



SM|ENERGY

J.P. Morgan Energy, Power & Renewables Conference

JUNE 21, 2023

NYSE: SM

WEB: sm-energy.com

Disclaimers

Forward-looking statements

This presentation contains forward-looking statements within the meaning of securities laws. The words “demonstrate,” “estimate,” “expect,” “plan,” “target,” “believes,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this release include, among other things, certain projections for the full year and second quarter of 2023 regarding guidance for capital expenditures, production, percent of oil, and operating costs; build out of oil processing facilities; 2Q23 acquisitions and associated capital; number of drilling rigs and completion crews to be deployed through year-end 2023; number of Austin Chalk locations; total expected inventory, inventory estimates by operating area, inventory estimates based on down-spacing of wells, and total inventory expected average rate of return; the number of test wells expected to be drilled in certain Midland Basin benches; percentage of expected future production that is hedged; and plan to process ethane for 2023. 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, and such risk factors may be updated from time to time in the Company's other periodic reports filed with the Securities and Exchange Commission. 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 and metrics

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

Breaking News

2Q and FY: Production ↑ Capital Expenditures⁽¹⁾ ↓

Production ↑ 1.0 MMBoe | Oil production ↑ 3% | Capital expenditures⁽¹⁾ ↓ \$50 MM

2023 Revised Guidance

Key Metrics	Original 2Q Guidance	2Q Revision	Original FY23 Guidance	Revision
Capital Expenditures ⁽¹⁾	\$295-\$315 MM	↓ 10%	\$1.1B	↓ \$50 MM
Total Production (MMBoe)	13.3-13.5	+4% from midpoint	52.5-54.5	+1.0 from midpoint
Total Production (MBoe/d)	146-148	+4% from midpoint	144-150	
Oil percentage	42-43%	~42%	~43%	43-44%
LOE (per Boe)	\$5.75-\$6.00	↓ \$0.50	\$5.75-\$6.00	↓ \$0.50

*As of June 15, 2023.

(1) Capital expenditures before change in capital expenditure accruals and other; excludes acquisitions. Revised guidance includes an additional rig in 4Q23 to begin drilling on announced acquired acreage.

Breaking News

Repurchases – Outperformance - Acquisitions!



SHARE REPURCHASES⁽¹⁾

Second Quarter 2023

2.6 Million shares repurchased

2.2% Shares outstanding repurchased

Program to date

5.3 Million shares repurchased

\$221 Million in total capital returned to stockholders⁽²⁾

~7% Yield-to-market capitalization over ~9 months



2Q23 OPERATIONAL OUTPERFORMANCE

★ **+4%** Production expected to exceed midpoint of 2Q23 guidance⁽³⁾

★ Deflation = ↓ LOE and ↓ Capital

★ Buildout of South Texas oil handling capacity is on track to meet volume needs



2Q23 ASSET ACQUISITIONS

22,800 Net acreage Midland Basin announced acquisitions⁽⁴⁾

\$93+ Million in 2Q acquisition capital expenditures

Note | Amounts shown are for the quarter through June 13, 2023.

(1) The return of capital program was announced on September 7, 2022, and all repurchased shares of common stock to be retired.

(2) Total return of capital of \$221 million since inception is made up of ~\$55MM in dividends and ~\$166MM in share repurchases.

(3) Previous guidance issued on April 27, 2023.

(4) The Company has entered into an agreement for the acquisition of such acreage, which is subject to customary closing conditions.

Breaking News

What this Means for SM Investors

**MORE
GROWTH**

MORE OIL

**MORE
RETURN OF
CAPITAL**

**MORE
INVENTORY**

SM Energy Is...

A Premier Operator of Top-Tier Assets



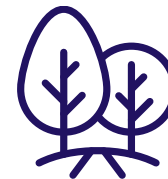
A PREMIER OPERATOR

- Capital Efficiency



OWNER OF TOP-TIER ASSETS

- High Inventory Quality with Long Runway



A LEADER

- ESG Stewardship

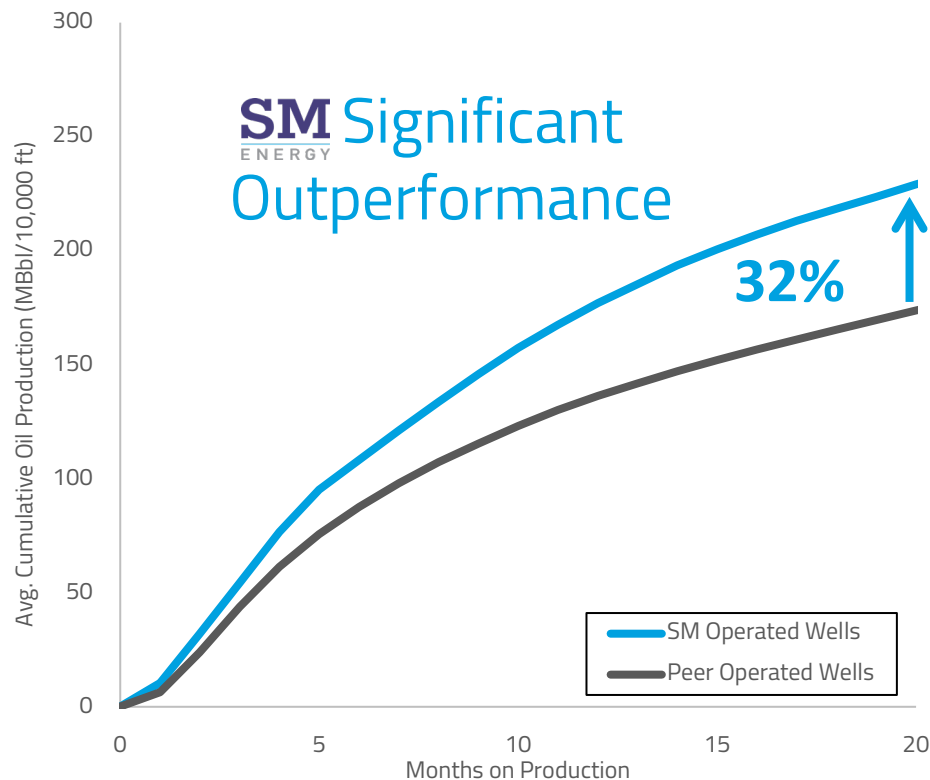
Premier Operator of Top-Tier Assets



Midland Basin

Focused on Execution, Well Performance and Capital Efficiency

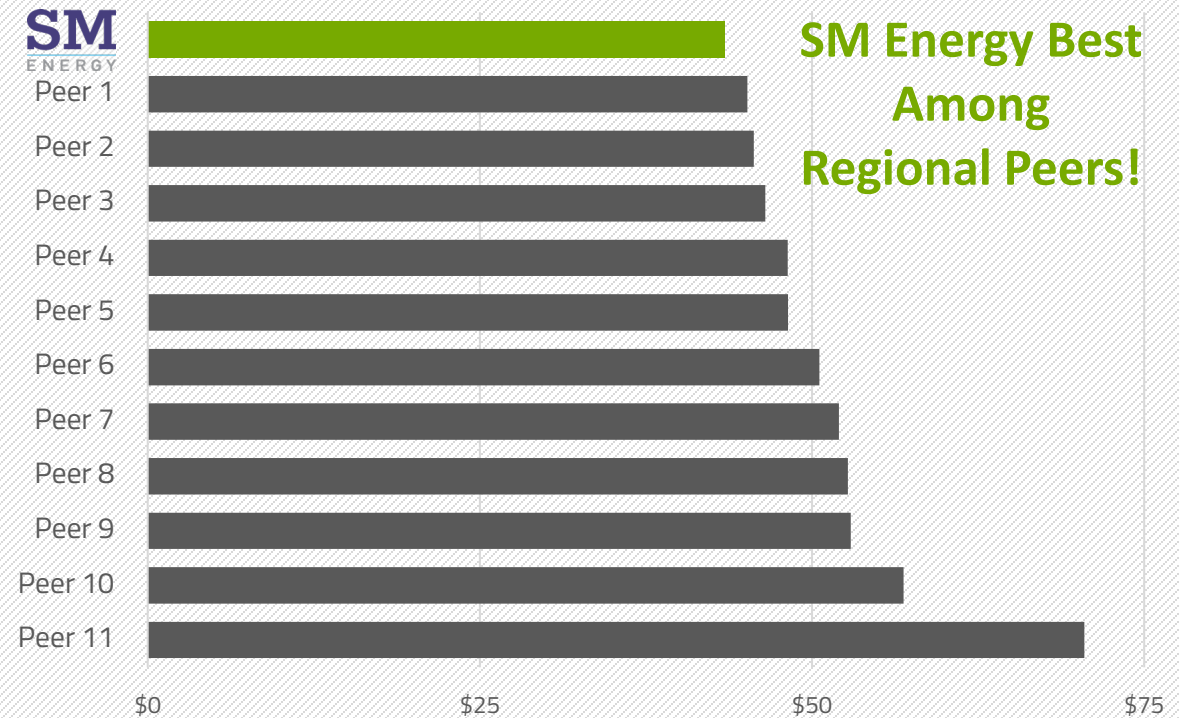
SM Energy Wells vs. Howard County Peers⁽¹⁾



(1) Enverus data as of April 14, 2023 | Horizontal wells completed in Howard County January 2021 through January 2023 | Peers include all operators in Howard County with 10 or more completions: Bayswater, Birch Operations, CPE, CrownQuest Operating, CVX, Endeavor Energy Resources, FANG, HighPeak Energy, Murchison Oil & Gas, OVV, OXY, PXD, SGY, SOGC and VTLE.

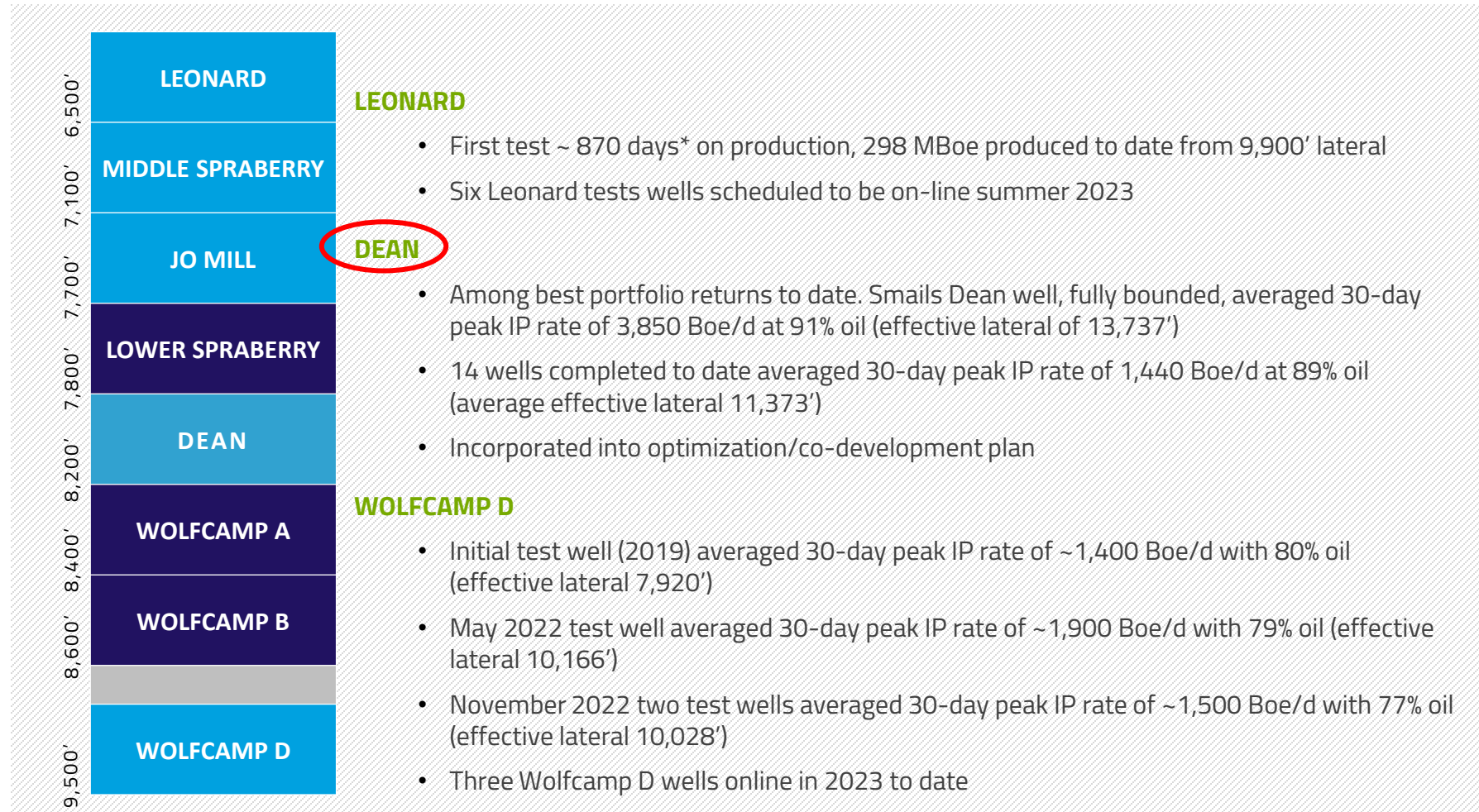
(2) Rystad Energy data as of April 25, 2023, using a 15% discount rate. Peers include: Birch Operations, COP, CrownQuest Operating, CVX, Endeavor Energy Resources, FANG, OVV, OXY, PXD, VTLE, and XOM.

'21-'22 Midland Oil Wells – Breakeven⁽²⁾



Midland Basin

High-Quality | Long-Duration | Tier-1 Inventory

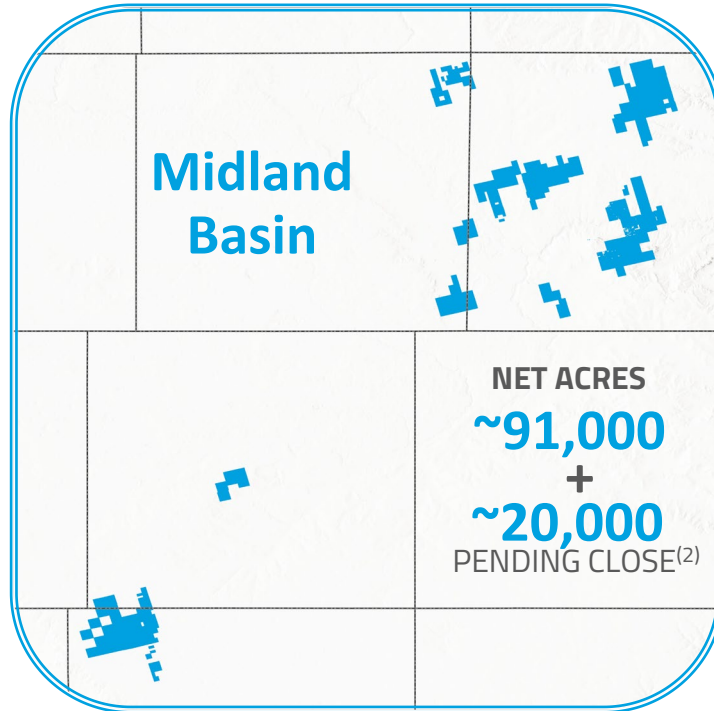


Co-development
sustains longer,
high-quality
inventory

* Corrected from initial publication on April 27, 2023.

Top-Tier Assets

Midland Basin Acreage Expanded by 35% in 1H23



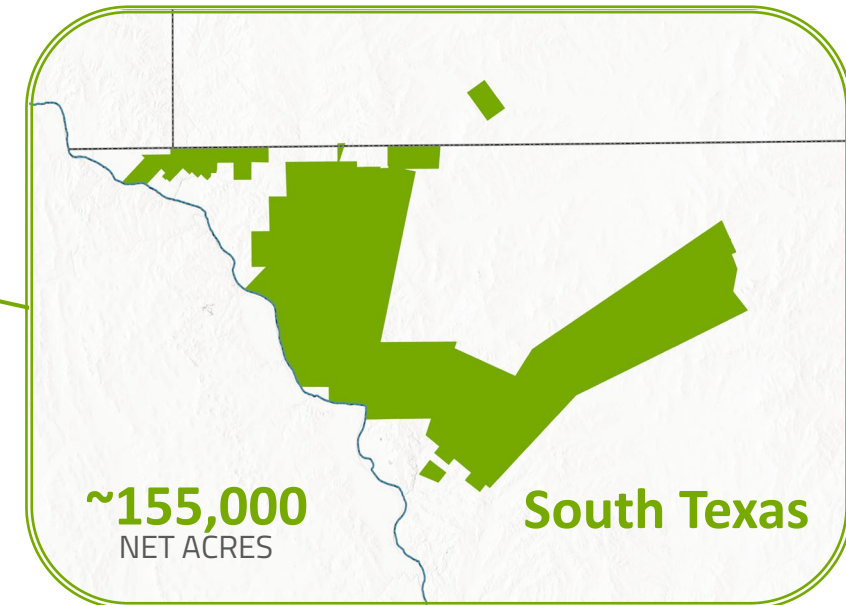
OPERATING DETAILS⁽¹⁾

3 RIGS RUNNING 
1 COMPLETION CREW 



OPERATING DETAILS⁽¹⁾

2 RIGS RUNNING 
1 COMPLETION CREW 

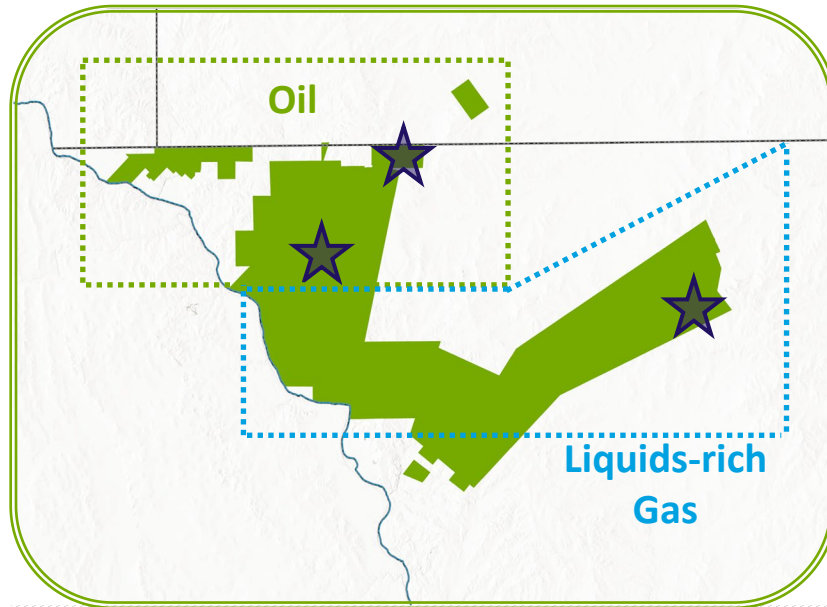


(1) Current activity as of 6/15/2023. Revised guidance includes an additional rig in 4Q23 to begin drilling on acquired acreage.
(2) The Company has entered into an agreement for the acquisition of such acreage, which is subject to customary closing conditions.

South Texas – Austin Chalk

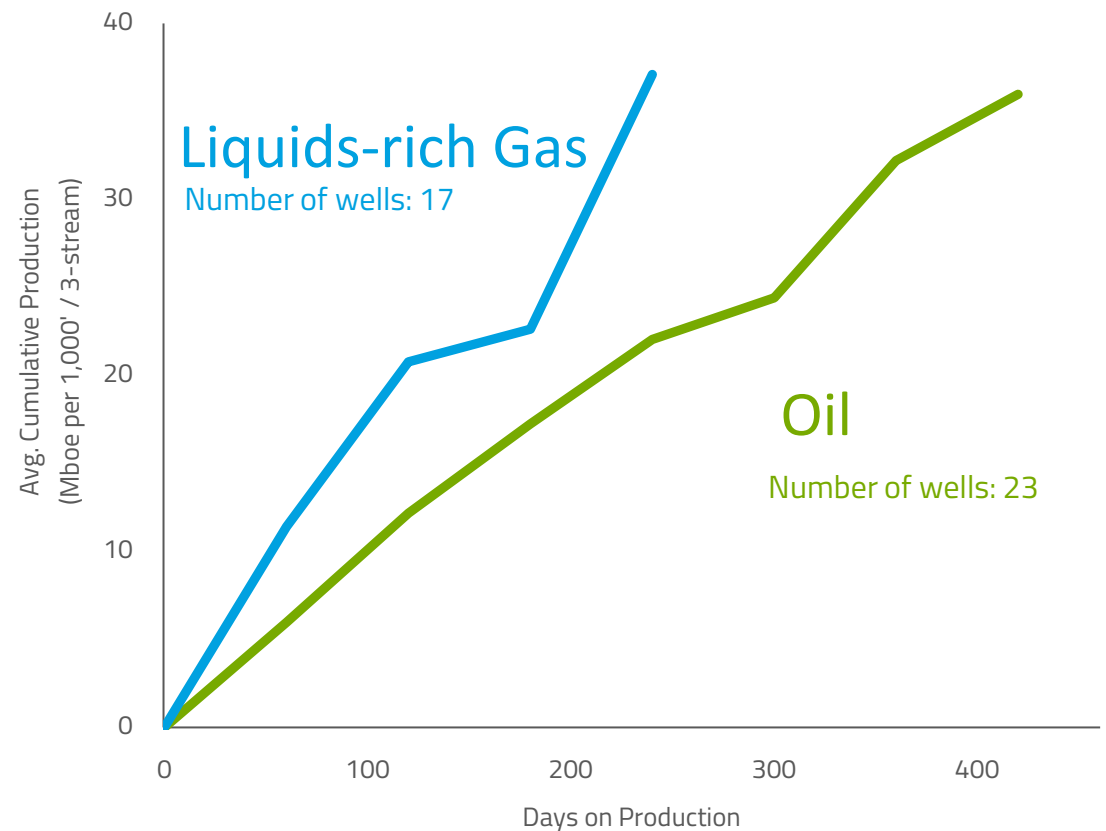
7 New Wells With Peak IP30 Demonstrate Continued High Returns Across Acreage

New Wells Reached IP30



7 Wells
1,965 Avg. Boe/d
47 | 73 Oil | Liquids %

'22 – '23 SM Energy Austin Chalk Wells to Date⁽¹⁾



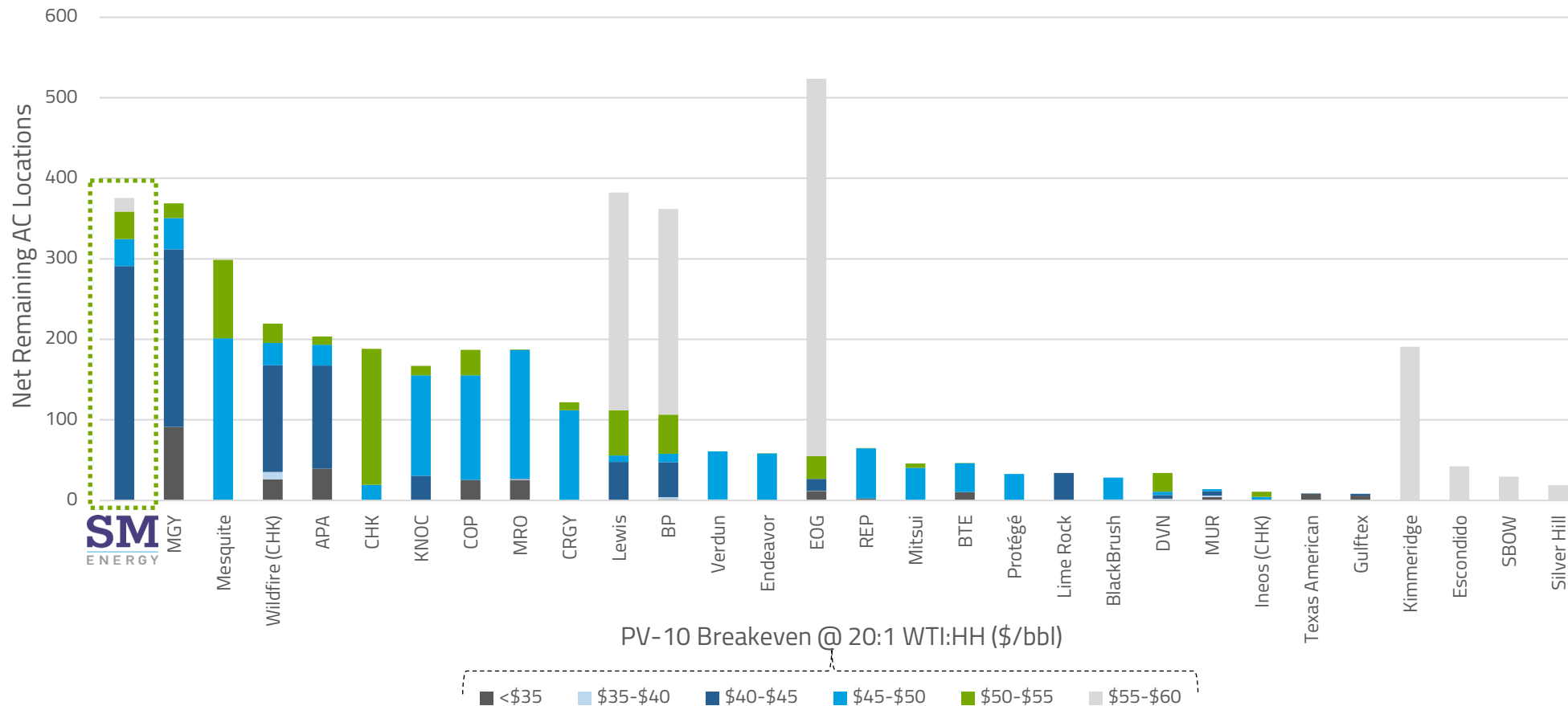
Note | SM Energy has completed 75 Austin Chalk wells that have reached IP30 as of April 18, 2023.

(1) All SM Energy operated wells that came online in 2022 and 2023 that have reached peak IP30 rates.

South Texas

Best Austin Chalk Inventory Amongst Peers

“SM, MGY and Mesquite Lead With Over 300 AC Locations Remaining” | Enverus⁽¹⁾



(1) Enverus Intelligence Research | Pre-earnings meeting April 2023.

Inventory Quality

A Favorite Among SMID-Caps

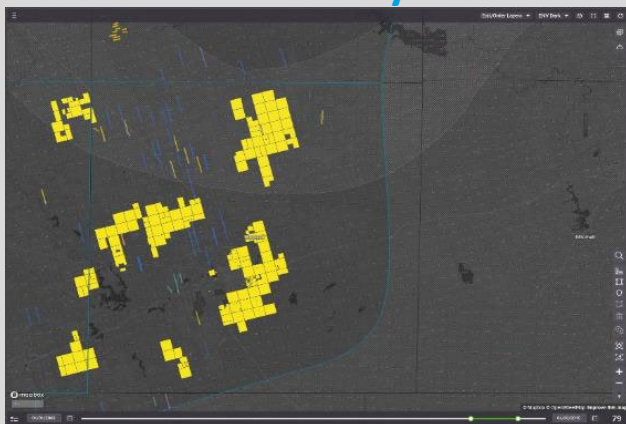
“We continue to believe that SM has the deepest and highest-quality well inventory among our SMid-cap coverage.”

Capital One Securities, Inc.
April 28, 2023

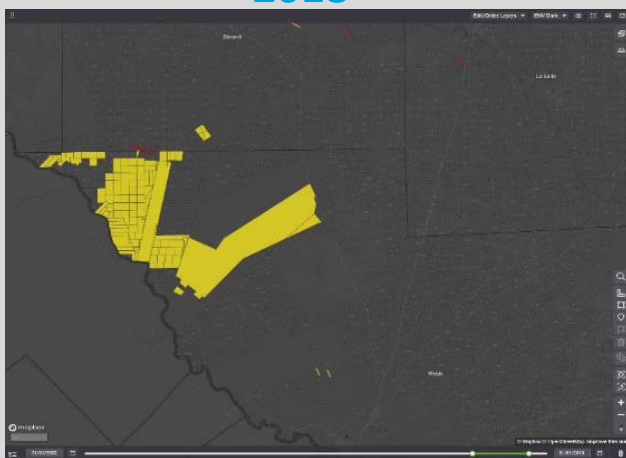
Strategic Inventory Capture: Repeatable Performance

World Class Technical Teams → Transformative Understanding → Discovery

Before SM Entry 2015⁽¹⁾



2018⁽¹⁾



Howard County

- 79 horizontal wells
- 3 main reservoirs tested

- Limited data
- Limited activity
- Questionable economics
- Uncertain repeatability
- Industry skepticism

Austin Chalk

- 8 producing horizontal wells
- ~\$80/Bbl break-even⁽¹⁾ estimated at the time

Howard County

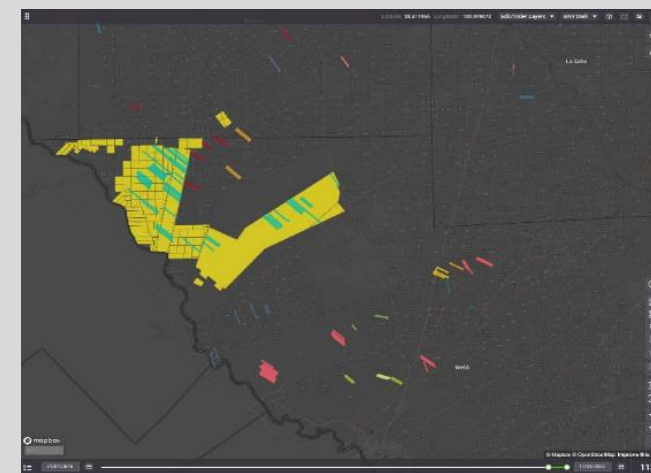
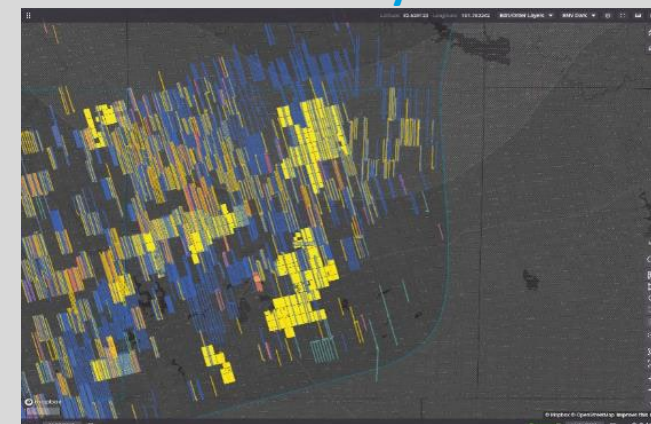
- > 3200 industry horizontal wells
- 8 reservoirs tested
- SM reported 12 years inventory as of YE 2021

- Peers followed
- Large scale development
- Highly economic
- Big inventory additions
- Further upside

Austin Chalk

- > 113 industry horizontal wells
- SM estimates 400 SM locations

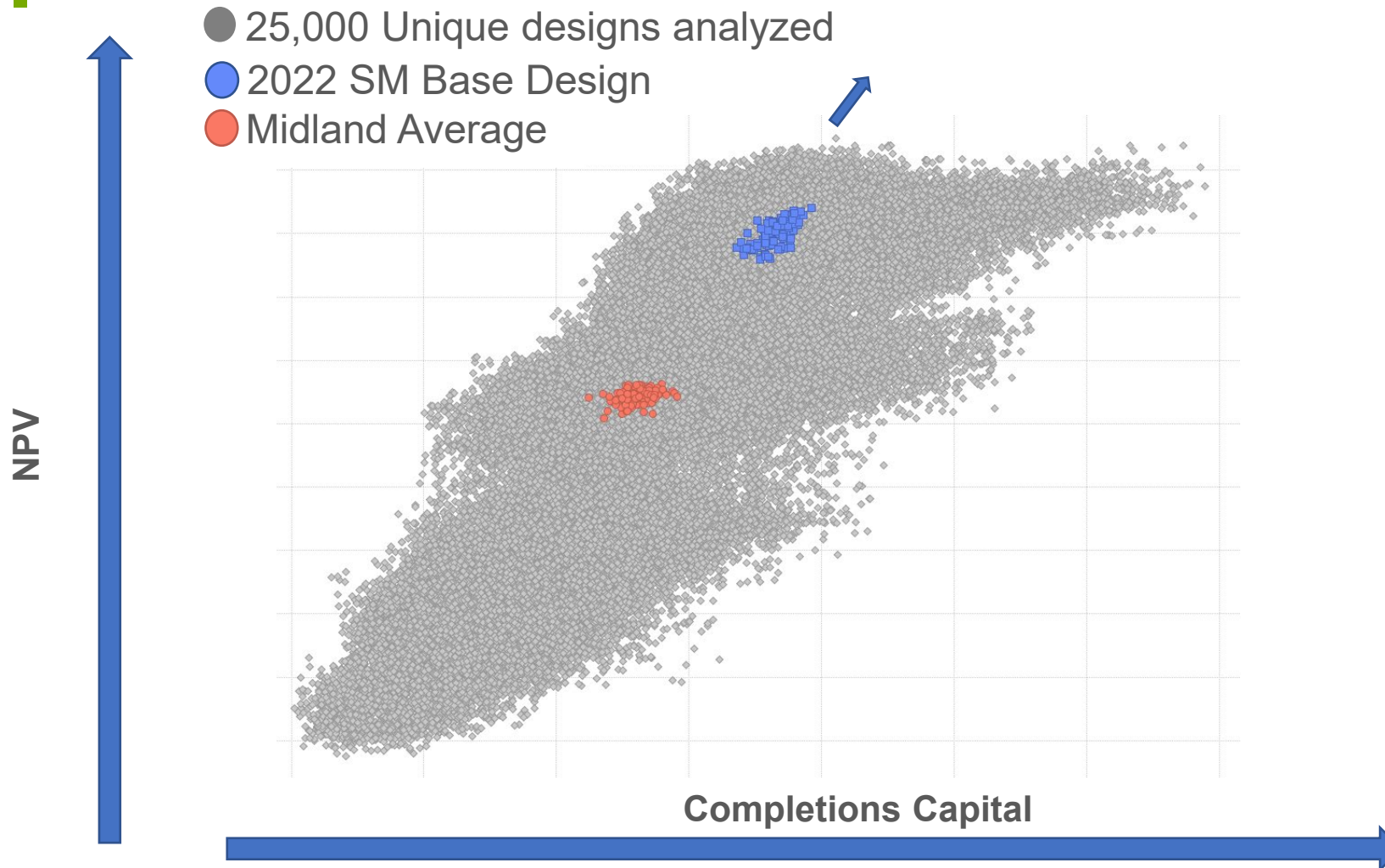
Post SM Entry 2022⁽¹⁾



(1) Maps and certain data sourced from Enverus as of 10/31/2022.

Value Creation: Continuing Efforts and Upside

Midland Basin Example – Optimizing the Value of Every Completion



Quality Inventory

Designed to Optimize Returns

TOTAL COMPANY EXPECTED ECONOMIC INVENTORY⁽¹⁾



10–13+ years

IN EACH OF THE MIDLAND BASIN AND SOUTH TEXAS

>60%

TOTAL COMPANY INVENTORY
EXPECTED AVERAGE RETURN @ \$65/bbl oil ⁽¹⁾

- Co-development enables capital efficiency and long life, high return inventory
- Nearly 80% of inventory is classified as 3P reserves having economic and geologic certainty
- Upside: 4-5+ years inventory would be added if certain DSUs developed at average ~1,100' per zone⁽²⁾



Individually Modeled — Not Just Sticks On a Map!

(1) Inventory assessment as of 1/1/2023 | Based on flat \$65/Bbl oil, \$3.25/MMBtu gas, and \$29/Bbl NGL's | Inventory life assumes range of 80–100 completions per year. | Expected average return based on average well spacing of ~1300' per zone.

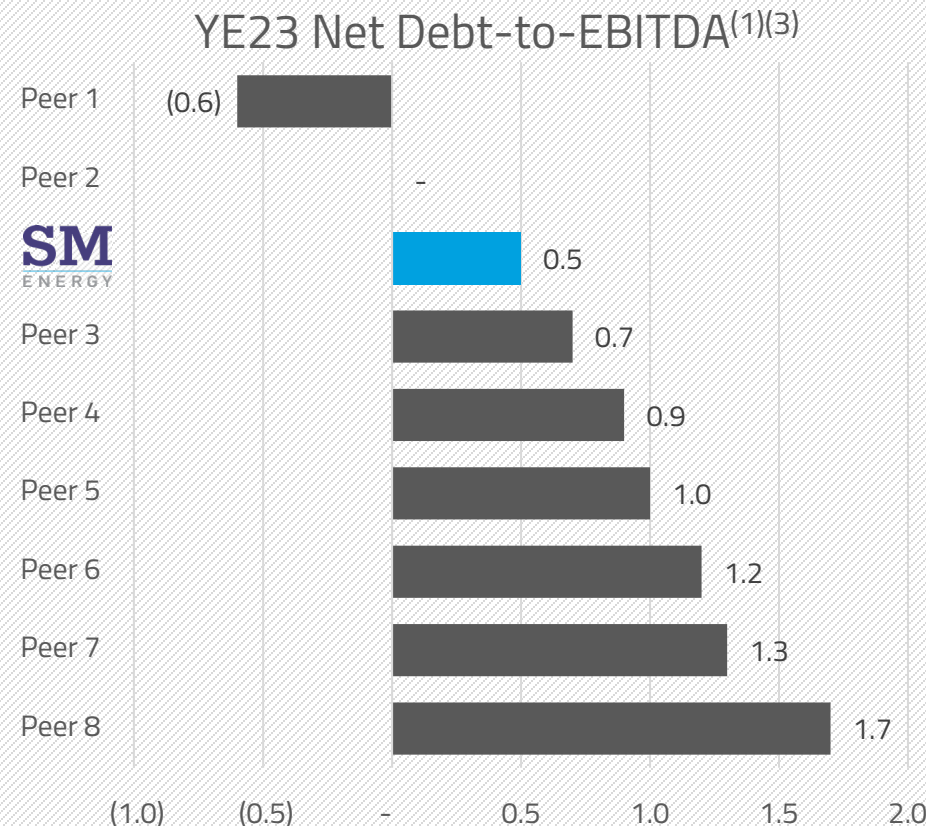
(2) Tighter spacing may be more comparable to peer estimates.

Low Leverage

Favorable Leverage Compared to Peers | Financial Flexibility

0.6x NET DEBT-TO-
ADJUSTED EBITDAX⁽¹⁾

LIQUIDITY  **\$1.7 billion**
CASH BALANCE  **\$478 million**
NET DEBT⁽¹⁾  **\$1.1 billion⁽²⁾**



Note | Amounts as of March 31, 2023.

(1) Indicates a non-GAAP measure or metric. Please refer to the "Non-GAAP Reconciliations and Disclosures" section in the Appendix.

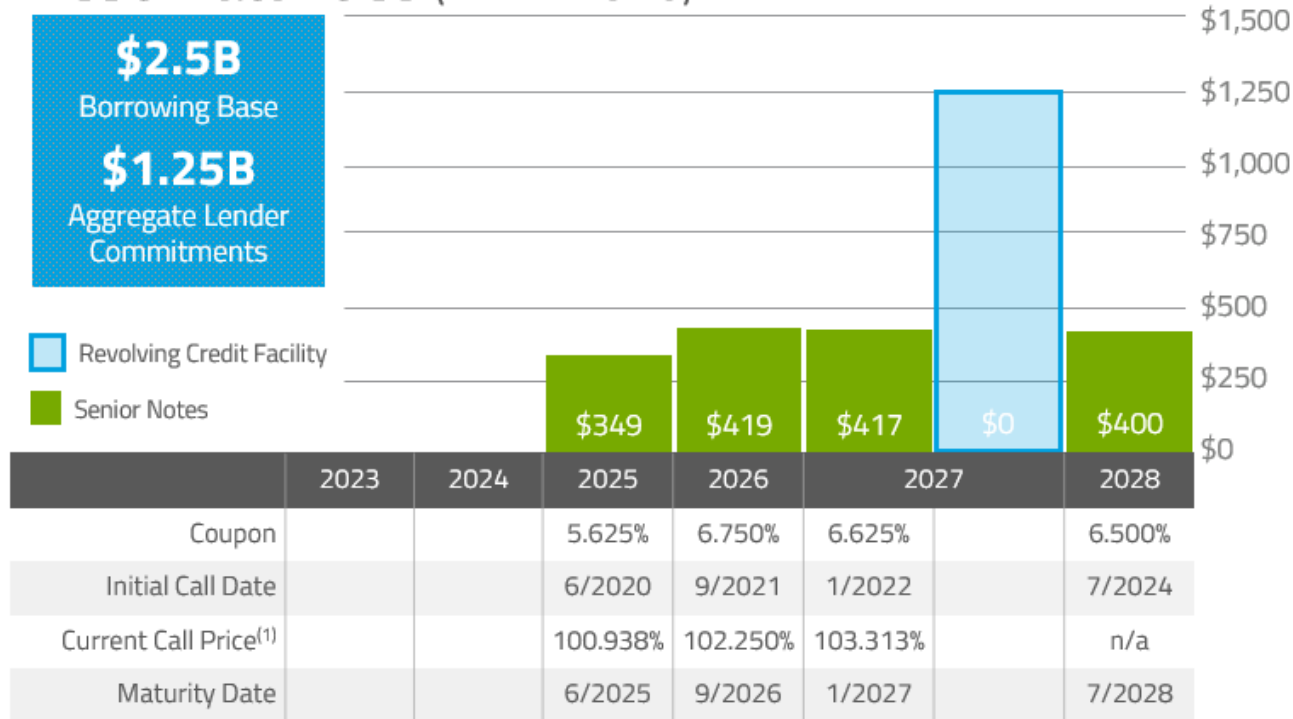
(2) After return of capital paid to stockholders of ~\$58 million in 1Q23 and \$134 million through 3/31/2023. Return of capital program was announced on September 7, 2022.

(3) Data set includes regional SMID cap peers. Data from GERDES Energy Research | Energy Deck April 2023 | Excerpt from "Energy Producer Equity Rank" table. Peers include: CHK, CPE, MGY, MTDR, PR, RRC, SWN and VTLE. Net Debt-to-EBITDA is not defined in the manner that the Company defines Net Debt-to-Adjusted EBITDAX.

Strong Balance Sheet

Balance Sheet Flexibility

Debt Maturities (IN MILLIONS)



Borrowing base and aggregate lender commitments reaffirmed⁽²⁾

No debt maturities before 2025

CREDIT AGENCY SENIOR SECURED DEBT RATINGS: **S&P** BB- Outlook: Positive **Fitch** BB- Outlook: Stable **Moody's** B2 Outlook: Positive

Note | Amounts as of March 31, 2023.

(1) The 2025 Senior Notes are redeemable at par as of June 1, 2023.

(2) Subsequent to March 31, 2023, the semi-annual borrowing base redetermination was completed, which reaffirmed both the borrowing base and the aggregate lender commitments at existing levels.

SM Energy - Leader in Stewardship

Exceeded 2022 Internal Targets

2022 Results



Methane Intensity **0.03 mT** CH₄/MBOE*



Scope 1 + 2 GHG Intensity **8.23 mT** CO₂e/MBOE
down ~40% since base year 2019



Routine flaring **0%**
Non-routine flaring **0.4%**

OVERALL CDP SCORE



SUPPLIER ENGAGEMENT



Note | Amounts disclosed are 2022 actual results.
* Revised amount submitted to the EPA on June 1, 2023.

Sustainable and Repeatable

Business Model

SUSTAINABLE

Sustainable

- Premier Operator of Top Tier Assets
- Return of Capital
- Strong Balance Sheet



Repeatable

- World Class Technical Team
- Organically Add Inventory
- Strategic Inventory Capture and Growth

REPEATABLE

Appendix



First Quarter 2023 Performance

Key Metrics

1Q23

Production and Pricing	
Total Production (MMBoe)	13.2
Total Production (MBoe/d)	146.4
Oil percentage / Liquids	43% / 59%
Pre-Hedge Realized Price (\$/Boe)	\$43.31
Post-Hedge Realized Price ⁽¹⁾ (\$/Boe)	\$43.70
Costs (per Boe)	
LOE	\$5.16
Transportation	\$2.81
Production & Ad Valorem taxes	\$2.83
Total Production Expenses	\$10.80
Cash Production Margin (pre-hedge)⁽¹⁾	\$32.51
G&A (Cash)	\$1.84
G&A (Non-Cash)	\$0.26
DD&A	\$11.70
Earnings	
GAAP Earnings (per diluted share)	\$1.62
Adjusted net income ⁽¹⁾ (per diluted share)	\$1.33
Adjusted EBITDAX ⁽¹⁾ (\$MM)	\$401.4
Adjusted free cash flow (\$MM)	
Net cash provided by operating activities (GAAP)	\$331.6
Net change in working capital	\$26.2
Net cash provided by operating activities before net change in working capital ⁽¹⁾	\$357.9
Capital Expenditures (GAAP)	\$240.7
Increase in capital expenditure accruals and other	\$66.9
Capital expenditures before increase in capital expenditure accruals and other ⁽¹⁾	\$307.6
Adjusted free cash flow⁽¹⁾	\$50.3
Return of Capital (\$MM)	
Share repurchase	\$40.0
Dividends paid	\$18.3
Return of Capital (\$MM)	\$58.3

1Q23 Production

146.4 MBoe/d

1Q23 Adjusted EBITDAX⁽¹⁾

\$401.4 million

1Q23 Adjusted Free Cash Flow⁽¹⁾

\$50.3 million

1Q23 Return of Capital

\$58.3 million

(1) Indicates a non-GAAP measure or metric. Please refer to the "Non-GAAP Reconciliations and Disclosures" section in the Appendix.

1Q 2023 Realizations by Region

Two Top-Tier Areas of Operation

	Midland Basin	South Texas	Total
Production Volumes			
Oil (MBbls)	4,240	1,424	5,664
Gas (MMcf)	14,471	17,761	32,232
NGL (MBbls)	5	2,137	2,142
Total (MBoe)	6,656	6,522	13,178
% Oil	64%	22%	43%
Revenue (in thousands)			
Oil	\$320,135	\$100,703	\$420,838
Gas	\$49,789	\$43,942	\$93,731
NGL	\$177	\$56,032	\$56,209
Total	\$370,101	\$200,677	\$570,778
Expenses (in thousands)			
LOE	\$50,687	\$17,349	\$68,036
Ad Valorem	\$6,891	\$3,744	\$10,635
Transportation	\$37	\$36,986	\$37,023
Production Taxes	\$18,655	\$7,999	\$26,654
Per Unit Metrics			
Realized Price Oil Per Bbl	\$75.51	\$70.71	\$74.31
% of Benchmark - WTI	99%	93%	98%
Realized Price Gas per Mcf	\$3.44	\$2.47	\$2.91
% of Benchmark - NYMEX Henry Hub	101%	72%	85%
Realized Price NGL per Bbl	nm	\$26.21	\$26.24
% of Benchmark - HART	nm	85%	85%
Realized Price per Boe	\$55.61	\$30.77	\$43.31
LOE per Boe	\$7.62	\$2.66	\$5.16
Ad Valorem per Boe	\$1.04	\$0.57	\$0.81
Transportation per Boe	\$0.01	\$5.67	\$2.81
Production Tax per Boe	\$2.80	\$1.23	\$2.02
Production Tax as % of Pre-hedge Revenue	5.0%	4.0%	4.7%
Cash Production Margin per Boe ⁽¹⁾	\$44.14	\$20.64	\$32.51

Benchmark Pricing	
NYMEX WTI Oil (\$/Bbl)	\$ 76.13
NYMEX Henry Hub Gas (\$/MMBtu)	\$ 3.42
OPIS Composite NGL (\$/Bbl)	\$ 30.95

(1) Indicates a non-GAAP measure or metric. Please refer to the "Non-GAAP Reconciliations and Disclosures" section in the Appendix.

Activity by Region

Wells Drilled, Flowing Completions & DUC Count

	Wells Drilled ⁽¹⁾		Flowing Completions		DUC Count ⁽¹⁾	
	1Q23		1Q23		As of March 31, 2023	
	Gross	Net	Gross	Net	Gross	Net
Midland Basin						
RockStar ⁽¹⁾	5	3	5	5	29	24
Sweetie Peck	6	5	7	5	19	14
Midland Basin total	11	8	12	10	48	38
South Texas⁽²⁾						
Austin Chalk	6	6	11	11	10	10
Eagle Ford	1	1	6	5	9	9
South Texas total	7	7	17	16	19	19
Total	18	15	29	26	67	57

Note | Amounts may not calculate due to rounding.

(1) Wells drilled and DUC count include 3 gross (1 net) non-op wells drilled in 1Q23 in the RockStar area of the Midland Basin.

(2) The South Texas drilled but not completed well count includes 9 gross / 9 net wells, 8 of which are in the Eagle Ford shale, that were not included in our five-year development plan at December 31, 2022.

Leasehold Summary

Growing Midland Basin Position

Net Acres⁽¹⁾

Midland Basin

RockStar 63,500

Sweetie Peck⁽²⁾ 18,500

New Acreage 9,100

Midland Basin total 91,100

South Texas 154,800

Rocky Mountain Other 10,300

Other Areas / Exploration 25,800

Total 228,000

MIDLAND BASIN NET ACRES

~91,000

+

~20,000 PENDING
CLOSE⁽³⁾

SOUTH TEXAS NET ACRES

~155,000

(1) Includes developed and undeveloped oil and natural gas leasehold, fee properties, and mineral servitudes held as of June 13, 2023.

(2) Sweetie Peck acreage includes ~1,400 net drill-to-earn acreage.

(3) The Company has entered into an agreement for the acquisition of such acreage, which is subject to customary closing conditions.

NGL Realizations

2023 Plan Assumes Ethane Processing All Year

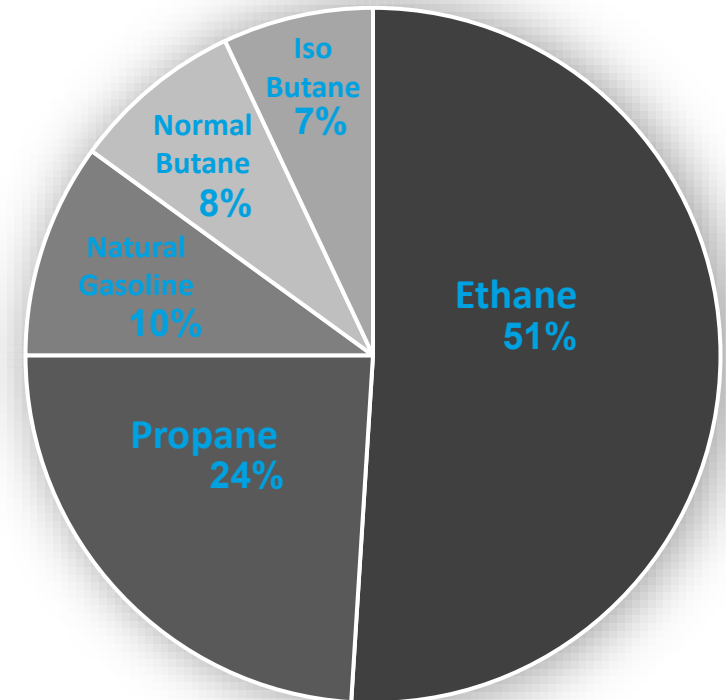
Realizations by Quarter

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023
OPIS ⁽¹⁾ Benchmark Price (\$/Bbl)	\$48.36	\$50.05	\$42.47	\$33.03	\$30.95
SM Energy NGL Realization (\$/Bbl)	\$38.56	\$42.08	\$36.36	\$26.10	\$26.24
% Differential to OPIS Benchmark ⁽¹⁾	80%	84%	86%	79%	85%

NGL price realizations tied to OPIS, fixed fee-based contracts

- Differential reflects NGL composite barrel product mix as well as transportation and fractionation fees
- 2022 and 2023 realizations reflect the processing of ethane for the year

SM Energy NGL Composition

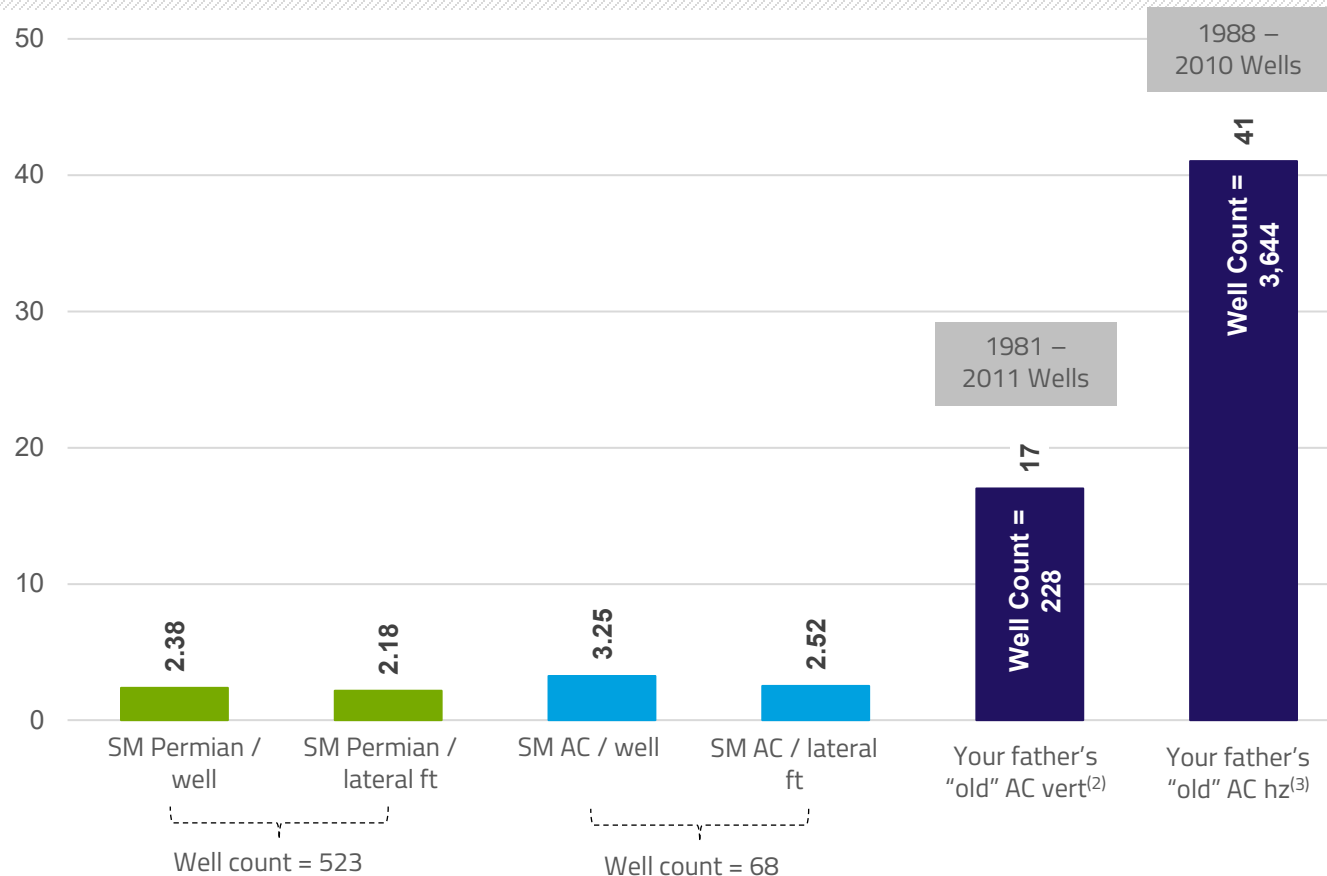


(1) Prior to 2023, the benchmark used was the Hart Energy NGL composite. Effective 2023, the benchmark is the OPIS NGL composite (both Mont Belvieu Purity Ethane and Non-TET).

South Texas

Confidence In The Austin Chalk

**Not Your “Old” Austin Chalk:
Austin Chalk P10:P90 Ratio⁽¹⁾ is Indicative of an Outstanding Resource Play**



~ 400
Expected
Austin Chalk
Locations

- (1) P10:P90 ratio based on EUR data.
- (2) Based on production data from 228 Austin Chalk vertical wells completed between 1981 and 2011 primarily located in east Texas.
- (3) Based on production data from 3,644 Austin Chalk horizontal wells completed between 1988 and 2010 primarily located in east Texas.

Hedges



Hedging Summary

Hedging Volumes Lower – Aligned with Lower Leverage



~25%

of total expected Q2-Q4
2023 production hedged⁽¹⁾

2023 Hedge Program

OIL

- ~5,300 MBbls⁽²⁾, or ~30% of expected Q2-Q4 2023 oil production, is hedged to contract prices in the Midland Basin at a weighted-average price of \$75.29/Bbl (weighted-average of collar floors and swaps)
- ~4,100 MBbls of expected Q2-Q4 2023 Midland Basin oil production is hedged to the local price point at a positive \$0.92/Bbl basis

NATURAL GAS

- ~26,800 BBtu⁽³⁾, or slightly less than 30% of expected Q2-Q4 2023 natural gas production, is hedged
- ~4,200 BBtu is hedged to HSC at a weighted-average floor price of \$4.25/MMBtu, and ~5,600 BBtu of HSC basis is hedged with a weighted-average price of \$(0.25)/MMBtu
- ~7,200 Bbtu of Waha basis is hedged with a weighted-average price of \$(1.34)/MMBtu

Note | Includes derivative contracts for settlement at any time during the second quarter of 2023 and later periods, entered into through April 24, 2023.

(1) Percent of 2Q-4Q 2023 production hedged assumes mid-point of guidance and 43% oil.

(2) Hedges include oil swaps and collars to WTI, and swaps to Brent; excludes basis swaps and roll differential hedges.

(3) Hedges include natural gas swaps and collars to Henry Hub, and collars to HSC; excludes basis swaps. Percent hedged based on dry gas volumes.

Oil, Gas, and NGL Derivative Positions⁽¹⁾

By Quarter

Oil

Period	NYMEX WTI Oil Swaps		NYMEX WTI Oil Collars			Midland - Cushing Oil Basis Swaps		MEH – WTI Oil Basis Swaps		NYMEX WTI Roll Basis Swaps		ICE Brent Oil Swaps		Weighted Average Price	
	Volume (MBbls)	\$/Bbl ⁽²⁾	Volume (MBbls)	Ceiling \$/Bbl ⁽²⁾	Floor \$/Bbl ⁽²⁾	Volume (MBbls)	Price Differential \$/Bbl ⁽²⁾	Volume (MBbls)	Price Differential \$/Bbl ⁽²⁾	Volume (MBbls)	Price Differential \$/Bbl ⁽²⁾	Volume (MBbls)	Price Differential \$/Bbl ⁽²⁾	Ceiling \$/Bbl ⁽³⁾	Floor \$/Bbl ⁽³⁾
Q2 2023	333	\$45.18	464	\$81.53	\$67.85	1,357	\$0.99	431	\$1.68	1,243	\$0.62	910	\$86.50	\$77.08	\$73.37
Q3 2023	607	\$59.77	291	\$93.05	\$75.00	1,414	\$0.88	361	\$1.59	1,304	\$0.64	920	\$86.50	\$78.63	\$75.74
Q4 2023	837	\$65.91	-	-	-	1,294	\$0.88	296	\$1.53	1,201	\$0.62	920	\$86.50	\$76.70	\$76.70
Q1 2024	-	-	-	-	-	743	\$1.17	200	\$1.85	461	\$0.42	910	\$85.50	\$85.50	\$85.50
Q2 2024	-	-	293	\$85.13	\$75.00	709	\$1.17	222	\$1.84	536	\$0.42	-	-	\$85.13	\$75.00
Q3 2024	-	-	308	\$81.38	\$75.00	735	\$1.17	238	\$1.85	593	\$0.42	-	-	\$81.38	\$75.00
Q4 2024	-	-	318	\$78.20	\$75.00	774	\$1.17	217	\$1.85	598	\$0.42	-	-	\$78.20	\$75.00

Gas

Period	NYMEX Henry Hub Gas Swaps		IF Waha Gas Basis Swaps		IF HSC Gas Basis Swaps		NYMEX Henry Hub Gas Collars			IF HSC Gas Collars			Weighted Average Price	
	Volume (BBtu)	\$/MMBtu ⁽²⁾	Volume (BBtu)	\$/MMBtu ⁽²⁾	Volume (BBtu)	\$/MMBtu ⁽²⁾	Volume (BBtu)	Ceiling \$/MMBtu ⁽²⁾	Floor \$/MMBtu ⁽²⁾	Volume (BBtu)	Ceiling \$/MMBtu ⁽²⁾	Floor \$/MMBtu ⁽²⁾	Ceiling \$/MMBtu ⁽⁴⁾	Floor \$/MMBtu ⁽⁴⁾
Q2 2023	1,420	\$5.05	2,462	\$(1.93)	1,774	\$(0.25)	5,181	\$4.68	\$3.83	1,345	\$5.00	\$4.25	\$4.80	\$4.12
Q3 2023	1,470	\$5.11	2,442	\$(1.05)	1,813	\$(0.25)	6,194	\$4.62	\$3.75	1,389	\$4.95	\$4.25	\$4.75	\$4.05
Q4 2023	-	-	2,337	\$(1.01)	2,008	\$(0.25)	8,362	\$5.70	\$3.90	1,451	\$5.55	\$4.25	\$5.68	\$3.95
Q1 2024	-	-	5,089	\$(0.61)	2,424	\$(0.12)	6,195	\$8.91	\$3.77	-	-	-	\$8.91	\$3.77
Q2 2024	-	-	5,285	\$(1.09)	2,400	\$(0.37)	4,432	\$4.00	\$3.69	-	-	-	\$4.00	\$3.69
Q3 2024	-	-	5,344	\$(0.99)	2,506	\$(0.32)	4,612	\$4.21	\$3.68	-	-	-	\$4.21	\$3.68
Q4 2024	-	-	5,240	\$(0.73)	2,878	\$(0.47)	4,218	\$5.27	\$3.65	-	-	-	\$5.27	\$3.65
Q1 2025	1,382	\$4.41	5,102	\$(0.46)	-	-	-	-	-	-	-	-	\$4.41	\$4.41
Q2 2025	1,466	\$3.96	5,236	\$(0.78)	-	-	-	-	-	-	-	-	\$3.96	\$3.96
Q3 2025	1,468	\$4.10	5,117	\$(0.72)	-	-	-	-	-	-	-	-	\$4.10	\$4.10
Q4 2025	1,575	\$4.33	5,046	\$(0.66)	-	-	-	-	-	-	-	-	\$4.33	\$4.33

NGLs

Propane Swaps

Period	Volume (MBbls)	\$/Bbl ⁽²⁾
Q2 2023	182	\$36.66
Q3 2023	181	\$36.67
Q4 2023	187	\$36.66

(1) Includes derivative contracts for settlement at any time during the second quarter of 2023 and later periods, entered into through April 24, 2023.

(2) Weighted-average contract price.

(3) Volume weighted-average contract price for NYMEX WTI swaps, NYMEX WTI Collars and ICE Brent swaps.

(4) Volume weighted-average contract price for NYMEX Henry Hub swaps, NYMEX Henry Hub Gas collars and IF HSC collars.

First Quarter 2023 Non-GAAP Reconciliations and Disclosures



Definitions of Non-GAAP Measures and Metrics 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 and metrics, 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 Company's peer group. The Company believes these measures and metrics are widely used by the investment community, including investors, research analysts and others, to evaluate and compare recurring financial results among upstream oil and gas companies in making investment decisions or recommendations. These measures and metrics, as presented, may have differing calculations among companies and investment professionals and may not be directly comparable to the same measures and metrics 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 the Company's 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 comparability of operating results and can exclude items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. The Company believes that Adjusted EBITDAX provides useful additional information to investors and analysts, as a performance measure, for analysis of the Company's ability to internally generate funds for exploration, development, acquisitions, and to service debt. The Company is also subject to financial covenants under the Company's Credit Agreement, a material source of liquidity for the Company, based on Adjusted EBITDAX ratios. Please reference the Company's most recent Annual Report on Form 10-K and first quarter 2023 Form 10-Q for discussion of the Credit Agreement and its covenants.

Adjusted free cash flow or FCF: Adjusted 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. The Company uses this measure as representative of the cash from operations, in excess of capital expenditures that provides liquidity to fund discretionary obligations such as debt reduction, returning cash to stockholders or expanding the business.

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. The Company 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.

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

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

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 (also referred to as leverage ratio). A variation of this calculation is a financial covenant under the Company's Credit Agreement. The Company and the investment community may use this metric 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.

Post-hedge: Post-hedge is calculated as the average realized price after the effects of commodity derivative settlements. The Company believes this metric is useful to management and the investment community to understand the effects of commodity derivative settlements on average realized price.

Non-GAAP Reconciliations

Adjusted EBITDAX⁽¹⁾

(in thousands)

	Three Months Ended March 31, 2023	Trailing Twelve Months Ended March 31, 2023
Net income (GAAP)	\$ 198,552	\$ 1,261,740
Interest expense	22,459	103,418
Income tax expense	55,506	326,463
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	154,189	598,488
Exploration ⁽²⁾	17,477	60,400
Stock-based compensation expense	4,318	18,816
Net derivative gain	(51,329)	(95,838)
Derivative settlement gain (loss)	5,076	(537,441)
Net loss on extinguishment of debt	—	67,226
Other, net	(4,854)	(8,154)
Adjusted EBITDAX (non-GAAP)	\$ 401,394	\$ 1,795,118
Interest expense	(22,459)	(103,418)
Income tax expense	(55,506)	(326,463)
Exploration ⁽²⁾⁽³⁾	(8,181)	(36,936)
Amortization of debt discount and deferred financing costs	1,371	7,642
Deferred income taxes	49,968	307,077
Other, net	(8,737)	(6,755)
Net change in working capital	(26,216)	39,683
Net cash provided by operating activities (GAAP)	\$ 331,634	\$ 1,675,948

Adjusted Net Income⁽¹⁾

(in thousands)

	Three Months Ended March 31, 2023
Net income (GAAP)	\$ 198,552
Net derivative gain	(51,329)
Derivative settlement gain	5,076
Other, net	(152)
Tax effect of adjustments ⁽⁴⁾	10,070
Adjusted net income (non-GAAP)	\$ 162,217
Diluted net income per common share (GAAP)	\$ 1.62
Net derivative gain	(0.42)
Derivative settlement gain	0.04
Other, net	0.01
Tax effect of adjustments ⁽⁴⁾	0.08
Adjusted net income per diluted common share (non-GAAP)	\$ 1.33
Basic weighted-average common shares outstanding	121,671
Diluted weighted-average common shares outstanding	122,294

(1) Indicates a non-GAAP measure. See above "Definitions of non-GAAP measures and metrics as Calculated by the Company."

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

(3) For the three and trailing twelve months ended March 31, 2023, amount excludes certain capital expenditures related to unsuccessful exploration activity for one well that experienced technical issues during the drilling phase. For the trailing twelve months ended March 31, 2023, amount also excludes certain capital expenditures related to unsuccessful exploration efforts outside of the Company's core areas of operation.

(4) The tax effect of adjustments is calculated using a tax rate of 21.7% for the three months ended March 31, 2023. This rate approximates the Company's statutory tax rate adjusted for ordinary permanent differences.

Non-GAAP Reconciliations

Adjusted Free Cash Flow⁽¹⁾

(in thousands)

	Three Months Ended March 31, 2023
Net cash provided by operating activities (GAAP)	\$ 331,634
Net change in working capital	26,216
Cash flow from operations before net change in working capital (non-GAAP)	\$ 357,850
Capital expenditures (GAAP)	\$ 240,712
Increase in capital expenditure accruals and other	66,873
Capital expenditures before accruals and other (non-GAAP)	\$ 307,585
Adjusted free cash flow (non-GAAP)	\$ 50,265

Net Debt⁽¹⁾

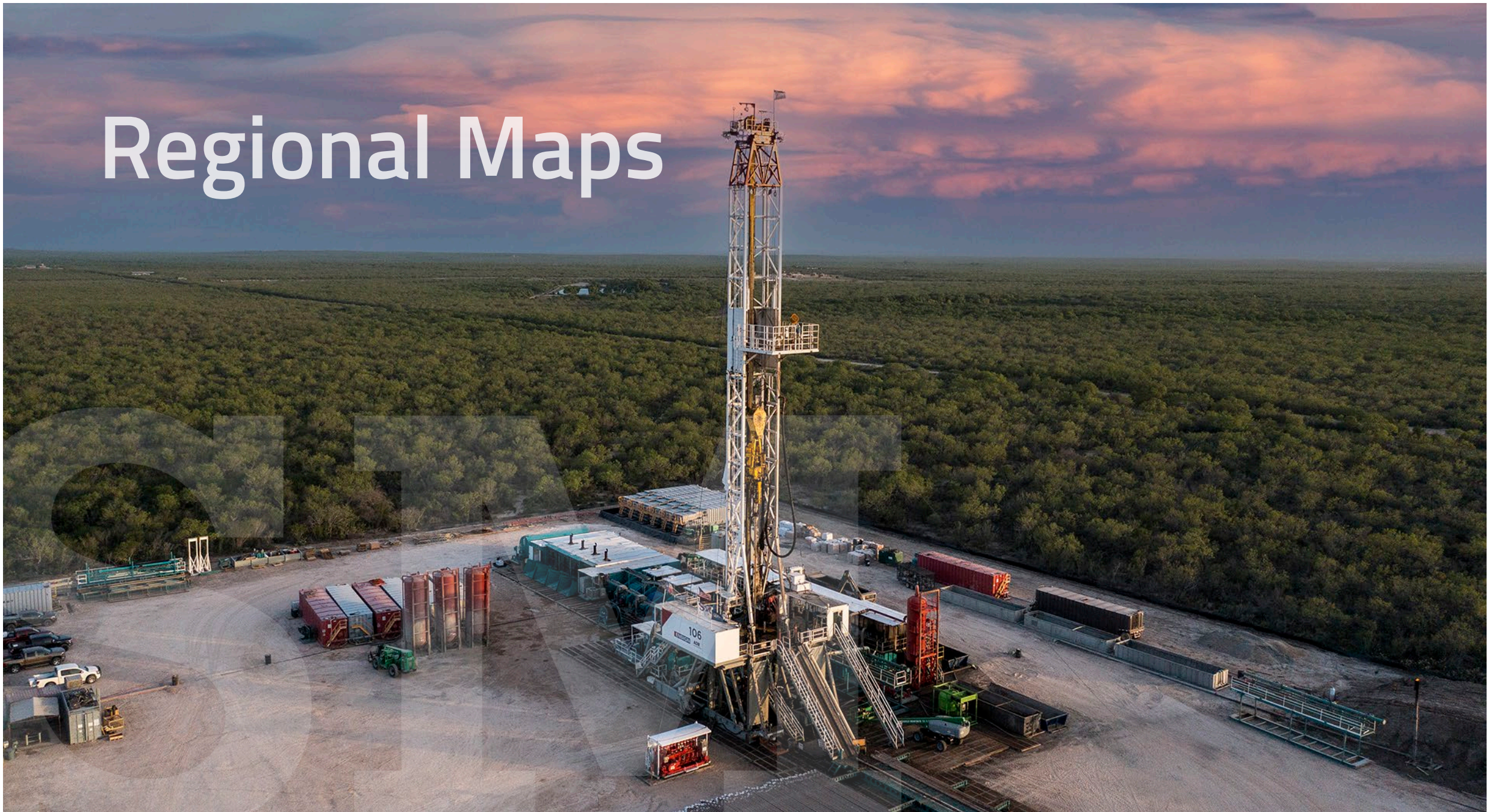
(in thousands)

	As of March 31, 2023
Principal amount of Senior Notes ⁽²⁾	\$ 1,585,144
Revolving credit facility ⁽²⁾	—
Total principal amount of debt (GAAP)	\$ 1,585,144
Less: Cash and cash equivalents	477,869
Net Debt (non-GAAP)	\$ 1,107,275

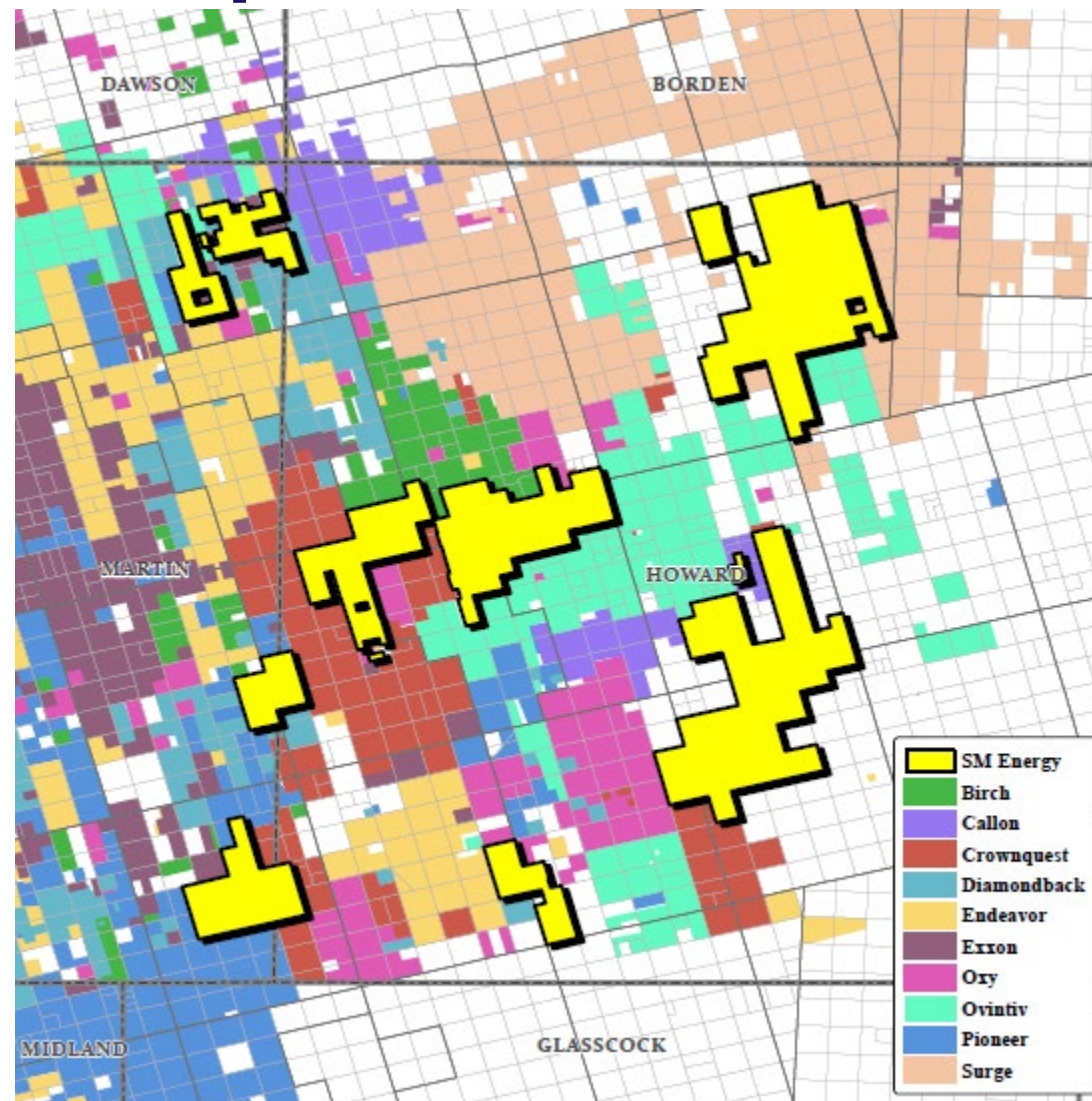
(1) Indicates a non-GAAP measure. See above "Definitions of non-GAAP measures and metrics as Calculated by the Company."

(2) Amounts are from Note 5 – Long-term Debt in Part I, Item 1 of the Company's first quarter Form 10-Q as of March 31, 2023.

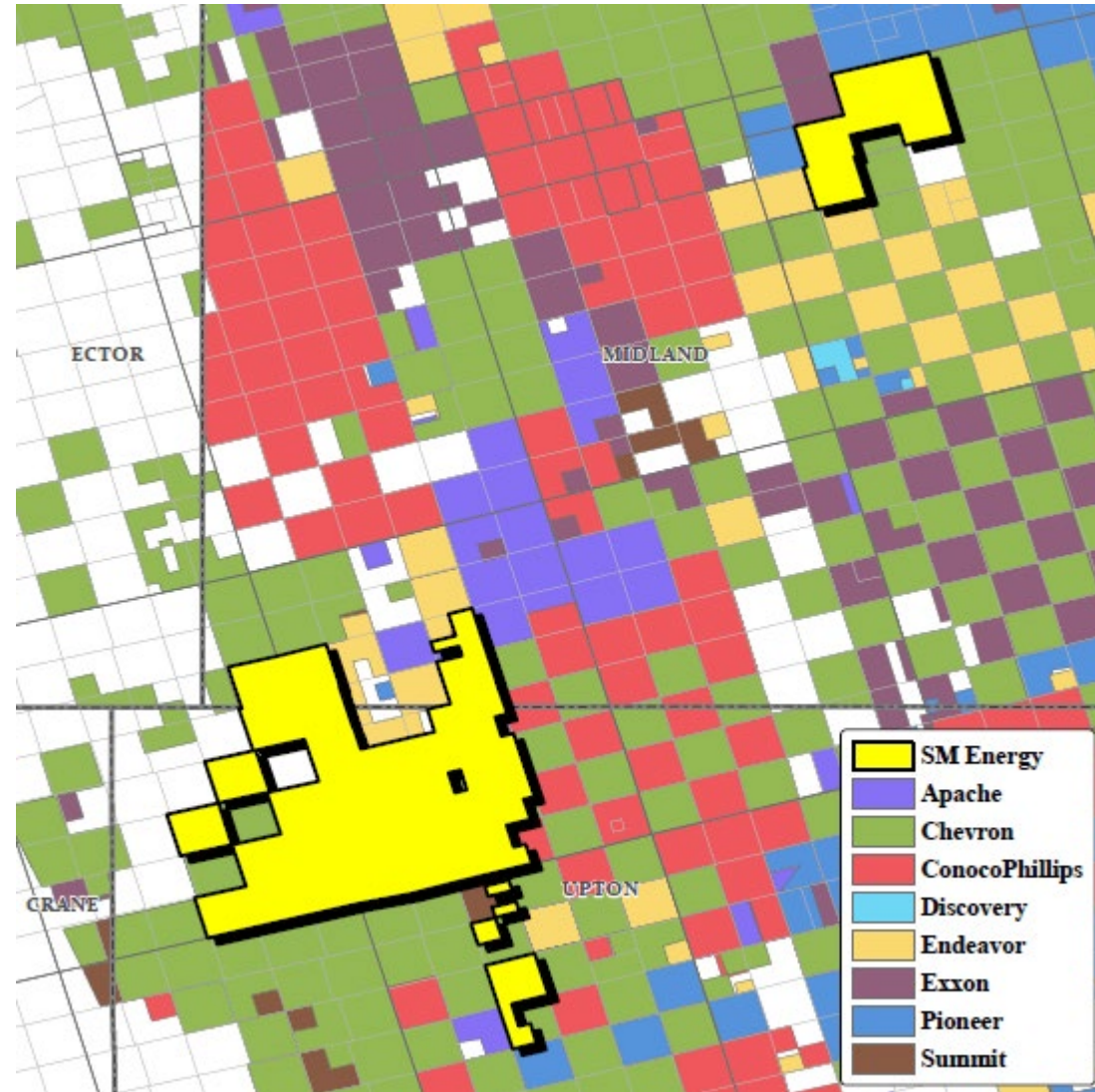
Regional Maps



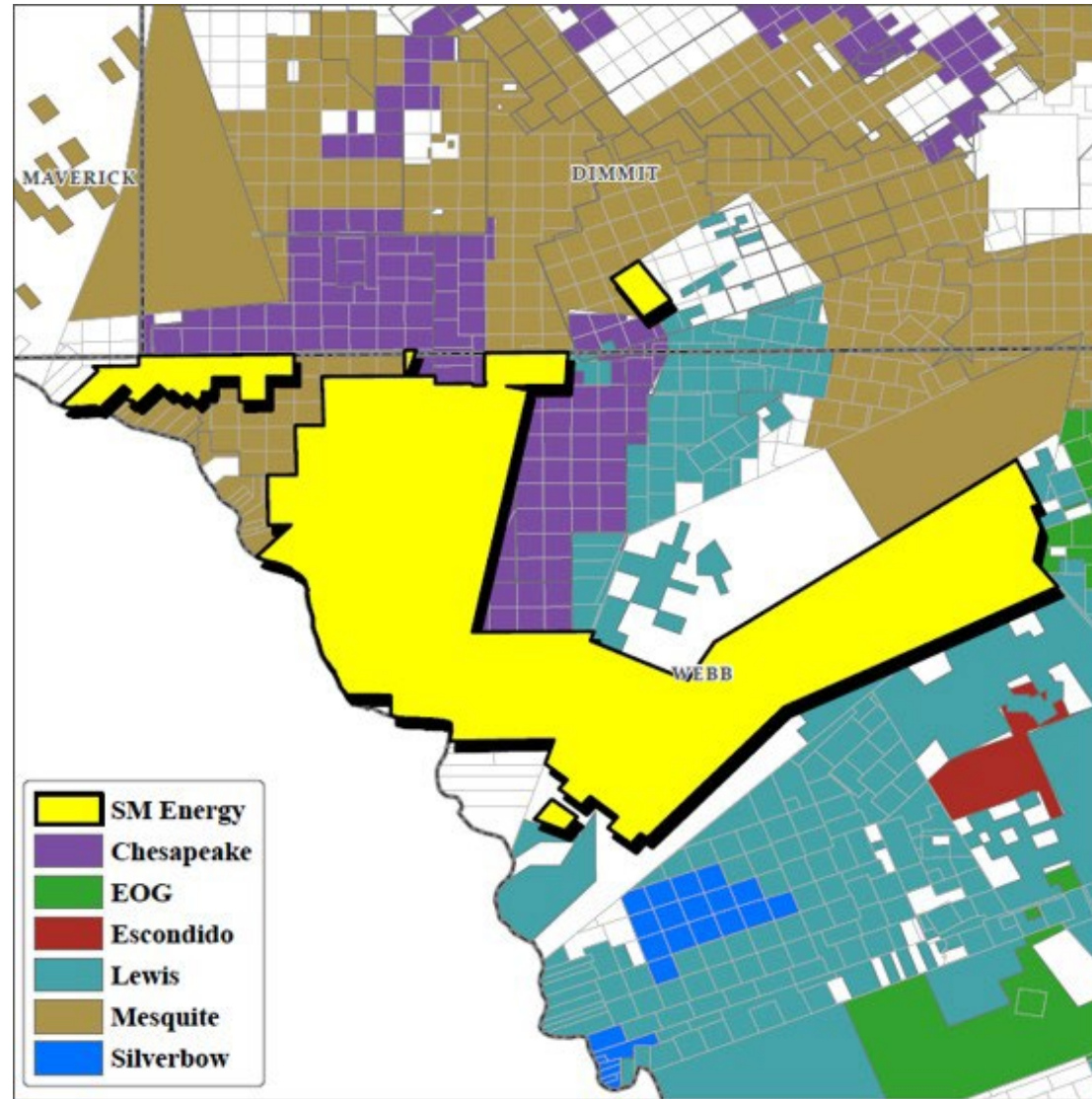
Midland Basin Operators



Sweetie Peck Operators



South Texas Operators



Contact Information

JENNIFER MARTIN SAMUELS

Vice President - Investor Relations

303.864.2507

jsamuels@sm-energy.com

