17%** NGLs

Note: Calculated in accordance with SEC Pricing at \$66.56 per barrel of oil NYMEX, \$3.60 per MMBtu of natural gas at Henry Hub and \$36.60 per barrel of natural gas liquids ("NGLs") at Mt. Belvieu.

(1) Pre-tax PV-10 is a non-GAAP measure. See the "Non-GAAP Definitions and Reconciliations" section in the Appendix.  
 (2) Net Acquisitions and Divestitures of 0.3 MMBoe excluded due to materiality.

# YEAR-END 2021 INVENTORY

COMPELLING ECONOMICS EVEN AT LOW COMMODITY PRICES

Total Company  
expected inventory<sup>(1)</sup>

**13+**  
years

**12** years

Midland Basin  
expected inventory<sup>(1)</sup>

**>55%**

Total Company Inventory  
Expected Average Return<sup>(1)</sup>

Maintained total expected inventory life  
with higher returns

**ENVERUS**

February 2022 Inventory Analysis<sup>(2)</sup>

**SM** | ENERGY

SM Energy inventory resilient at  
low commodity prices

At sub \$50/Bbl oil and \$2.50/Mcf natural gas

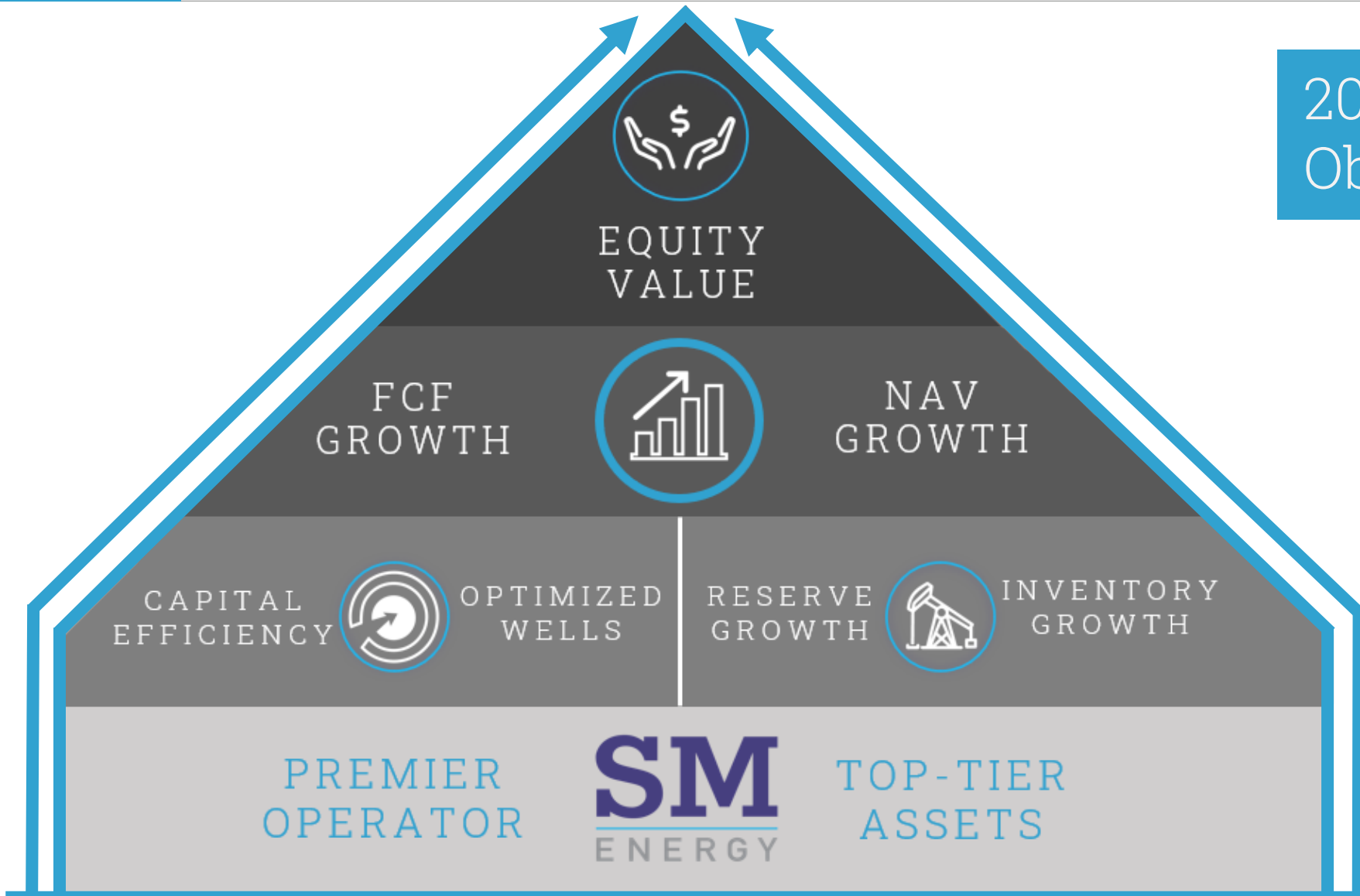
Years of Inventory **9** years



# Looking Ahead

# PREMIER OPERATOR OF TOP-TIER ASSETS

## 2022 STRATEGIC OBJECTIVES



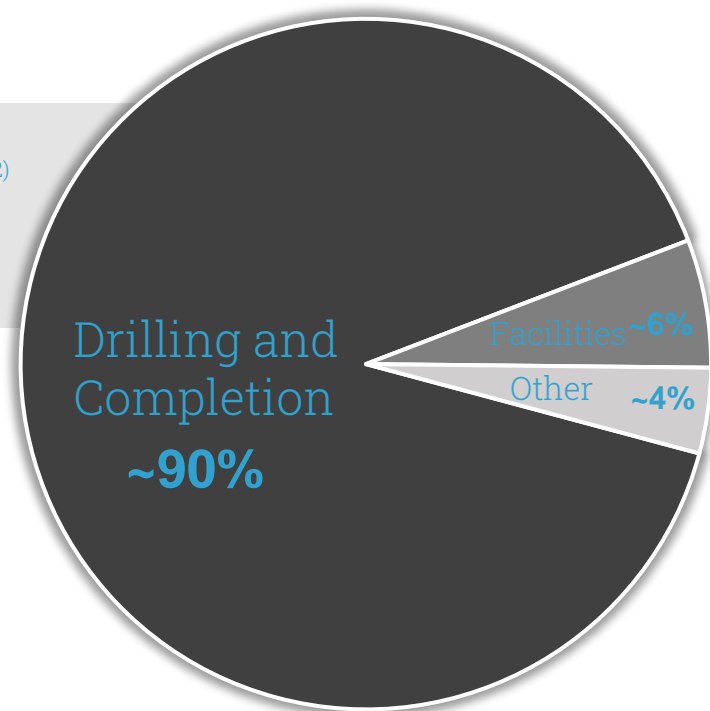
## 2022 Strategic Objectives

- 1) Build NAV through scaled up Austin Chalk program
- 2) Grow FCF and reduce leverage to ~1.0x and absolute debt to ~\$1B
- 3) Maintain top-tier inventory
- 4) Demonstrate differential ESG including near term goals for flaring, Scope 1 and 2 emissions and methane emissions

# 2022 PLAN GUIDANCE<sup>(1)</sup>

2022 budget

Capital Expenditures<sup>(2)</sup>  
~\$750 million



~55% Midland Basin

~45% South Texas

## Key Metrics

Guidance  
FY 2022

Capital Expenditures <sup>(2)</sup> (\$MM)	~\$750
Total Production (MMBoe)	51 - 54
Total Production (MBoe/d)	140 - 148
Oil percentage	46 - 47%
LOE (per Boe)	\$4.50 - \$4.75
Transportation (per Boe)	~\$3.00
Production & Ad Valorem taxes <sup>(3)</sup> (per Boe)	~\$3.25
G&A <sup>(4)</sup> (\$MM)	~\$110
Exploration Expense (\$MM)	~\$40
DD&A (per Boe)	\$12 - \$13

## Q1 2022 GUIDANCE

- Production: 13.5-13.8 MMBoe (150-153 MBoe/d), 46% oil
- Capital expenditures<sup>(2)</sup>: \$180 - \$190 million

# HEDGING SUMMARY

## HEDGED VOLUMES DECLINING WITH LOWER LEVERAGE

Oil volumes hedged<sup>(1)</sup>

~ 50%

Nat gas volumes hedged<sup>(2)</sup>

< 50%

## 2022 Hedge Program

### Oil

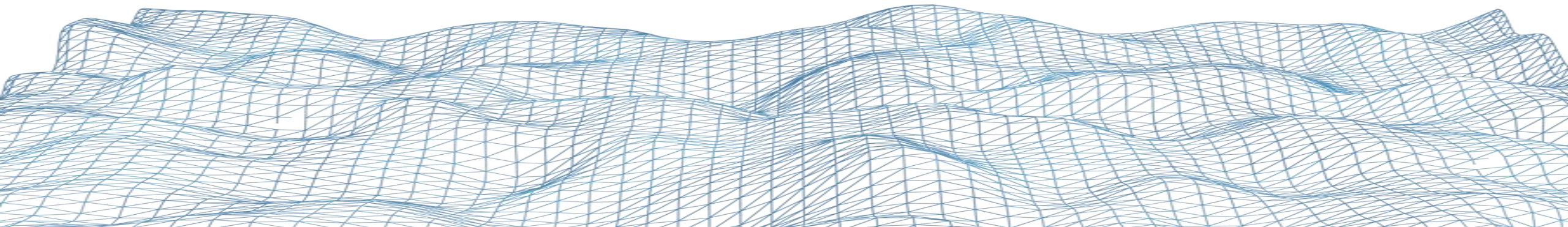
- ~12,353 MBbls<sup>(1)</sup>, or approximately 50% of expected 2022 oil production, hedged to WTI at an average price of \$51.35/Bbl (weighted-average of collar floors and swaps)
- ~9,500 MBbls of expected 2022 Midland Basin oil production is hedged to the local price point at a positive \$1.15/Bbl basis

### Natural gas

- ~53,886 BBtu<sup>(2)</sup>, or less than 50% of expected 2022 natural gas production hedged
- Of the ~53,886 BBtu of natural gas hedged in 2022, ~28,932 BBtu is hedged to HSC at an average weighted price of \$2.52/MMBtu and ~14,087 BBtu hedged to WAHA at an average weighted price of \$2.32/MMBtu

As of February 24, 2022

# Looking Underneath



# MIDLAND BASIN

FOCUSED ON EXECUTION, WELL PERFORMANCE AND CAPITAL EFFICIENCY

## 2022 OPERATING PLAN

### 2022 PLAN DETAILS

- ~40 net wells completed and ~55 net wells drilled
- ~12,360' expected average lateral feet per well
- ~38% Boe PDP decline expected (YE21 - YE22)

### BEST IN CLASS WELL PERFORMANCE

- New completion design expected to drive higher EUR and NAV per well
- 2022-2023 drilling program expected breakeven flat pricing of \$16 - \$45/Bbl NYMEX<sup>(1)</sup>
- 2022 completion designs expected to utilize average fluid loading of 60 Bbls/ft and 2,800 lbs/ft sand

## OPERATING DETAILS <sup>(2)</sup>

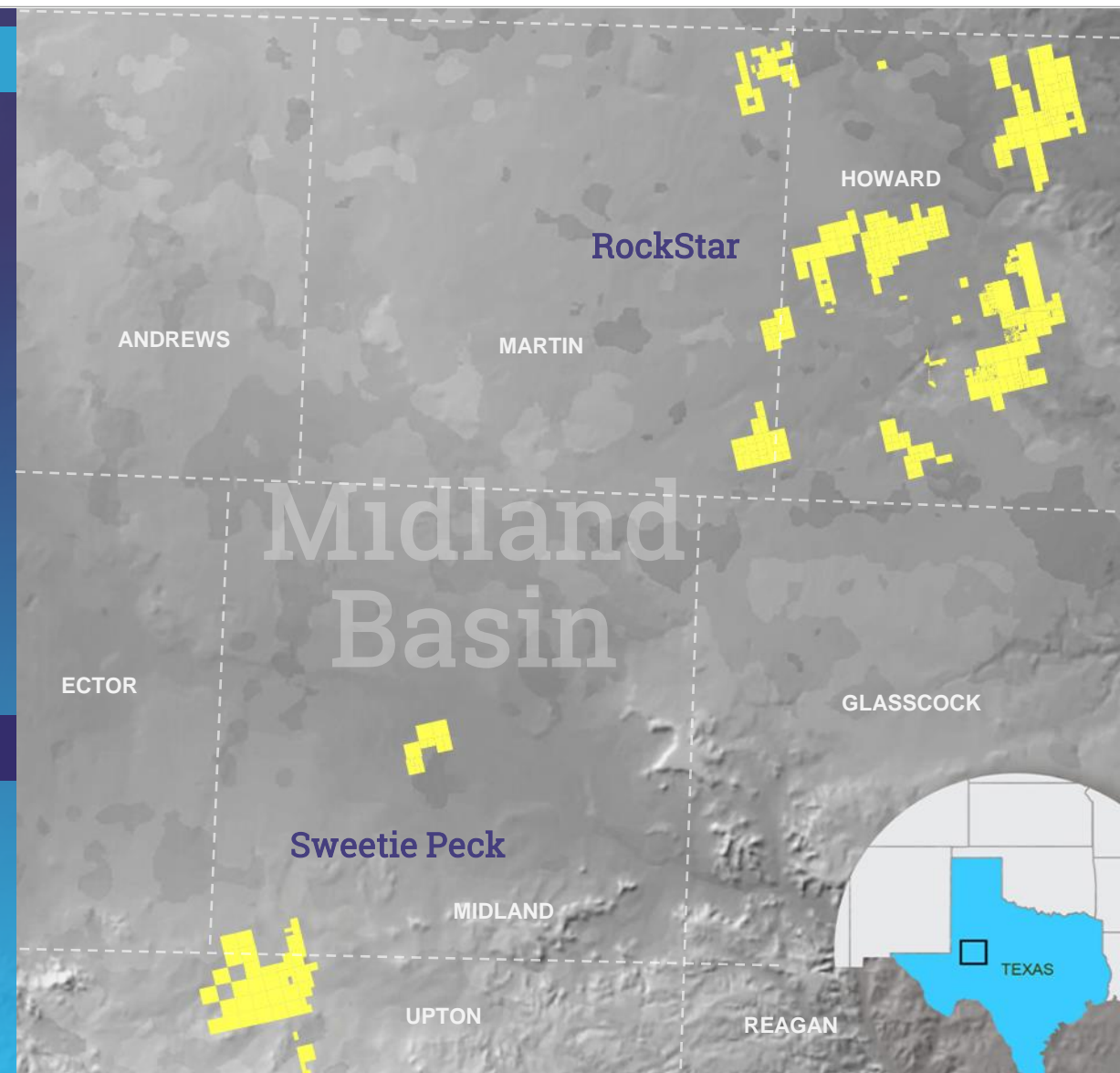
Rigs Running: 

Completion Crews: 

**~82,000**  
NET ACRES

(1) Breakeven 10% IRR assumes natural gas at \$2.50/Mcf and 43% NGL to WTI pricing.

(2) 2022 expected average.

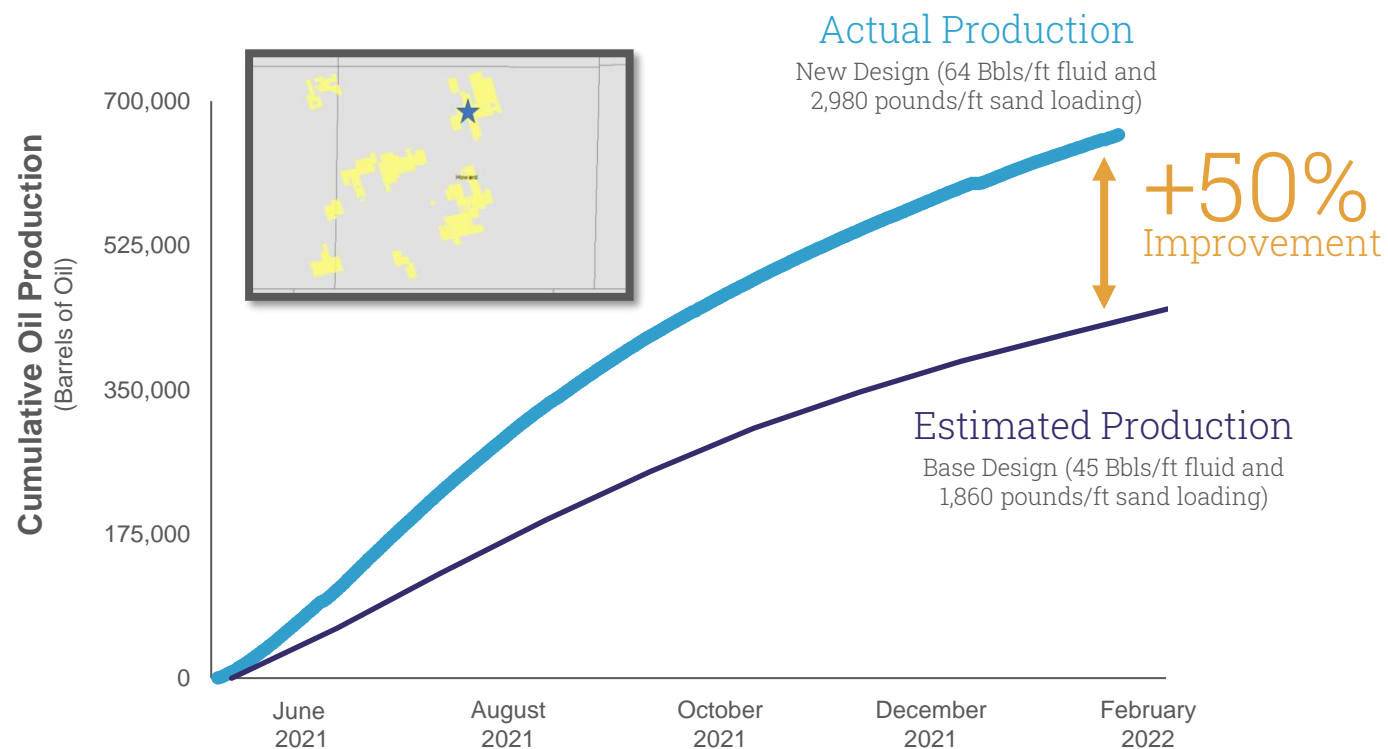


# MIDLAND BASIN

## NEW COMPLETION DESIGN DRIVING HIGHER EUR AND NPV PER WELL

### Miracle Max

3 wells with new completion design



Working to optimize EUR and NPV by employing data analytics

- Aggressive test of completion size over the past three years with fluid loadings ranging from 31 to 67 Bbls/ft and sand from 1,655 lbs/ft to 3,362 lbs/ft
- At current development spacing, larger completions are driving stronger performance and better economics
- Approximately 83 wells in 2021 employed proppant loadings of ~2,300+ lbs/ft with some testing >3,300 lbs/ft; ~35% also paired with higher fluid loadings
- **2022 completions:** frac designs with expected average fluid loading of 60 Bbls/ft and 2,800 lbs/ft of sand

# MIDLAND BASIN

ENVERUS: LARGER FRAC JOBS MAKE SM ENERGY A MIDLAND ROCKSTAR<sup>(1)</sup>



SM Energy Record:  
Highest IP90 Productivity<sup>(2)</sup>

Three wells averaging:

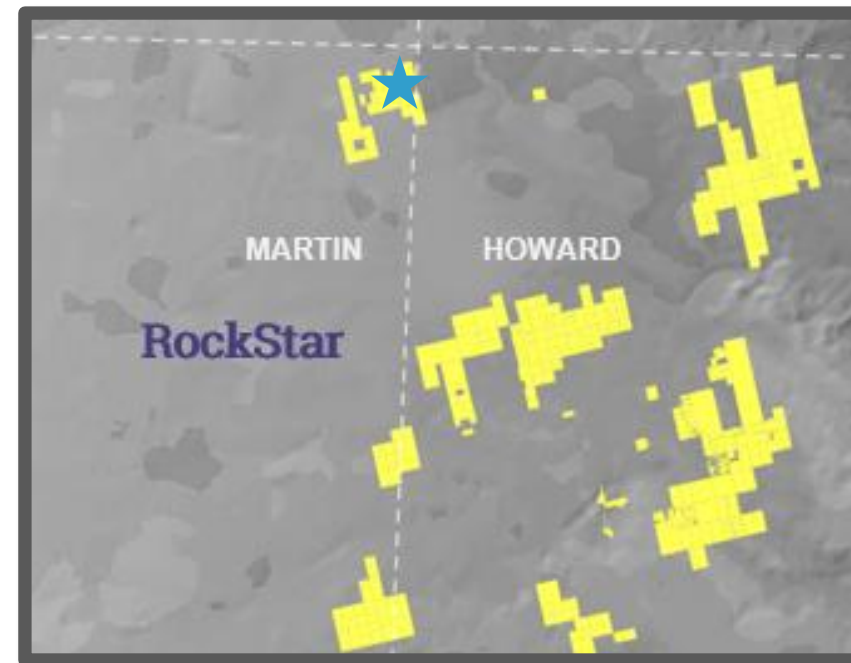
**2,500+**  
Boe/d

**91%**  
oil

Slider D 2269WB

Madador B 2346WA

Smails D 2385DN





# SOUTH TEXAS

## FOCUSED ON EXECUTION AND RETURNS ENHANCEMENT

### 2022 OPERATING PLAN

#### 2022 PLAN DETAILS

- ~38 net wells completed and ~37 net wells drilled
- ~11,000' expected average lateral feet per well
- ~38% Boe PDP decline expected (YE21 - YE22)

### ENHANCING INVENTORY VALUE

#### MARKETING UPDATE

- Transportation costs expected to decrease an additional ~\$0.35/Mcf in mid 2023

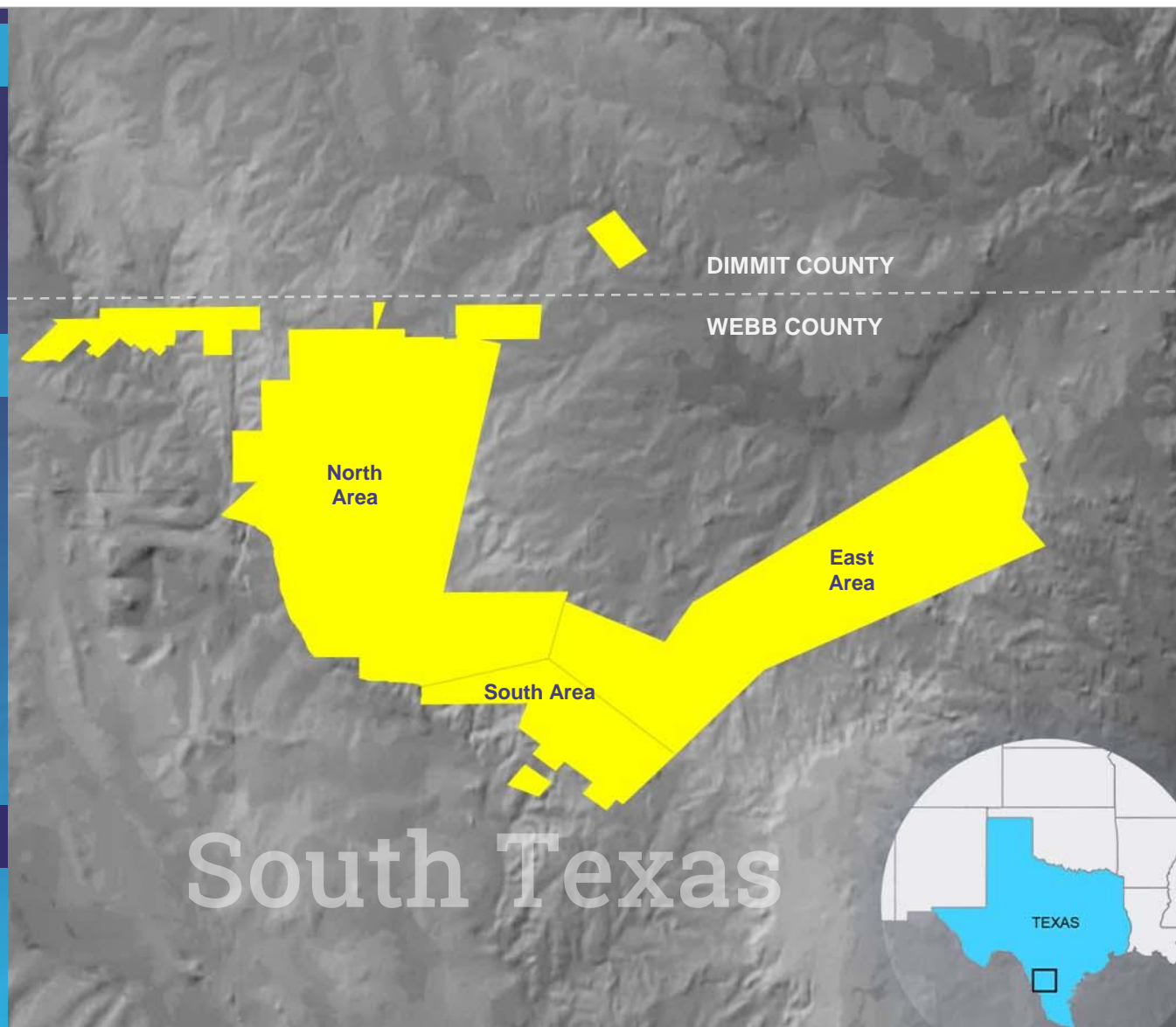
#### AUSTIN CHALK SUCCESS

- 2021 wells: payout averages ~9 months
- Delineation program of 35 wells producing as of the end of 2021 has indicated Austin Chalk inventory over a broad area

### OPERATING DETAILS <sup>(1)</sup>

Rigs Running:  Completion Crews: 

**~155,000**  
NET ACRES



# HIGH QUALITY INVENTORY

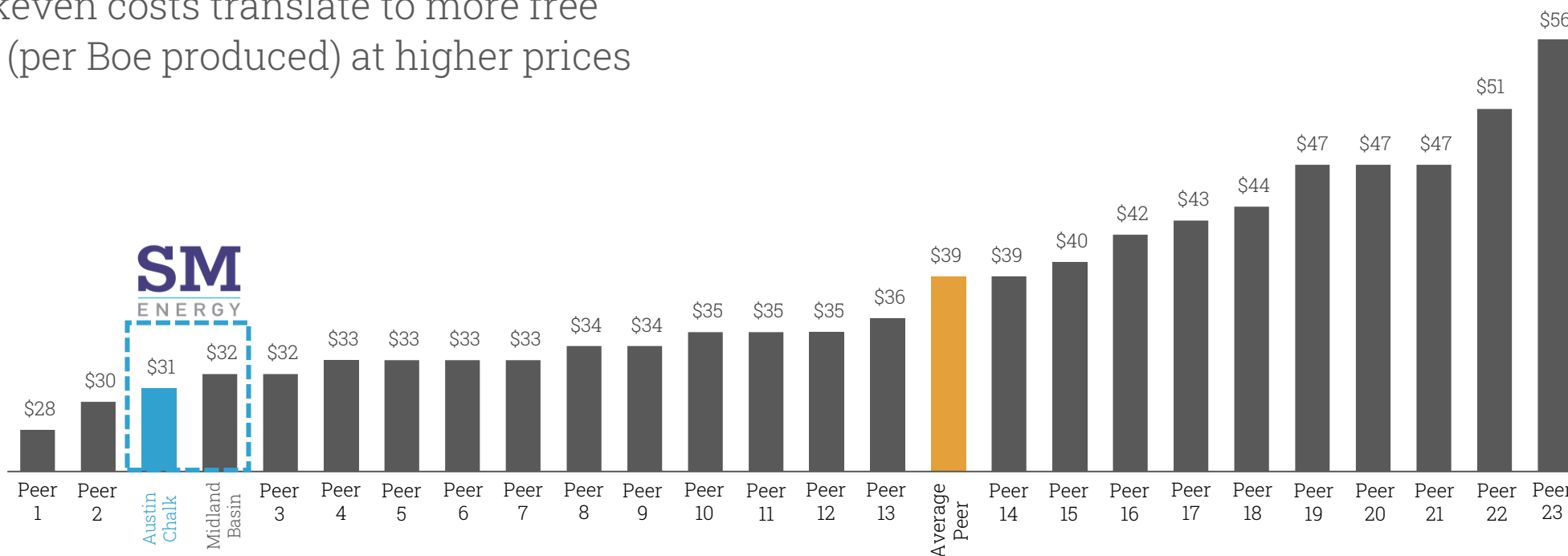
## SM ENERGY AUSTIN CHALK BREAK EVEN OIL PRICE COMPETITIVE WITH PERMIAN PEERS

Permian

Breakeven oil price<sup>(1)</sup>

at 20:1 WTI to NYMEX

Low breakeven costs translate to more free cash flow (per Boe produced) at higher prices



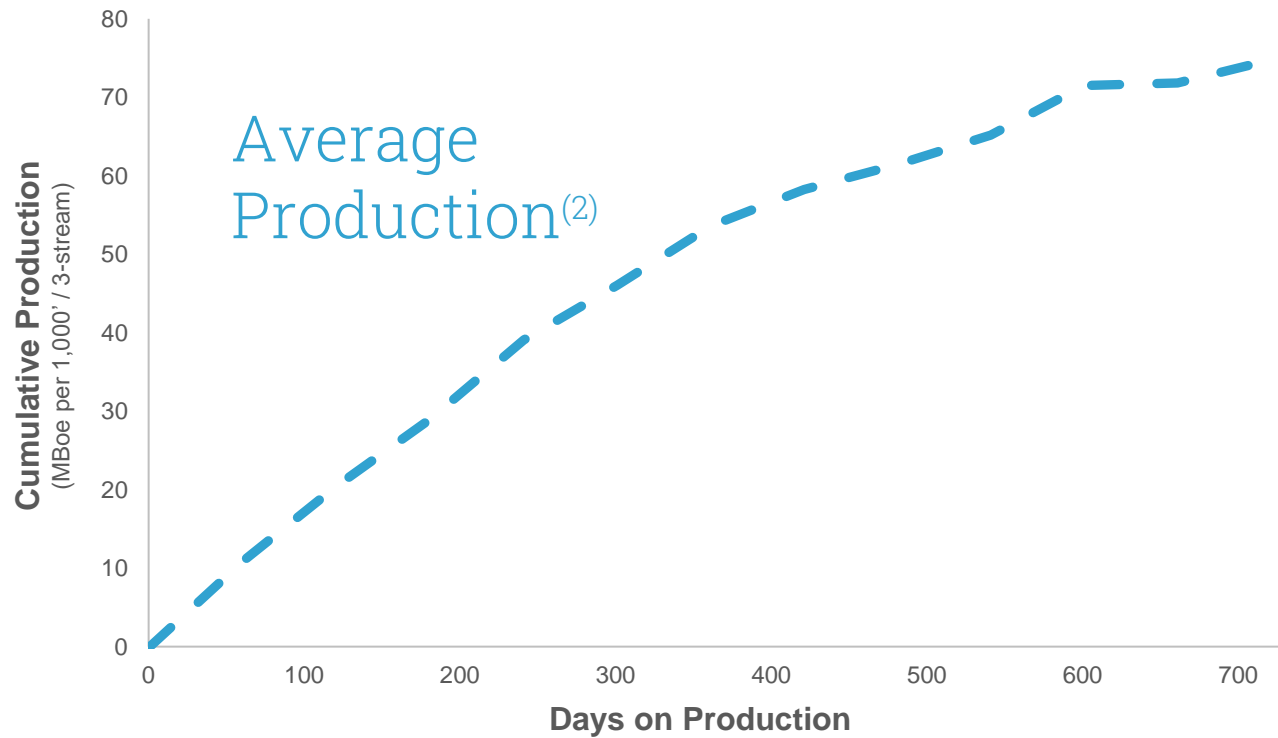
Peers include APA, Birch, BTA, CPE, CDEV, CVX, XEC, COP, CrownQuest, DVN, FANG, Endeavor, XOM, LPI, MTDR, Mewbourne, OXY, OVV, PXD, Shell, Surge, Tap Rock, Vencer.

# SOUTH TEXAS: AUSTIN CHALK SUCCESS CONTINUES

## SUCCESSFUL TEST RESULTS ACROSS ACREAGE POSITION IN 2021

### Austin Chalk Wells Currently Producing

35 wells producing ~50-80% liquids<sup>(1)</sup>

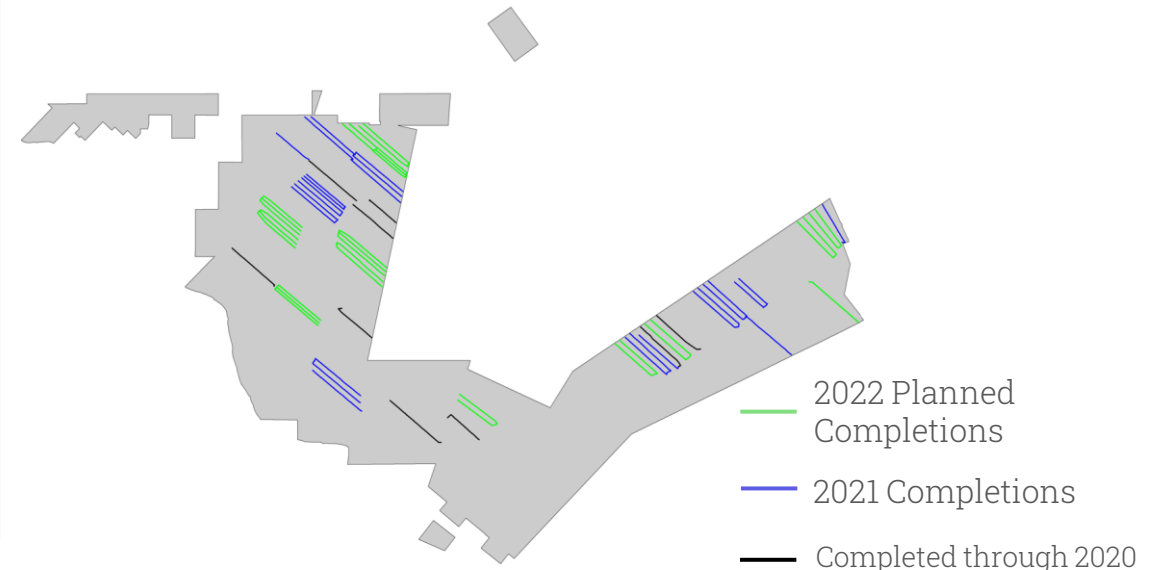


~400  
Expected  
Locations

9 months

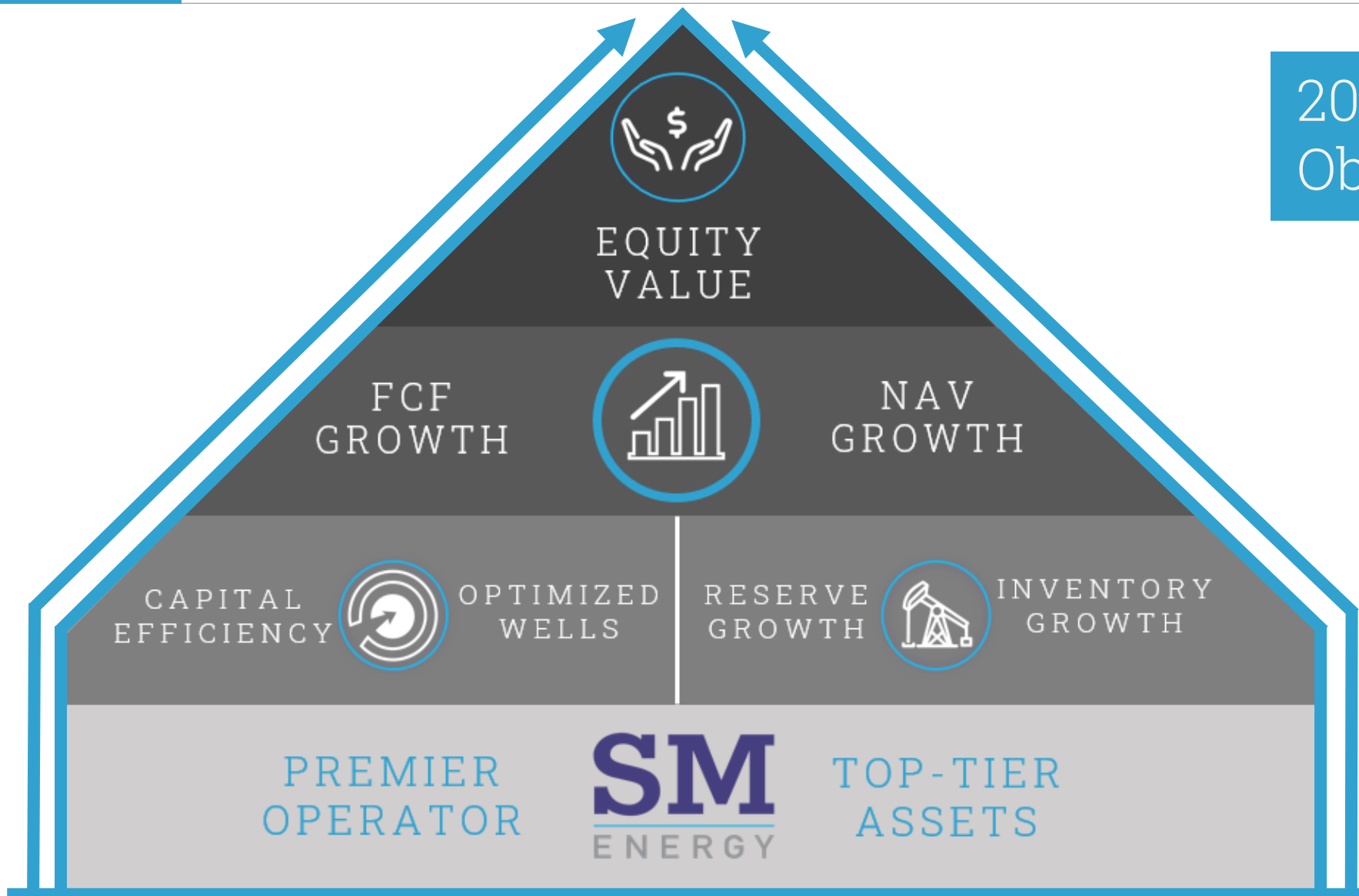
Average Payout<sup>(3)</sup>  
2021 SM AC Wells

### Austin Chalk Wells



# PREMIER OPERATOR OF TOP-TIER ASSETS

## 2022 STRATEGIC OBJECTIVES



## 2022 Strategic Objectives

- 1) Build NAV through scaled up Austin Chalk program
- 2) Grow FCF and reduce leverage to ~1.0x and absolute debt to ~\$1B
- 3) Maintain top-tier inventory
- 4) Demonstrate differential ESG including near term goals for flaring, Scope 1 and 2 emissions and methane emissions

# Appendix

# FOURTH QUARTER AND FULL YEAR 2021 PERFORMANCE

## Key Metrics

	4Q21	2021
<b>Production and Pricing</b>		
Total Production (MMBoe)	14.6	51.4
Total Production (MBoe/d)	158.3	140.7
Oil percentage	53%	54%
Pre-Hedge Realized Price (\$/Boe)	\$58.54	\$50.58
Post-Hedge Realized Price (\$/Boe)	\$40.09	\$36.00
<b>Costs (per Boe)</b>		
LOE	\$4.21	\$4.39
Transportation	\$2.61	\$2.71
Production & Ad Valorem taxes	\$3.01	\$2.74
Total Production Expenses	\$9.83	\$9.84
<b>Cash Production Margin (pre-hedge)</b>	<b>\$48.71</b>	<b>\$40.74</b>
G&A (Cash)	\$2.30	\$1.89
G&A (Non-Cash)	\$0.25	\$0.29
<b>Adjusted Operating Margin<sup>(1)</sup> (pre-hedge)</b>	<b>\$46.16</b>	<b>\$38.56</b>
DD&A	\$13.74	\$15.08
<b>Earnings</b>		
GAAP Earnings (diluted, per share)	\$3.43	\$0.29
Adjusted net income <sup>(1)</sup> (per share)	\$1.14	\$1.85
<b>Adjusted EBITDAX<sup>(1)</sup> (\$MM)</b>	<b>\$406.9</b>	<b>\$1,225.4</b>
<b>Free cash flow (\$MM)</b>		
Net cash provided by operating activities (GAAP)	\$429.6	\$1,159.8
Net change in working capital	\$(65.2)	\$(117.4)
Net cash provided by operating activities before net change in working capital	\$364.4	\$1,042.4
Capital expenditures (GAAP)	\$124.6	\$674.8
Decrease in capital expenditure accruals and other	\$(19.7)	\$(10.8)
Capital expenditures before accruals and other	\$104.9	\$664.0
<b>Free cash flow<sup>(1)</sup></b>	<b>\$259.5</b>	<b>\$378.3</b>

Note: Amounts may not recalculate due to rounding.

2021 Production

**140.7** MBoe/d

2021 Adjusted EBITDAX<sup>(1)</sup>

**\$1.2** billion

2021 Free cash flow<sup>(1)</sup>

**\$378** million

2021 Reinvestment rate<sup>(1)</sup>

**64%**

# 4Q 2021 REALIZATIONS BY REGION

## TWO TOP-TIER AREAS OF OPERATION

	Midland Basin	South Texas	Total
<b>Benchmark Pricing</b>			
NYMEX WTI Oil (\$/Bbl)	\$ 77.19		
NYMEX Henry Hub Gas (\$/MMBtu)	\$ 5.83		
Hart Composite NGL (\$/Bbl)	\$ 44.21		
<b>Production Volumes</b>			
Oil (MBbls)	6,682	1,090	7,772
Gas (MMcf)	16,519	14,736	31,255
NGL (MBbls)	2	1,577	1,579
Total (Mboe)	9,437	5,123	14,560
<b>Revenue (in thousands)</b>			
Oil	\$510,248	\$81,039	\$591,287
Gas	\$120,792	\$77,734	\$198,526
NGL	\$65	\$62,490	\$62,555
Total	\$631,105	\$221,263	\$852,368
<b>Expenses (in thousands)</b>			
LOE	\$49,274	\$12,057	\$61,331
Ad Valorem	\$2,799	\$388	\$3,187
Transportation	\$17	\$38,040	\$38,057
Production Taxes	\$32,650	\$8,059	\$40,709
<b>Per Unit Metrics</b>			
Realized Oil Per Bbl	\$76.36	\$74.36	\$76.08
% of Benchmark - WTI	99%	96%	99%
Realized Gas per Mcf	\$7.31	\$5.28	\$6.35
% of Benchmark - NYMEX Henry Hub	125%	91%	109%
Realized NGL per Bbl	\$43.28	\$39.62	\$39.63
% of Benchmark - HART	98%	90%	90%
Realized Price per Boe	\$66.88	\$43.19	\$58.54
LOE per Boe	\$5.22	\$2.35	\$4.21
Ad Valorem per Boe	\$0.30	\$0.08	\$0.22
Transportation per Boe	\$-	\$7.43	\$2.61
Production Tax per Boe	\$3.46	\$1.57	\$2.80
Production Tax as % of Pre-hedge Revenue	5.2%	3.6%	4.8%
Cash Production Margin per Boe	\$57.90	\$31.76	\$48.70

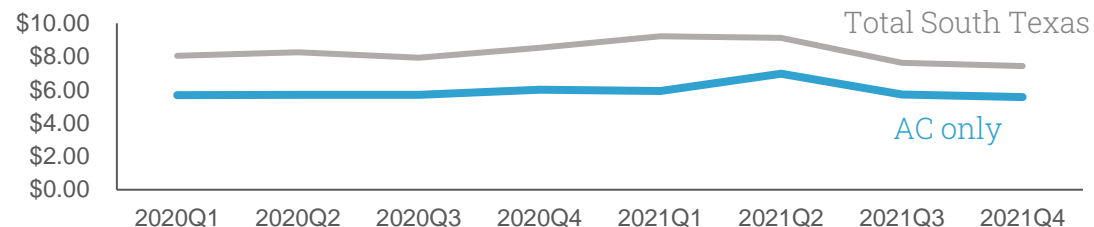
Note: Amounts may not recalculate due to rounding.

# SM ENERGY AUSTIN CHALK: TOP-TIER ECONOMICS

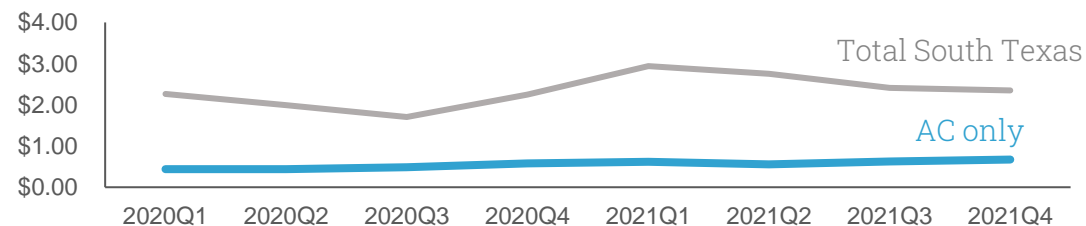
2021: Austin Chalk operating costs per Boe were ~30% lower than blended South Texas operating costs

NGL benchmark pricing based on industry standard composite barrel comprised of: Ethane 36.5%, Propane 31.8%, Normal Butane 11.2%, Isobutane 6.2%, Pentane+ 14.3%

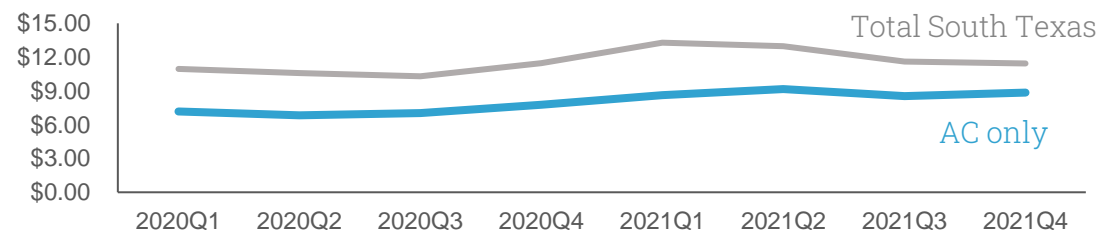
## Transportation per Boe



## LOE per Boe



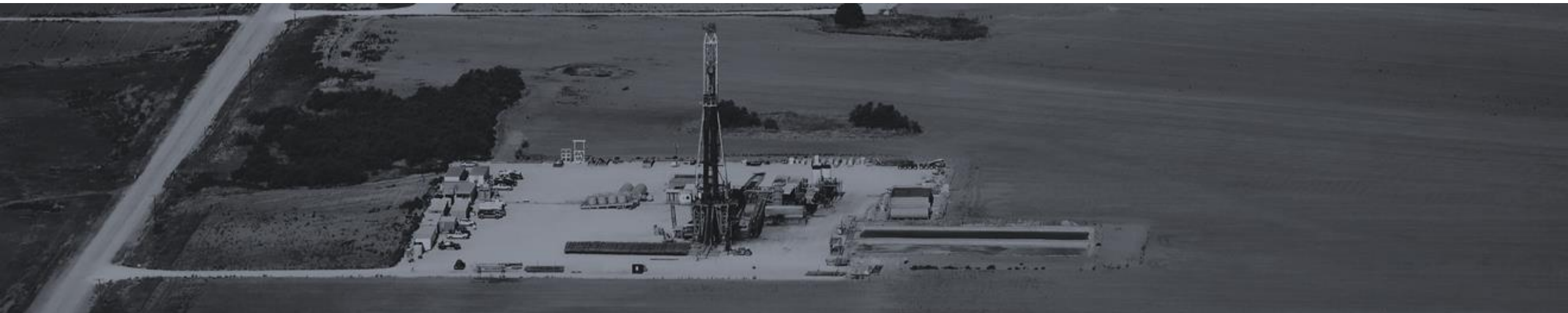
## Production Expenses<sup>(1)</sup> per Boe





# ACTIVITY BY REGION

## WELLS DRILLED, FLOWING COMPLETIONS, AND DUC COUNT



	Wells Drilled				Flowing Completions				DUC Count <sup>(1)</sup>	
	4Q21		2021 YTD		4Q21		2021 YTD		As of December 31, 2021	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Midland Basin</b>										
RockStar	14	11	47	39	3	1	70	59	27	24
Sweetie Peck	-	-	14	10	4	2	27	22	3	3
Midland Basin total	14	11	61	49	7	3	97	81	30	27
<b>South Texas<sup>(1)</sup></b>										
Austin Chalk	6	6	30	30	7	7	26	24.5	18	18
Eagle Ford	-	-	2	2	2	2	5	3.5	14	14
South Texas total	6	6	32	32	9	9	31	28	32	32
<b>Total</b>	<b>20</b>	<b>17</b>	<b>93</b>	<b>81</b>	<b>16</b>	<b>12</b>	<b>128</b>	<b>109</b>	<b>62</b>	<b>59</b>

As of December 31, 2021.

Amounts may not recalculate due to rounding.

# LEASEHOLD SUMMARY

NO LEASEHOLD ON FEDERAL LANDS IN THE MIDLAND BASIN OR SOUTH TEXAS

## Net Acres<sup>(1)</sup>

<b>Midland Basin</b>	
Sweetie Peck <sup>(2)</sup>	18,000
RockStar	63,500
Midland Basin total	81,500
<b>South Texas</b>	155,100
<b>Rocky Mountain Other</b>	10,300
<b>Other Areas / Exploration</b>	26,400
<b>Total</b>	<b>273,300</b>

MIDLAND BASIN  
NET ACRES

~82,000

SOUTH TEXAS  
NET ACRES

~155,000

As of December 31, 2021

# NGL REALIZATIONS

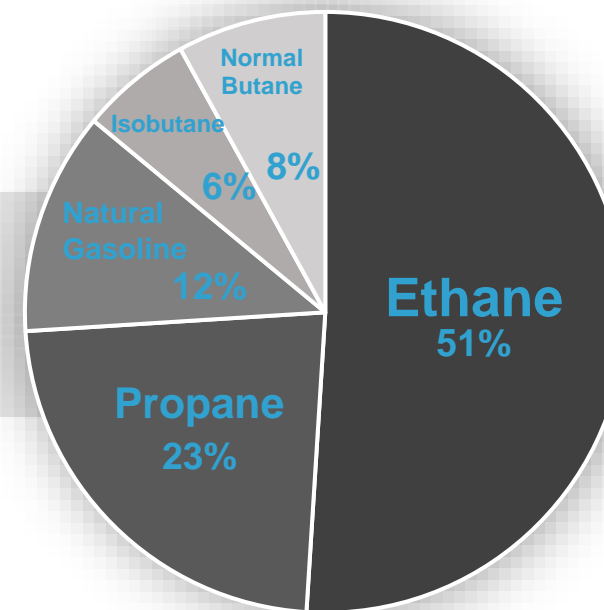
NGL price realizations tied to Mont Belvieu, fee-based contracts

Differential reflects NGL composite barrel product mix as well as transportation and fractionation fees

## Realizations by Quarter

	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021
Mont Belvieu Benchmark Price (\$/Bbl)	\$21.68	\$30.47	\$31.52	\$40.39	\$44.21
SM NGL Realization (\$/Bbl)	\$18.43	\$26.93	\$28.41	\$36.87	\$39.63
<b>% Differential to Mont Belvieu</b>	<b>85%</b>	<b>88%</b>	<b>90%</b>	<b>91%</b>	<b>90%</b>

## SM Energy NGL Composition



# Hedges

# OIL, GAS, AND NGL DERIVATIVE POSITIONS<sup>(1)</sup>

## BY QUARTER

### Oil

Period	Oil Swaps		Oil Collars			Midland - Cushing Oil Basis Swaps		NYMEX WTI - ICE Brent Oil Basis Swaps		MEH – WTI Swaps		Basis NYMEX WTI Roll Basis Swaps	
	Volume (MBbls)	\$/Bbl <sup>(2)</sup>	Volume (MBbls)	Ceiling \$/Bbl <sup>(2)</sup>	Floor \$/Bbl <sup>(2)</sup>	Volume (MBbls)	Price Differential \$/Bbl <sup>(2)</sup>	Volume (MBbls)	Price Differential \$/Bbl <sup>(2)</sup>	Volume (MBbls)	Price Differential \$/Bbl <sup>(2)</sup>	Volume (MBbls)	Price Differential \$/Bbl <sup>(2)</sup>
Q1 2022	2,009	\$44.81	896	\$63.73	\$53.54	2,222	\$1.15	900	(\$7.78)	271	\$1.25	3,226	\$0.18
Q2 2022	2,451	\$52.71	894	\$64.93	\$56.94	2,374	\$1.15	910	(\$7.78)	349	\$1.25	3,359	\$0.21
Q3 2022	1,938	\$44.63	1,114	\$71.89	\$64.77	2,442	\$1.15	920	(\$7.78)	335	\$1.25	3,288	\$0.22
Q4 2022	1,923	\$44.58	1,128	\$75.48	\$63.74	2,462	\$1.15	920	(\$7.78)	374	\$1.25	3,248	\$0.21
Q1 2023	294	\$45.20	577	\$74.02	\$60.00	229	\$0.60	-	-	172	\$1.24	936	\$0.47
Q2 2023	333	\$45.18	282	\$71.18	\$60.00	226	\$0.60	-	-	167	\$1.24	909	\$0.47
Q3 2023	304	\$45.20	-	-	-	222	\$0.60	-	-	152	\$1.24	900	\$0.47
Q4 2023	259	\$45.23	-	-	-	208	\$0.60	-	-	155	\$1.24	856	\$0.47

### Gas

Period	IF HSC Gas Swaps		WAHA Gas Swaps		WAHA Basis Swaps		IF Tenn TX Z0 Swaps		IF Tenn TX Z0 Basis Swaps		NYMEX Henry Hub Swaps		NYMEX Henry Hub Collars			IF HSC Collars		
	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	\$/MMBtu <sup>(2)</sup>	Volume (BBtu)	Ceiling \$/MMBtu <sup>(2)</sup>	Floor \$/MMBtu <sup>(2)</sup>	Volume (BBtu)	Ceiling \$/MMBtu <sup>(2)</sup>	Floor \$/MMBtu <sup>(2)</sup>
Q1 2022	8,208	\$2.85	4,856	\$2.63	-	-	513	\$3.22	859	\$0.12	-	-	859	\$8.02	\$4.00	-	-	-
Q2 2022	6,808	\$2.34	3,079	\$2.09	-	-	-	-	1,270	(\$0.14)	1,977	\$3.95	1,270	\$4.48	\$3.00	-	-	-
Q3 2022	6,934	\$2.37	3,085	\$2.19	-	-	-	-	760	(\$0.14)	1,677	\$4.02	760	\$5.45	\$3.25	-	-	-
Q4 2022	6,982	\$2.47	3,067	\$2.22	-	-	-	-	-	-	1,903	\$4.25	1,908	\$4.44	\$3.50	-	-	-
Q1 2023	-	-	900	\$3.98	916	\$(0.25)	-	-	-	-	-	-	5,245	\$7.97	\$3.25	900	\$7.75	\$3.38
Q2 2023	-	-	-	-	1,552	\$(1.42)	-	-	-	-	-	-	1,552	\$3.51	\$3.25	-	-	-
Q3 2023	-	-	-	-	2,442	\$(1.05)	-	-	-	-	-	-	2,442	\$3.58	\$3.25	-	-	-
Q4 2023	-	-	-	-	2,337	\$(1.01)	-	-	-	-	-	-	2,337	\$4.06	\$3.25	-	-	-
Q1 2024	-	-	-	-	5,089	\$(0.61)	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2024	-	-	-	-	5,285	\$(1.09)	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2024	-	-	-	-	5,344	\$(0.99)	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2024	-	-	-	-	5,240	\$(0.73)	-	-	-	-	-	-	-	-	-	-	-	-
Q1 2025	-	-	-	-	2,551	\$(0.50)	-	-	-	-	-	-	-	-	-	-	-	-
Q2 2025	-	-	-	-	2,619	\$(0.77)	-	-	-	-	-	-	-	-	-	-	-	-
Q3 2025	-	-	-	-	2,559	\$(0.76)	-	-	-	-	-	-	-	-	-	-	-	-
Q4 2025	-	-	-	-	2,523	\$(0.61)	-	-	-	-	-	-	-	-	-	-	-	-

### NGLs

Period	Propane Swaps		Propane Collars		
	Volume (MBbls)	\$/Bbl <sup>(2)</sup>	Volume (MBbls)	Ceiling \$/Bbl <sup>(2)</sup>	Floor \$/Bbl <sup>(2)</sup>
Q1 2022	351	\$28.67	180	\$38.25	\$28.68
Q2 2022	269	\$41.69	253	\$31.69	\$25.94
Q3 2022	106	\$35.70	164	\$27.84	\$24.09
Q4 2022	113	\$35.91	173	\$28.13	\$24.11

(1) Includes derivative contracts for settlement at any time during the first quarter of 2022 and later periods, entered into through February 24, 2022.

(2) Weighted-average contract price.

# Reserves

# 2021 PROVED RESERVES

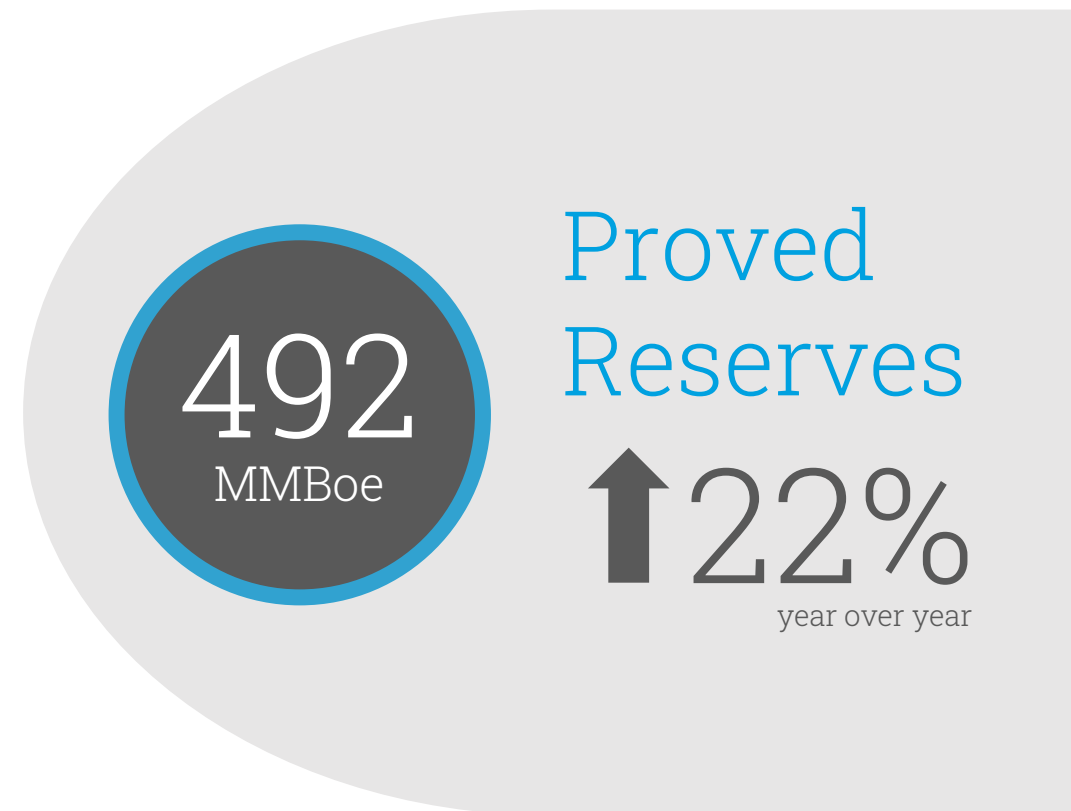
PROVED RESERVES AT YEAR-END WERE 492 MMBOE, UP 22% COMPARED WITH PRIOR YEAR

## Proved Reserves by Region

YE 2020 (MMBoe)	222.0	182.6	404.6
YE 2021	Midland Basin	South Texas	Total
Oil (MMBbl)	156.7	42.9	199.5
Gas (Bcf)	568.9	674.5	1,243.5
NGL (MMBbl)	0.1	85.1	85.2
Total (MMBoe)	251.6	240.4	492.0
% Proved Developed	66%	56%	61%
Reserve Growth	13%	32%	22%

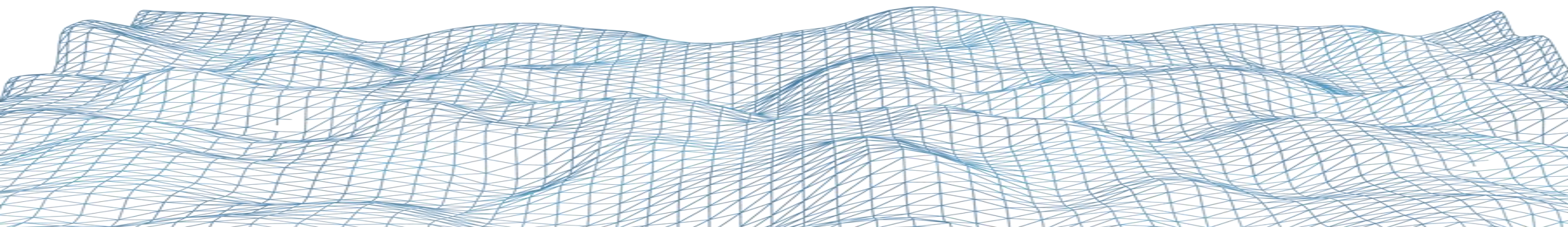
## SEC Pricing

	2021	2020	% change
Oil (\$/Bbl)	\$66.56	\$39.57	68%
Gas (\$/MMBtu)	\$3.60	\$1.99	81%
NGLs (\$/Bbl)	\$36.60	\$17.64	107%



# Fourth Quarter & Full Year 2021

## Non-GAAP Reconciliations and Disclosures





# DEFINITIONS OF NON-GAAP MEASURES AS CALCULATED BY THE COMPANY

To supplement the presentation of its financial results prepared in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides certain non-GAAP measures, which are used by management and the investment community to assess the Company's financial condition, results of operations, and cash flows, as well as compare performance from period to period and across the peer group. The Company believes these metrics and performance measures are widely used by the investment community, including investors, research analysts and others, to evaluate and compare investments among upstream oil and gas companies in making investment decisions or recommendations. These measures, as presented, may have differing calculations among companies and investment professionals and may not be directly comparable to the same measures provided by others. A non-GAAP measure should not be considered in isolation or as a substitute for the most directly comparable GAAP measure or any other measure of a company's financial or operating performance presented in accordance with GAAP. A reconciliation of each of these non-GAAP measures to the most directly comparable GAAP measure is presented below. These measures may not be comparable to similarly titled measures of other companies.

**Adjusted EBITDAX:** Adjusted EBITDAX is calculated as net income (loss) before interest expense, interest income, income taxes, depletion, depreciation, amortization and asset retirement obligation liability accretion expense, exploration expense, property abandonment and impairment expense, non-cash stock-based compensation expense, derivative gains and losses net of settlements, gains and losses on divestitures, gains and losses on extinguishment of debt, and certain other items. Adjusted EBITDAX excludes certain items that the Company believes affect the period to period comparability of operating results, including items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. Management believes that Adjusted EBITDAX provides useful information for internal analysis and for investors and analysts, as a performance/liquidity measure, to evaluate 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 the Company's Credit Agreement, a material source of liquidity for the Company, based on Adjusted EBITDAX ratios. Please reference the Company's 2021 Form 10-K for discussion of the Credit Agreement and its covenants.

**Adjusted net income (loss) and adjusted net income (loss) per diluted common share:** Adjusted net income (loss) and adjusted net income (loss) per diluted common share excludes certain items that the Company believes affect the comparability of operating results, including items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. These items include non-cash and other adjustments, such as derivative gains and losses net of settlements, impairments, net (gain) loss on divestiture activity, gains and losses on extinguishment of debt, and accruals for non-recurring matters. Management uses these measures to evaluate the comparability of the Company's ongoing operational results and trends and believes these measures provide useful information to investors for analysis of the Company's fundamental business on a recurring basis.

**Net debt:** Net debt is calculated as the total principal amount of outstanding senior secured notes and senior unsecured notes plus amounts drawn on the revolving credit facility (also referred to as total funded debt) less cash and cash equivalents. Management uses net debt as a measure of the Company's financial position and believes this measure provides useful additional information to investors to evaluate the Company's capital structure and financial leverage.

**Free cash flow:** Free cash flow is calculated as net cash provided by operating activities before net change in working capital less capital expenditures before increase (decrease) in capital expenditure accruals and other. Management uses this measure as representative of the cash from operations, in excess of capital expenditures that provides liquidity to fund non-discretionary obligations such as debt reduction, return cash to shareholders or expand the business.

- Forward-looking Free cash flow: Guidance or projected measures are not reconciled to the most comparable GAAP measure because components of the GAAP calculation are inherently difficult to project. Specifically, the timing of cash receipts and disbursements could not be projected with accuracy.

**Free cash flow yield to market capitalization:** Free cash flow yield to market capitalization is calculated as Free cash flow (defined above) divided by market capitalization. Management believes this metric provides useful information to management and investors as a measure of the Company's ability to generate cash flow against its equity valuation.

**Net debt-to-Adjusted EBITDAX:** Net debt-to-Adjusted EBITDAX is calculated as Net Debt (defined above) divided by Adjusted EBITDAX (defined above) for the trailing twelve-month period. A variation of this calculation is a financial covenant under the Company's Credit Agreement. Management and the investment community may use this measure in understanding the Company's ability to service its debt and identify trends in its leverage position. The Company reconciles the two non-GAAP measure components of this calculation.

- Forward-looking Net-debt-to-Adjusted EBITDAX: Guidance or projected measures are not reconciled to the most comparable GAAP measure because components of the GAAP calculation are inherently difficult to project. Specifically, non-cash components of earnings such as derivative gains and losses, gains and losses on divestitures, gains and losses on extinguishment of debt and unknown future events could not be projected with accuracy.

**Pre-Tax PV-10:** Pre-Tax PV-10 is the present value of estimated future revenue to be generated from the production of estimated net proved reserves, net of estimated production and future development costs, based on prices used in estimating the proved reserves and costs in effect as of the date indicated (unless such costs are subject to change pursuant to contractual provisions), without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expenses, or depreciation, depletion, and amortization, discounted using an annual discount rate of 10 percent. While this measure does not include the effect of income taxes as it would in the use of the standardized measure of discounted future net cash flows calculation, it does provide an indicative representation of the relative value of the Company on a comparative basis to other companies and from period to period. This measure is presented because management believes it provides useful information to investors for analysis of the Company's fundamental business on a recurring basis.

**Reinvestment rate:** Reinvestment rate is calculated as capital expenditures before increase (decrease) in capital expenditure accruals and other divided by net cash provided by operating activities before net change in working capital. Management believes this metric is useful to management and the investment community to understand the Company's ability to generate sustainable profitability and may be used to compare over periods of time across industry peers.

- Forward-looking Reinvestment rate: Guidance or projected measures are not reconciled to the most comparable GAAP measure because components of the GAAP calculation are inherently difficult to project. Specifically, changes to current assets and liabilities, the timing of change in capital accruals, and unknown future events. The inability to project certain components of the calculation would significantly affect the accuracy of a reconciliation.

**Adjusted operating margin:** Adjusted operating margin is calculated as oil, gas, and NGL revenues (before the effects of commodity derivative settlements), less operating expenses (specifically, LOE, transportation, production taxes, ad val taxes, and G&A). This calculation excludes derivative settlements, exploration expense, and DD&A and is reflected on a per BOE basis using net equivalent production for the period represented. This measure includes non-cash items in G&A, specifically stock compensation expense. Management believes this metric provides management and the investment community with an understanding of the Company's recurring operating margin before DD&A, which is helpful to compare period-to-period and across peers.

# NON-GAAP RECONCILIATIONS

## Adjusted EBITDAX<sup>(1)</sup>

(in thousands)

	Three Months Ended December 31,	Twelve Months Ended December 31,
	2021	2021
<b>Net income (GAAP)</b>	<b>\$ 424,900</b>	<b>\$ 36,299</b>
Interest expense	40,085	160,353
Income tax expense	10,033	9,938
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	200,011	774,386
Exploration <sup>(2)</sup>	11,604	35,346
Impairment	8,750	35,000
Stock-based compensation expense	4,628	18,819
Net derivative (gain) loss	(22,524)	901,659
Derivative settlement loss	(268,696)	(748,958)
Loss on extinguishment of debt	-	2,139
Other, net	(1,900)	507
<b>Adjusted EBITDAX (non-GAAP)</b>	<b>\$ 406,891</b>	<b>\$ 1,225,418</b>
Interest expense	(40,085)	(160,353)
Income tax expense	(10,033)	(9,938)
Exploration <sup>(2)</sup>	(11,604)	(35,346)
Amortization of debt discount and deferred financing costs	3,925	17,275
Deferred income taxes	9,847	9,565
Other, net	5,448	(4,260)
Net change in working capital	65,241	117,411
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 429,630</b>	<b>\$ 1,159,772</b>

## Adjusted Net Income<sup>(1)</sup>

(in thousands)

	Three Months Ended December 31,	Twelve Months Ended December 31,
	2021	2021
<b>Net income (GAAP)</b>	<b>\$ 424,900</b>	<b>\$ 36,299</b>
Net derivative (gain) loss	(22,524)	901,659
Derivative settlement loss	(268,696)	(748,958)
Impairment	8,750	35,000
Loss on extinguishment of debt	-	2,139
Other, net	(885)	2,223
Tax effect of adjustments <sup>(3)</sup>	61,488	(41,678)
Valuation allowance on deferred tax assets	(61,488)	41,678
<b>Adjusted net income (non-GAAP)</b>	<b>\$ 141,545</b>	<b>\$ 228,292</b>
<b>Diluted net income per common share (GAAP)</b>	<b>\$ 3.43</b>	<b>\$ 0.29</b>
Net derivative (gain) loss	(0.18)	7.29
Derivative settlement loss	(2.17)	(6.06)
Impairment	0.07	0.28
Loss on extinguishment of debt	-	0.02
Other, net	(0.01)	0.03
Tax effect of adjustments <sup>(3)</sup>	0.50	(0.34)
Valuation allowance on deferred tax assets	(0.50)	0.34
<b>Adjusted net income per diluted common share (non-GAAP)</b>	<b>\$ 1.14</b>	<b>\$ 1.85</b>
Basic weighted-average common shares outstanding	121,535	119,043
Diluted weighted-average common shares outstanding	124,019	123,690

## Reinvestment Rate<sup>(1)</sup>

(in thousands)

	Twelve Months Ended December 31,
	2021
Capital expenditures before accruals and other	\$ 664,015
Divided by:	
Cash Flow from operations before net change in working capital	\$ 1,042,361
<b>Reinvestment rate</b>	<b>64%</b>

(1) See above "Definitions of non-GAAP measures as Calculated by the Company."

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

(3) The tax effect of adjustments is calculated using a tax rate of 21.7% for the three months and twelve months ended December 31, 2021. This rate approximates the Company's statutory tax rate adjusted for ordinary permanent differences.

# NON-GAAP RECONCILIATIONS

## Free Cash Flow<sup>(1)</sup>

(in thousands)

	Three Months Ended December 31,	Twelve Months Ended December 31,
	2021	2021
<b>Net cash provided by operating activities (GAAP)</b>	\$ 429,630	\$ 1,159,772
Net change in working capital	(65,241)	(117,411)
<b>Cash Flow from operations before net change in working capital</b>	\$ 364,389	\$ 1,042,361
<b>Capital expenditures (GAAP)</b>	124,576	674,841
Decrease in capital expenditure accruals and other	(19,711)	(10,826)
<b>Capital expenditures before accruals and other</b>	\$ 104,865	\$ 664,015
<b>Free cash flow (non-GAAP)</b>	\$ 259,524	\$ 378,346

## Net Debt<sup>(1)</sup>

(in thousands)

	As of December 31,	
	2021	2020
Principal amount of Senior Secured Notes <sup>(2)</sup>	\$ 446,675	\$ 512,160
Principal amount of Senior Unsecured Notes <sup>(2)</sup>	1,689,913	1,674,581
Revolving credit facility <sup>(2)</sup>	-	93,000
Total funded debt	\$ 2,136,588	\$ 2,279,741
Less: Cash and cash equivalents	332,716	10
<b>Net debt (non-GAAP)</b>	\$ 1,803,872	\$ 2,279,731

## PV-10<sup>(1)</sup>

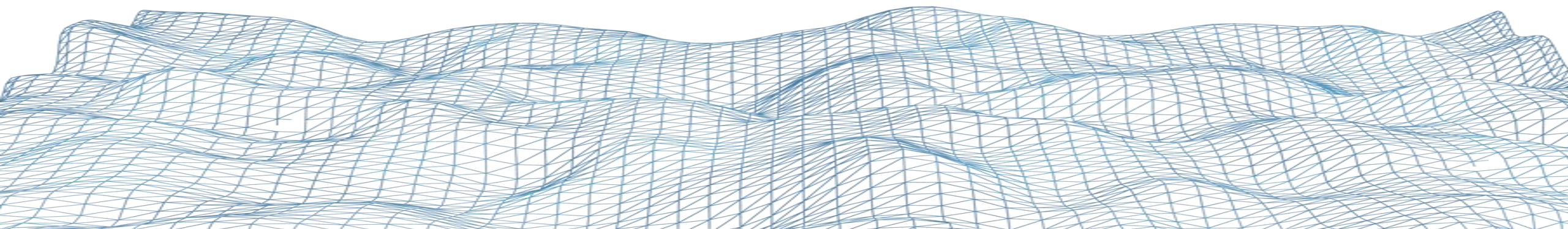
(in millions)

	As of December 31,	
	2021	2020
Standardized measure of discounted future net cash flows (GAAP)	\$ 6,962.6	\$ 2,682.5
Add: 10 percent annual discount, net of income taxes	4,844.9	1,856.3
Add: future undiscounted income taxes	2,130.3	-
Pre-tax undiscounted future net cash flows	13,937.8	4,538.8
Less: 10 percent annual discount without tax effect	(5,779.2)	(1,856.3)
<b>Pre-tax PV-10 (non-GAAP)</b>	\$ 8,158.6	\$ 2,682.5

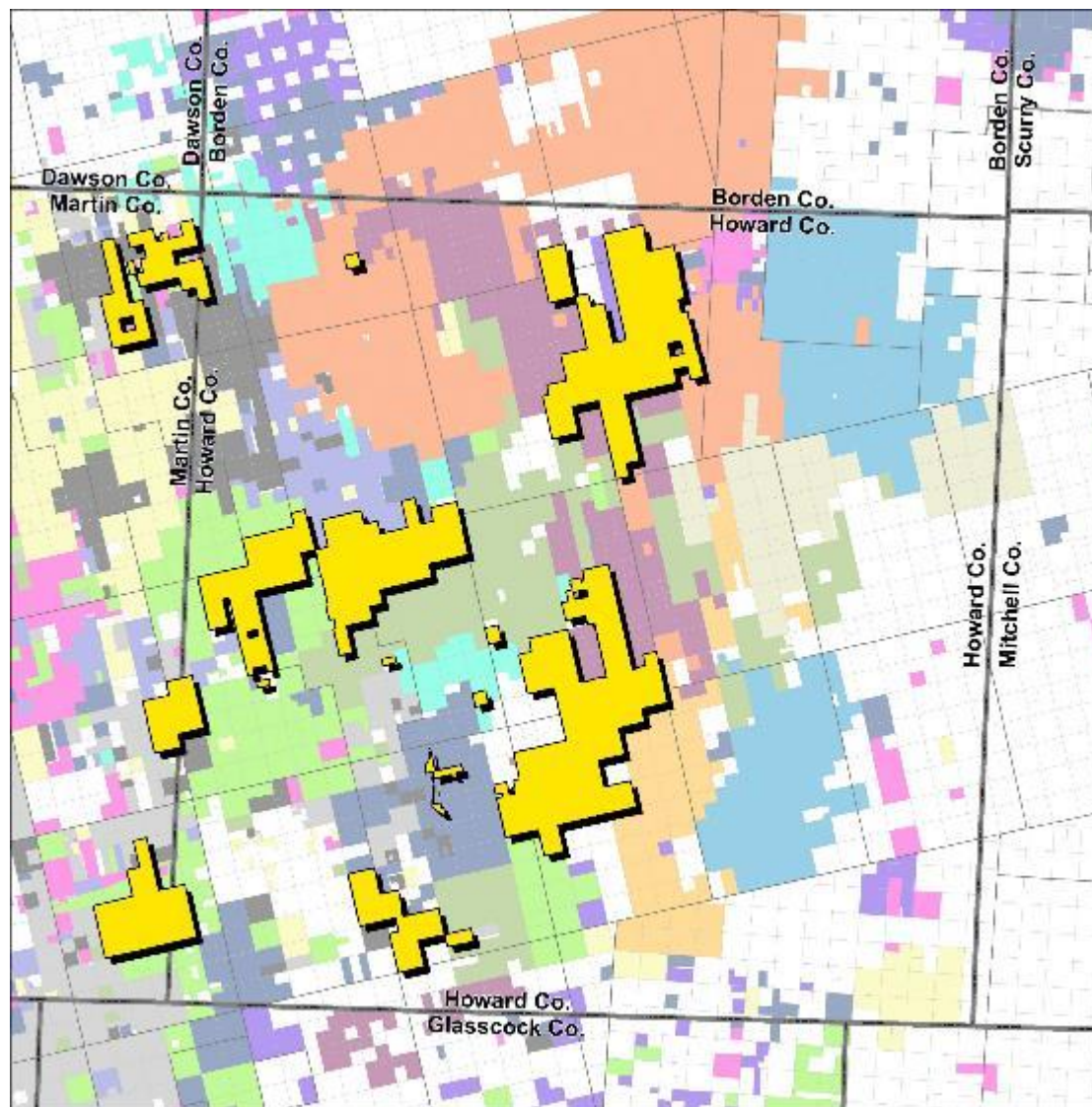
## Adjusted Operating Margin<sup>(1)</sup>

	Three Months Ended December 31, 2021		Twelve Months Ended December 31, 2021	
	(in thousands)	(\$/Boe)	(in thousands)	(\$/Boe)
<b>Oil, gas, and NGL production revenue (GAAP)</b>	\$ 852,368	\$ 58.54	\$ 2,597,915	\$ 50.58
Operating expenses:				
Lease operating expenses	61,331	4.21	225,482	4.39
Transportation costs	38,057	2.61	139,440	2.71
Production taxes	40,709	2.80	121,099	2.36
Ad valorem tax expense	3,188	0.22	19,395	0.38
General and administrative	37,062	2.55	111,945	2.18
Adjusted operating margin (before the effects of derivative settlements) (non-GAAP)	\$ 672,021	\$ 46.16	\$ 1,980,554	\$ 38.56
Derivative settlement loss	(268,696)	(18.45)	(748,958)	(14.58)
Adjusted operating margin (including the effects of derivative settlements) (non-GAAP)	\$ 403,325	\$ 27.70	\$ 1,231,596	\$ 23.98
Other operating income	2,592	0.18	24,979	0.49
Operating expenses:				
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	200,011	13.74	774,386	15.08
Exploration	12,550	0.86	39,296	0.77
Impairment	8,750	0.60	35,000	0.68
Net derivative (gain) loss	(22,524)	(1.55)	901,659	17.55
Other operating expense, net	1,415	0.10	46,069	0.90
<b>Income from operations (GAAP)</b>	\$ 474,411	\$ 32.58	\$ 209,123	\$ 4.07
Net production volumes equivalent (MMBoe)	14.6		51.4	

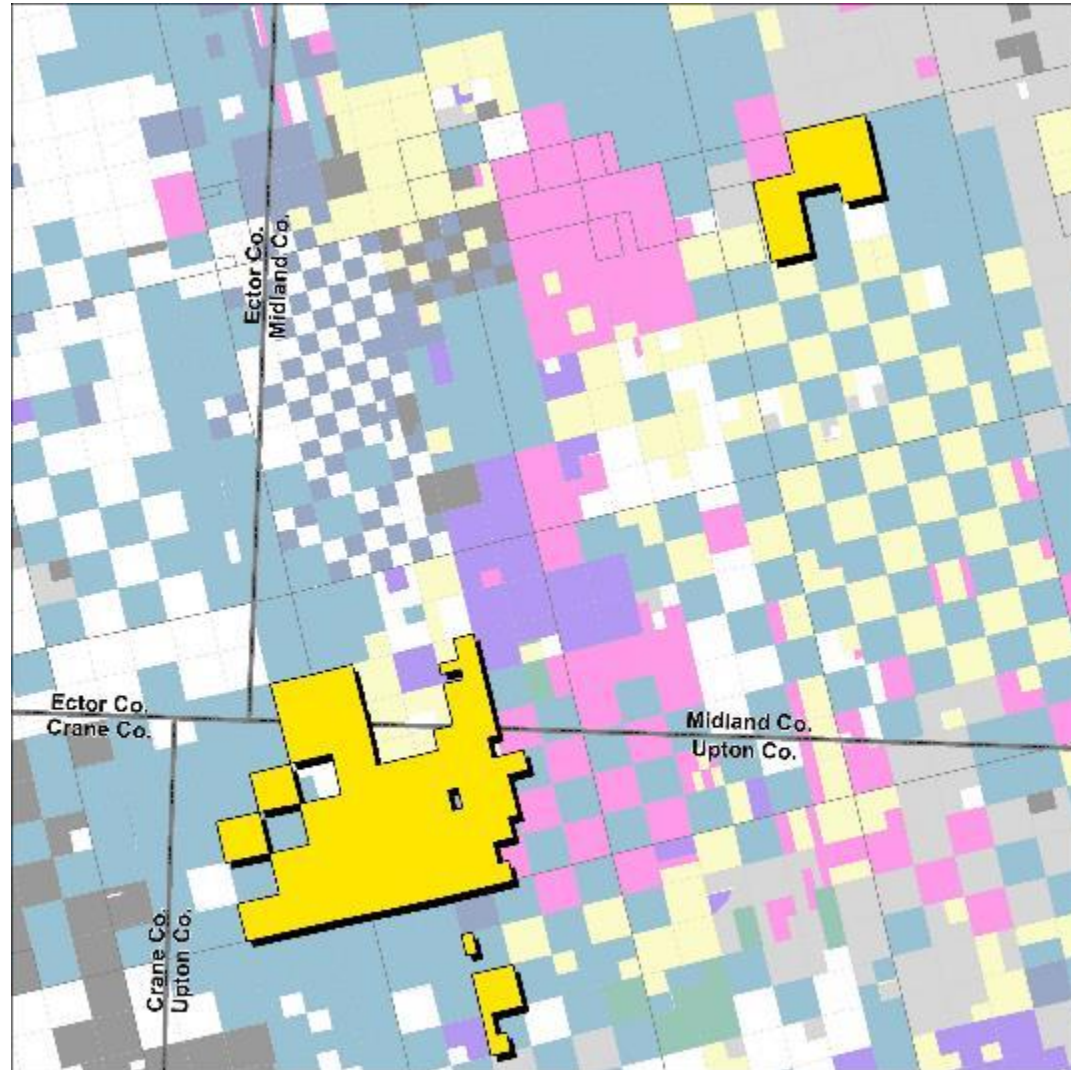
# Regional Maps



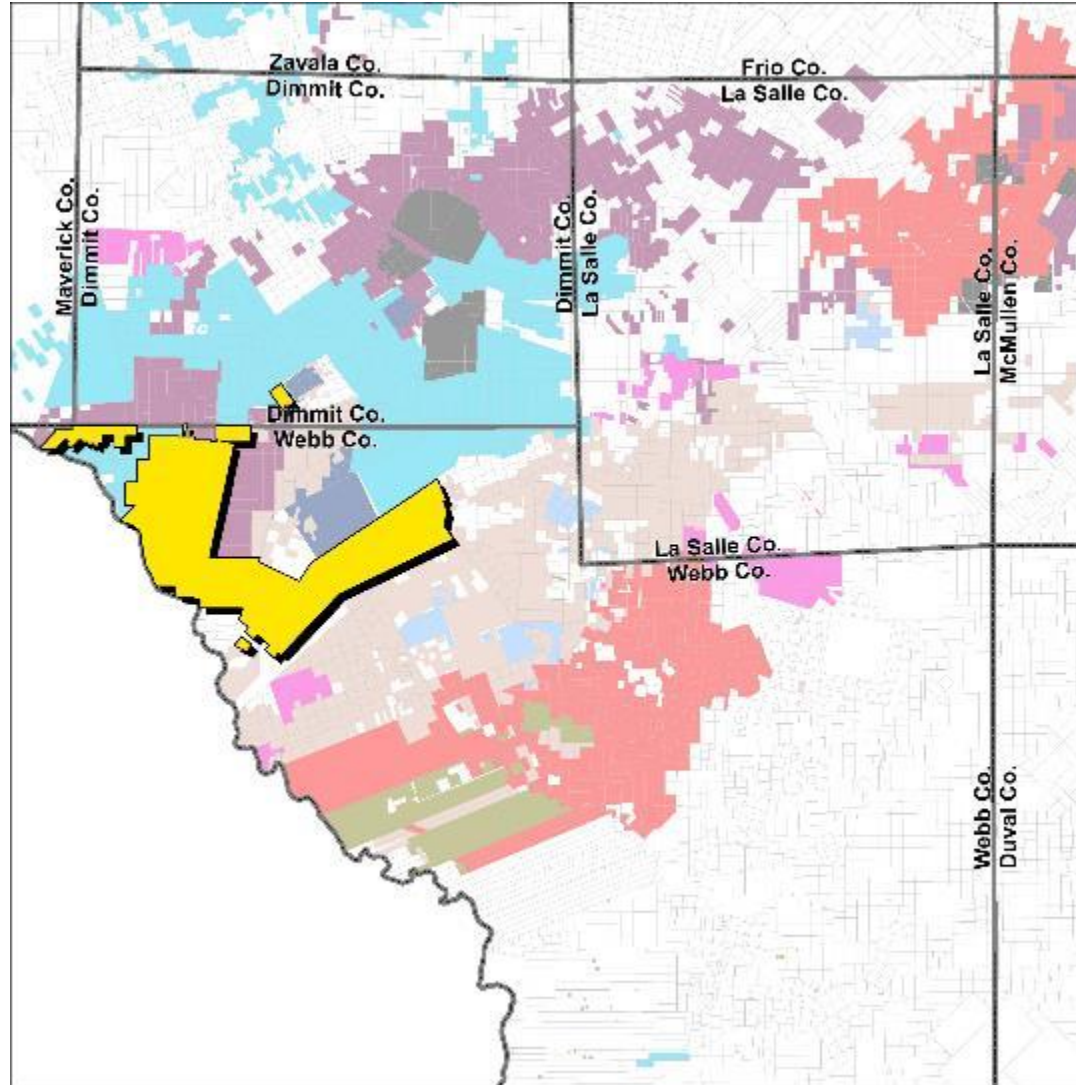
# MIDLAND BASIN OPERATORS



# SWEETIE PECK OPERATORS



# SOUTH TEXAS OPERATORS



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