

The background of the slide is a photograph of an oil drilling rig at sunset. The sky is filled with dramatic, colorful clouds in shades of orange, pink, and blue. The rig is a tall, complex structure with various platforms and ladders, situated in a field of green vegetation. In the foreground, there are some industrial tanks and structures. A large, semi-transparent 'SM ENERGY' logo is overlaid on the left side of the image.

# SM|ENERGY

**EnerCom Denver**

**THE ENERGY INVESTMENT CONFERENCE**

AUGUST 15, 2023

NYSE: SM

WEB: [sm-energy.com](https://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 third quarter of 2023 regarding guidance for capital expenditures, production, percent of oil, and operating costs; the number of wells we plan to drill and complete in each of our operating areas during the remainder of 2023; number of drilling rigs and completion crews to be deployed through year-end 2023; number of Austin Chalk locations; expected average lateral length and PDP declines rates for future wells in each of our operating areas; 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.

# SM Energy Is...

A Premier Operator of Top-Tier Assets



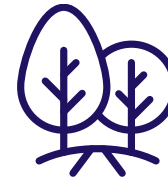
## A PREMIER OPERATOR

- Capital Efficiency



## OWNER OF TOP-TIER ASSETS

- High Inventory Quality with Long Runway



## A LEADER

- ESG Stewardship

# 2023 Strategic Objectives

2Q23 Delivering Results on All Fronts

## INCREASED RETURN OF CAPITAL TO STOCKHOLDERS – OPPORTUNISTIC REPURCHASES

✓ **2.6** Million shares repurchased<sup>(1)</sup>

**~\$87** Million in total capital returned to stockholders

**92%** FCF<sup>(2)</sup> returned to stockholders

## OPERATIONAL EXECUTION – OUTPERFORMANCE

✓ **14.1** MMBoe

**42%** Oil

- ✓ South Texas | Performance exceeds expectations
- ✓ Oil handling facilities in place
- ✓ +1 MMBoe full year guidance

## REPLACING AND BUILDING INVENTORY – LEASEHOLD ACQUISITIONS

✓ **22,800** Net acres added in the Midland Basin

**\$91+** Million in leasehold/ acquisition capital expenditures

Note | Amounts shown are for the quarter ending June 30, 2023.

(1) All repurchased shares of common stock were retired.

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

# Delivering a Sustainable Return of Capital Program

6% Yield-to-Market Capitalization Over ~9 months<sup>(1)</sup>

RETURN OF CAPITAL TO STOCKHOLDERS SINCE INCEPTION:<sup>(1)</sup>

**~5.3 million**

TOTAL SHARES REPURCHASED



**~\$221 million**

TOTAL \$ RETURNED<sup>(2)</sup>

## SUSTAINABLE QUARTERLY DIVIDEND

**\$0.15** PER SHARE  
QUARTERLY  
DIVIDEND



## UPSIDE THROUGH REPURCHASES

**2.6** MILLION SHARES  
REPURCHASED IN  
2Q23

Note | \$334.0 million remaining of authorized share repurchase program through 2024.

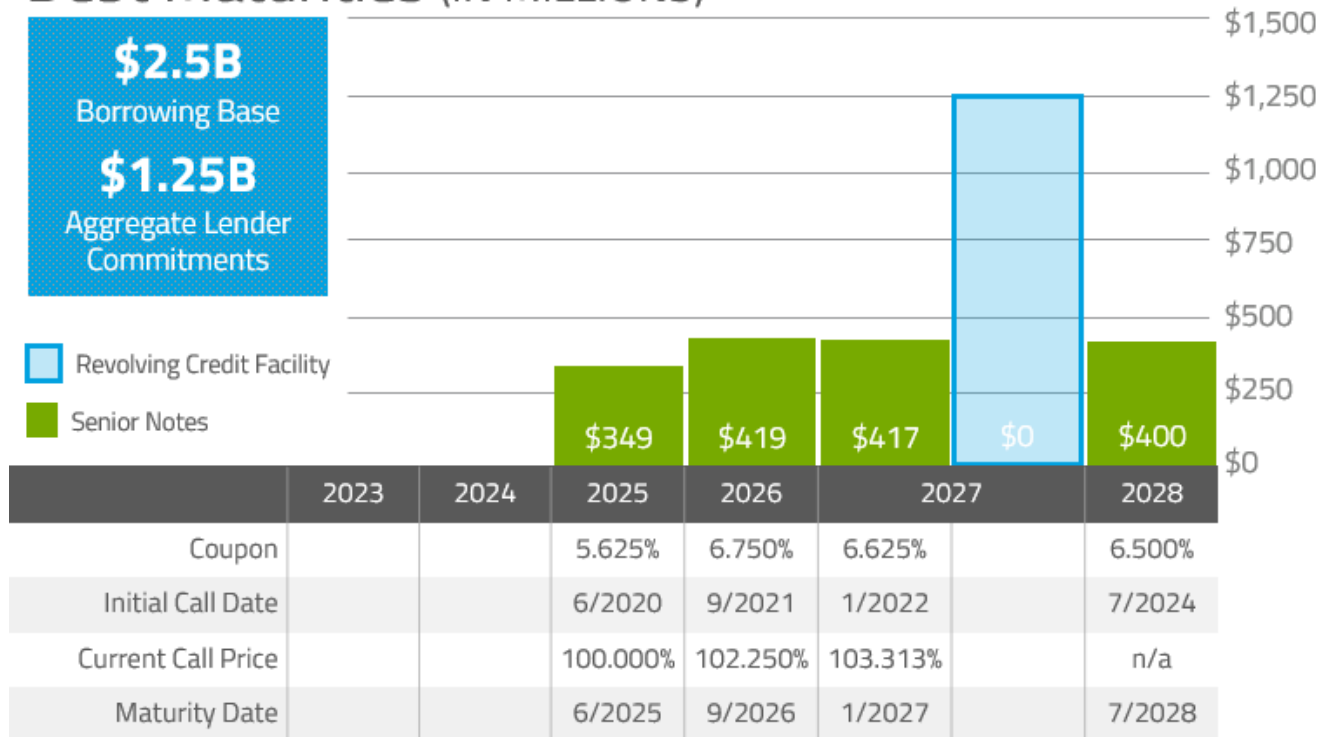
(1) As of June 30, 2023. The return of capital program was announced on September 7, 2022, and all repurchased shares of common stock were retired.

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

# Empowered by a Strong Balance Sheet

## Balance Sheet Flexibility

### Debt Maturities (IN MILLIONS)



**0.7x** NET DEBT-TO-ADJUSTED EBITDAX<sup>(1)</sup>

LIQUIDITY  **\$1.6 billion**

CASH BALANCE  **\$378 million**

NET DEBT<sup>(1)</sup>  **\$1.2 billion<sup>(2)</sup>**

CREDIT AGENCY SENIOR UNSECURED DEBT RATINGS: **S&P** BB- Outlook: Stable **Fitch** BB- Outlook: Stable **Moody's** B1 Outlook: Stable

Note | Amounts as of June 30, 2023.

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

(2) Net debt is after return of capital paid to stockholders and cash paid for acquisitions.

# 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**

# Premier Operator of Top-Tier Assets



# Premier Operator

SMid Cap Company



Large Cap Technical Team

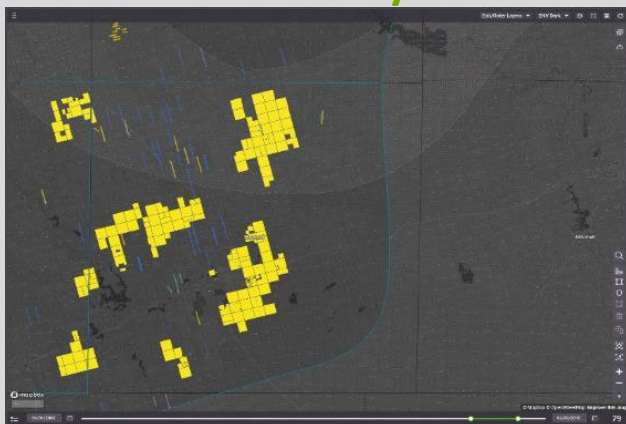
"SM boasts a **SIZEABLE GEOSCIENCE STAFF...** and has had past **SUCCESS IN ORGANICALLY ADDING INVENTORY THROUGH ITS TECHNICAL PROWESS** (pushing the boundaries of the Midland Basin further east in Howard County, successfully developing the S TX Austin Chalk)."<sup>(1)</sup>

(1) J.P. Morgan | SM Energy 2Q23 Post Mortem and Model Update | August 4, 2023.

# Strategic Inventory Capture: Repeatable Performance

World Class Technical Teams → Transformative Understanding → Discovery

## Before SM Entry 2015<sup>(1)</sup>



2018<sup>(1)</sup>



### 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<sup>(1)</sup> estimated at the time

### Howard County

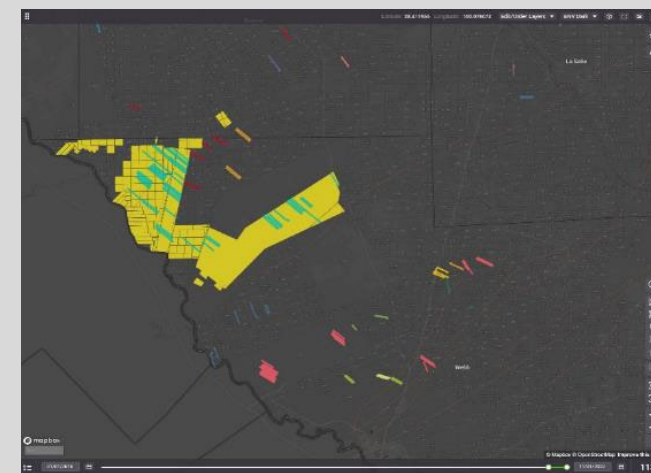
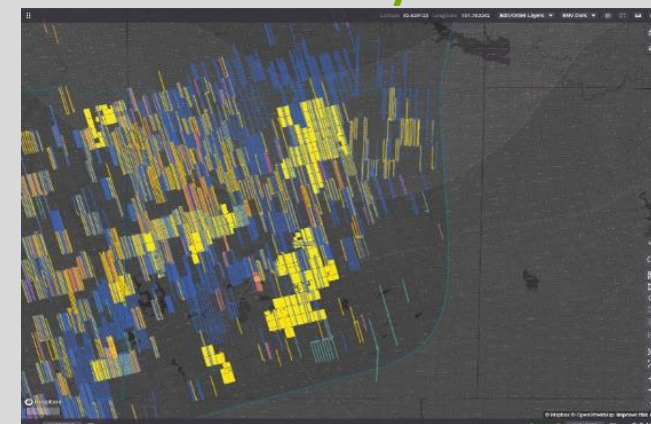
- > 3200 industry horizontal wells
- 8 reservoirs tested
- SM reported 12 years inventory as of YE 2021

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

### Austin Chalk

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

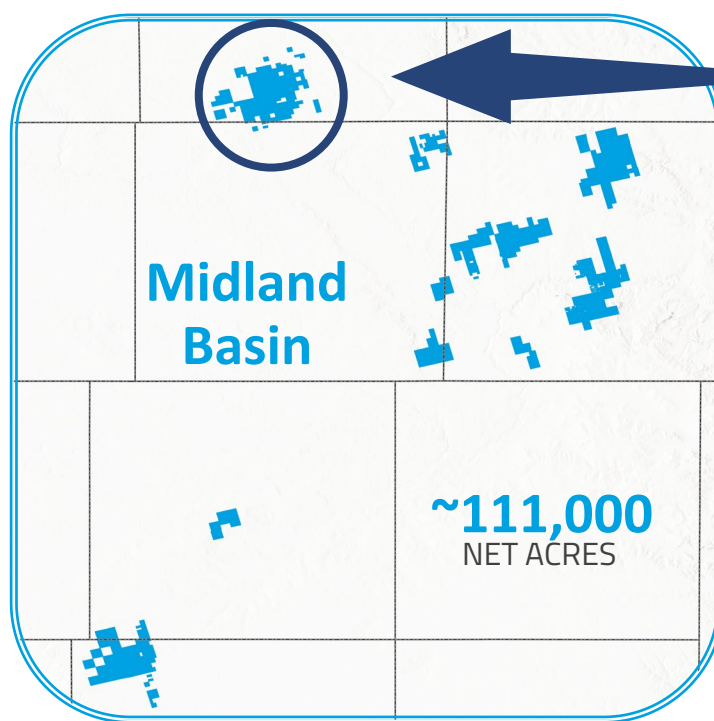
## Post SM Entry 2022<sup>(1)</sup>



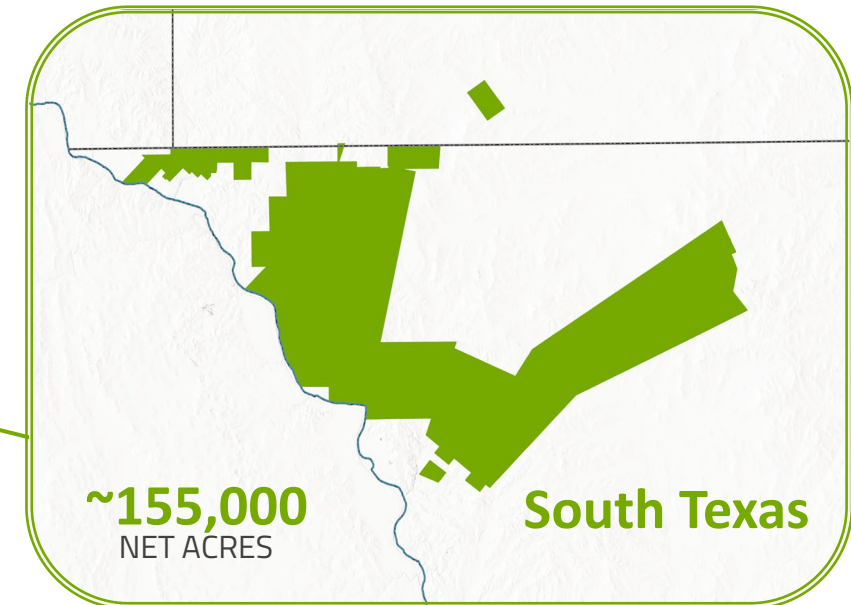
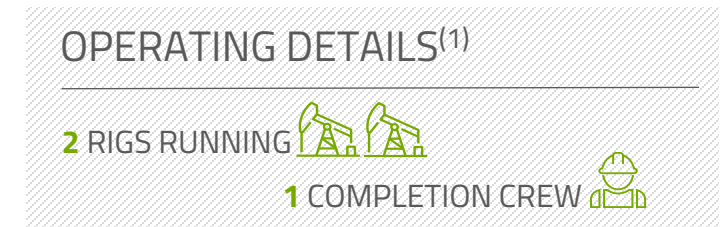
(1) Maps and certain data sourced from Enverus as of 10/31/2022.

# Top-Tier Assets

Midland Basin Net Acreage Expanded by 35% in 1H23



2023 Newly Acquired  
20K Net Acres!

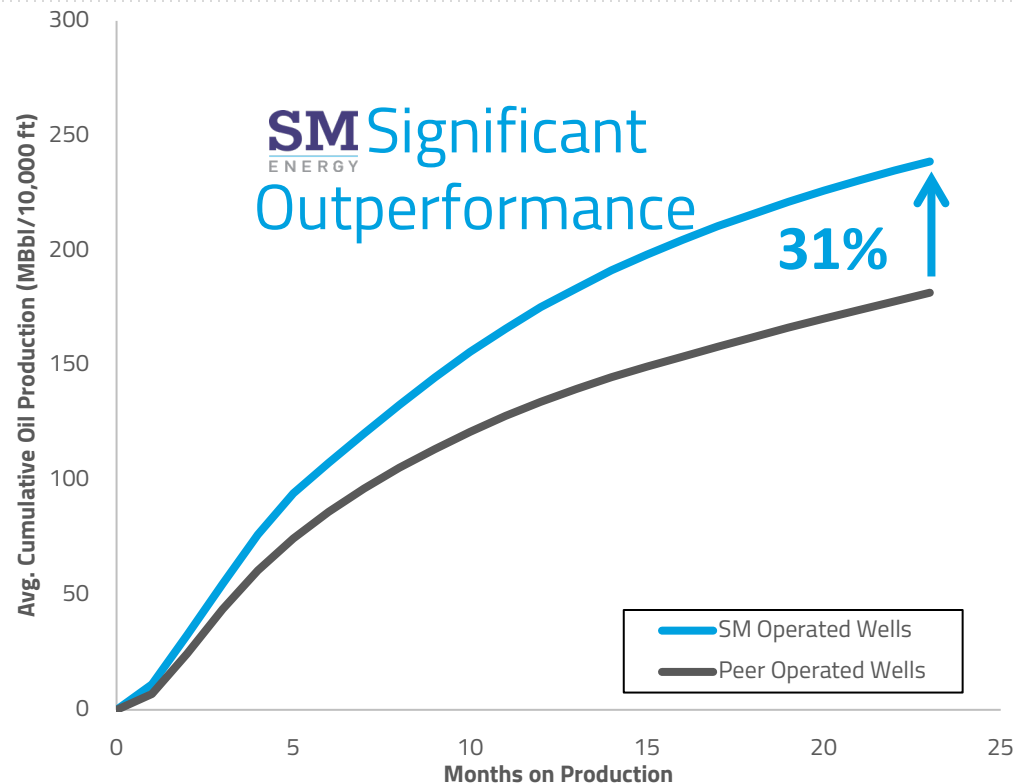


(1) Current activity as of 6/30/2023. Guidance includes an additional Midland Basin rig in 4Q23.

# Midland Basin

Focused on Execution, Well Performance and Capital Efficiency

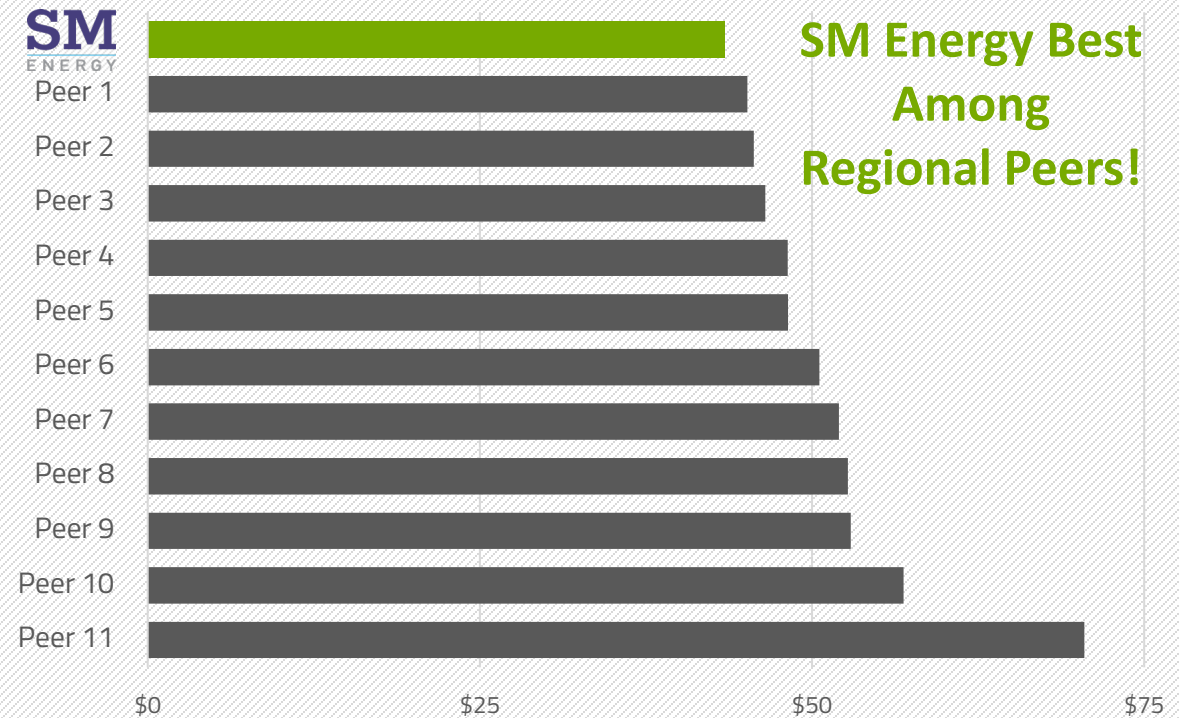
SM Energy Wells vs. Howard County Peers<sup>(1)</sup>



(1) Enverus data as of July 18, 2023 | Horizontal wells completed in Howard County January 2021 through April 2023 | Peers include all operators in Howard County: Bayswater, Birch Operations, CPE, CrownQuest Operating, CVX, Endeavor Energy Resources, FANG, HighPeak Energy, HOG Resources, Murchison Oil & Gas, OVV, OXY, Paladin Petroleum, PXD, SGY, SOGC and VTLE.

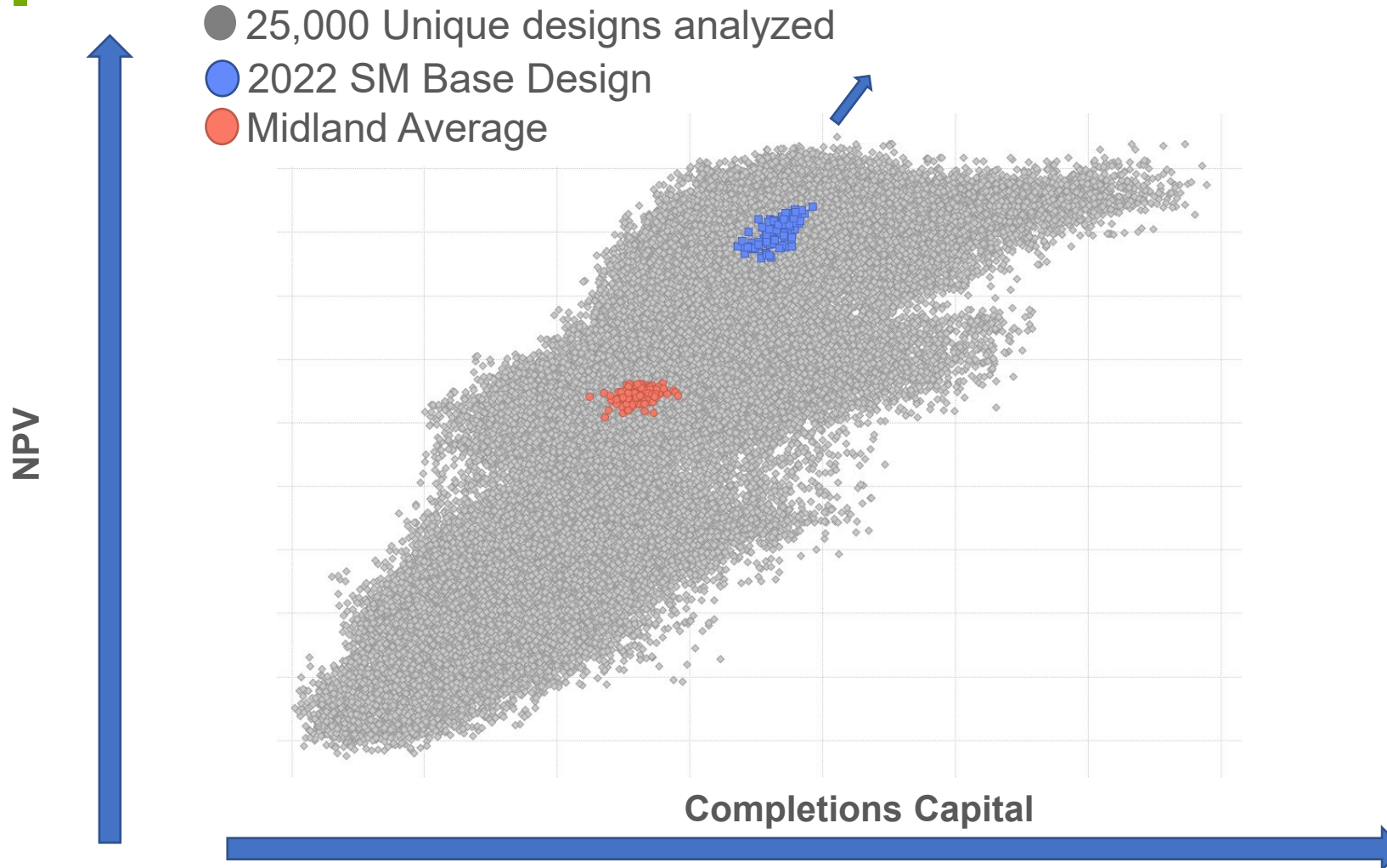
(2) Rystad Energy data as of April 25, 2023, using a 15% discount rate. Peers include: Birch Operations, COP, CrownQuest Operating, CVX, Endeavor Energy Resources, FANG, OVV, OXY, PXD, VTLE, and XOM. 12

'21-'22 Midland Oil Wells – Breakeven<sup>(2)</sup>



# Value Creation: Continuing Efforts and Upside

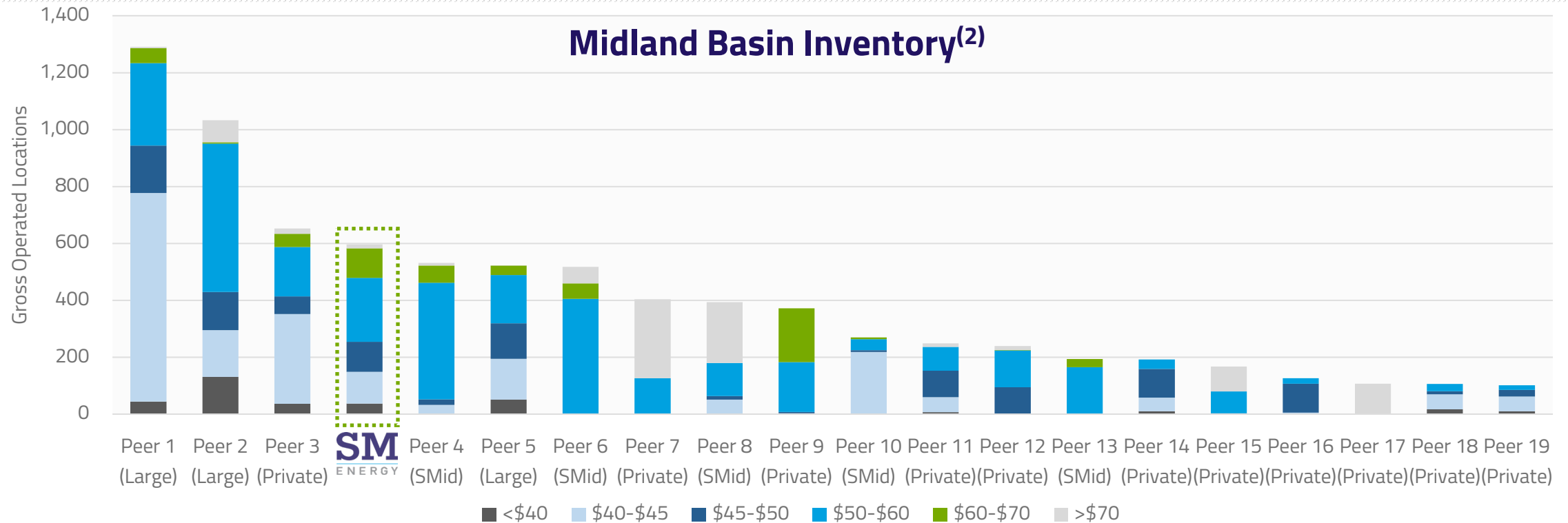
## Midland Basin Example – Optimizing the Value of Every Completion



# Quality Long-Duration Inventory

SM Energy Largest 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.<sup>(1)</sup>**



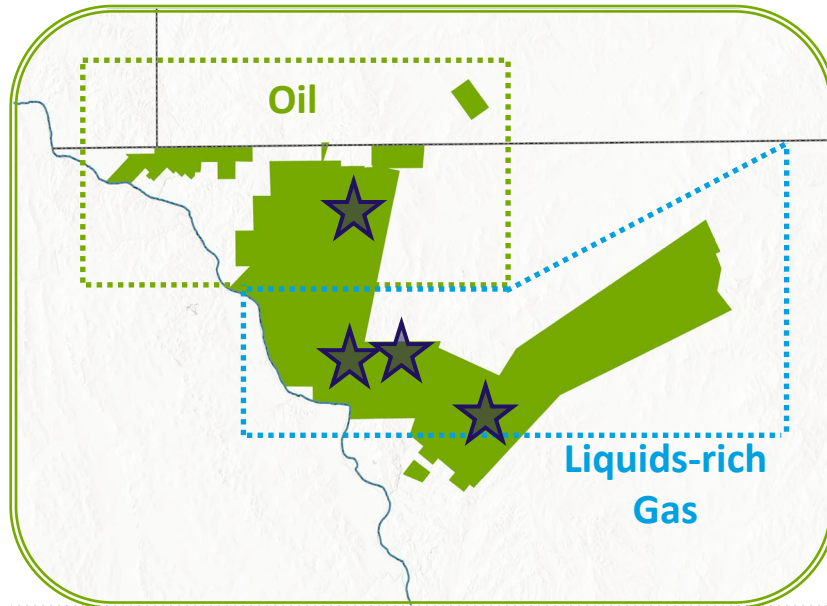
(1) Capital One Securities, Inc. "Afternoon Energy Summary" | April 28, 2023.

(2) Enverus Intelligence Research | Permian Inventory – Quantifying Geologically Viable Upside | August 8, 2023. Peers include: Large-Cap: APA, OVV, OXY, SMid-Cap: CIVI, CPE, ESTE, HPK, VTLE, Privates: Bayswater, CrownQuest, Discovery, Discovery Operating, Permian Deep Rock, Sequitur, Summit, Surge, TRP Operating, Vencer, Zarvona. This chart omits largest Midland operators: COP, CVX, Endeavor, FANG, PXD and XOM.

# South Texas – Austin Chalk

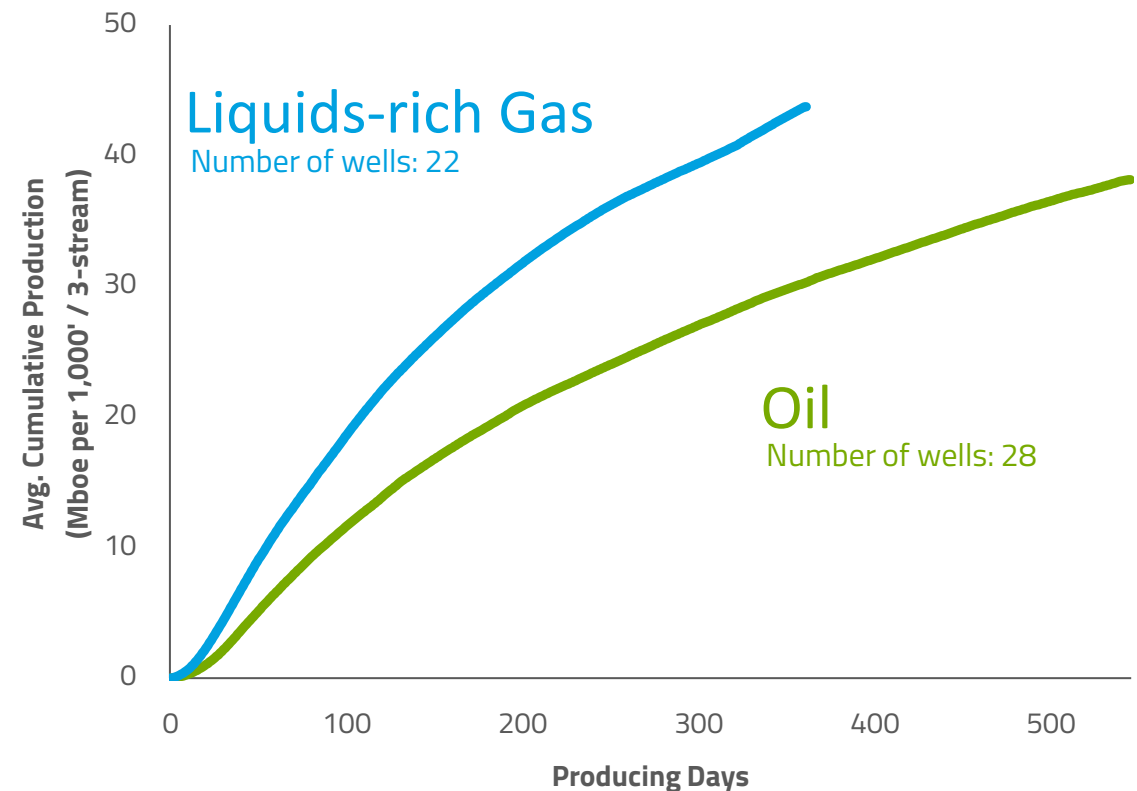
10 New Wells With Peak IP30 Demonstrate Continued High Returns Across Acreage

## New Wells Reached IP30



**10** Wells  
**2,330** Avg. Boe/d  
**42 | 71** Oil | Liquids %

## '22 – '23 SM Energy Austin Chalk Wells to Date<sup>(1)</sup>



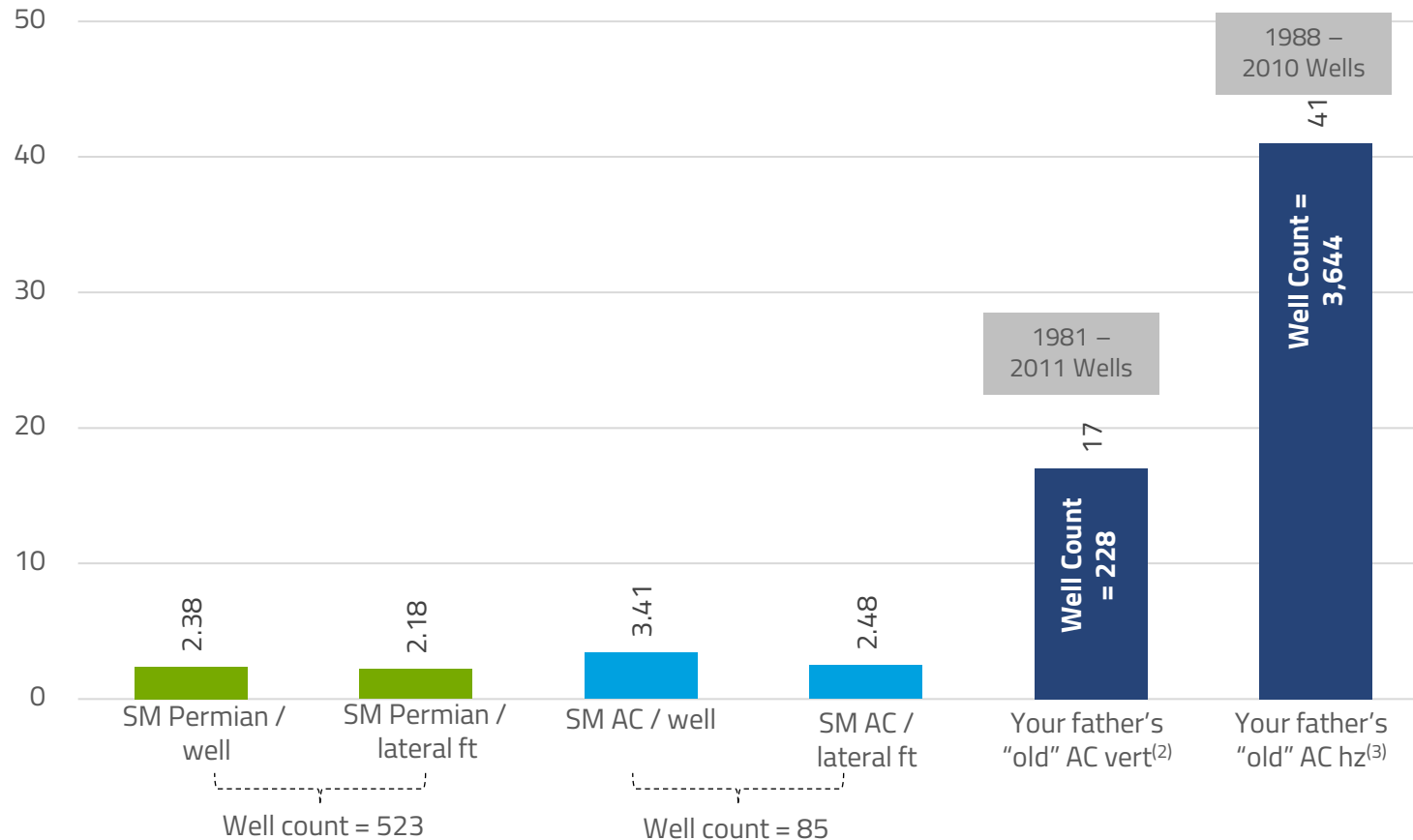
Note | SM Energy has completed 85 Austin Chalk wells that have reached IP30 as of July 17, 2023.

(1) All SM Energy operated wells that came online in 2022 and 2023 that have reached peak IP30 rates. 15

# South Texas

## Confidence in the Austin Chalk

**Not Your "Old" Austin Chalk:  
Austin Chalk P10:P90 Ratio<sup>(1)</sup> is Indicative of an Outstanding Resource Play**



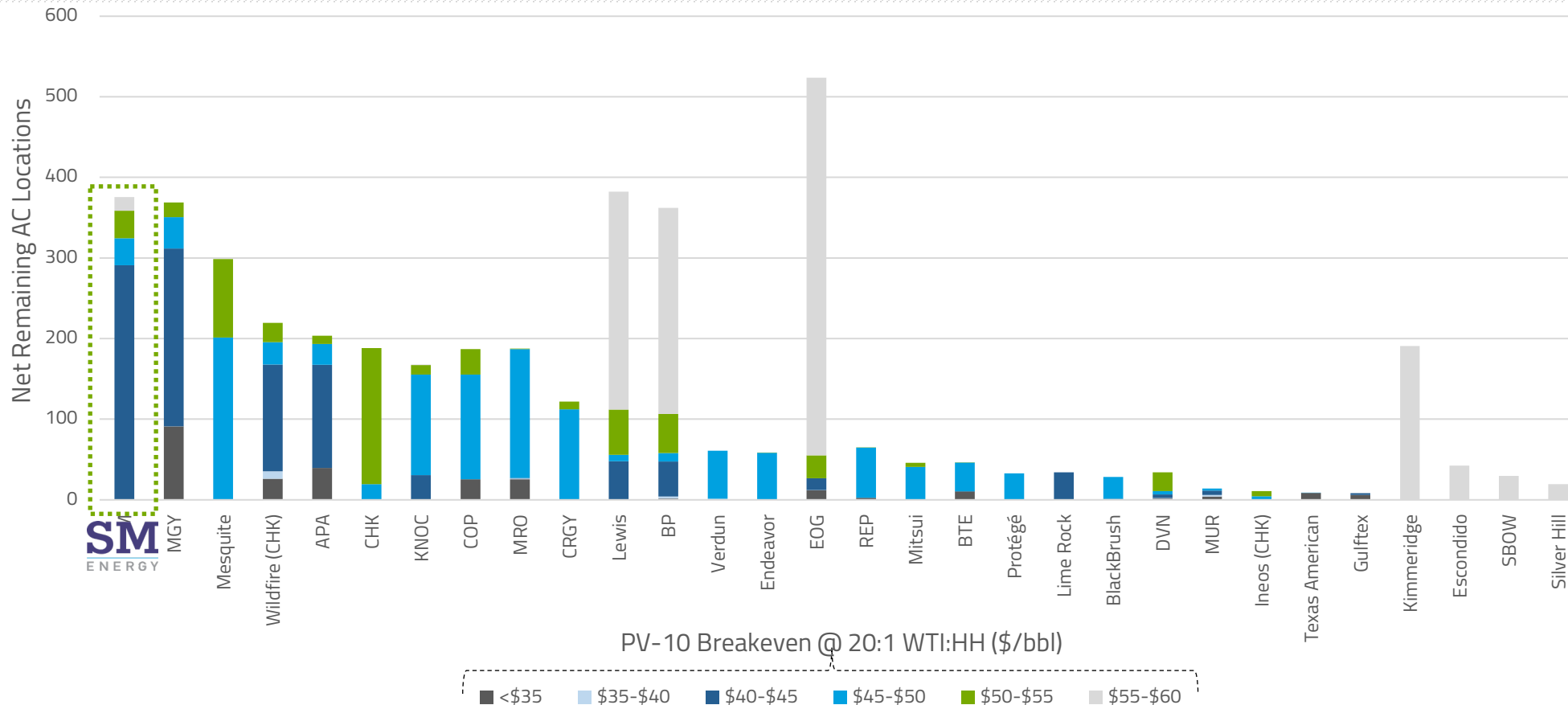
**~ 400**  
Expected  
**Austin Chalk**  
Locations

- (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.

# South Texas

## Best Austin Chalk Inventory Amongst Peers

**“SM, MGY and Mesquite Lead With Over 300 AC Locations Remaining” | Enverus<sup>(1)</sup>**



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

# Quality Inventory

Designed to Optimize Returns

TOTAL COMPANY EXPECTED ECONOMIC INVENTORY<sup>(1)</sup>



## 10–13+ years

IN EACH OF THE MIDLAND BASIN AND SOUTH TEXAS

## >60%

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

- 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<sup>(2)</sup>



### 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.

# SM Energy - Leader in Stewardship

Exceeded 2022 Internal Targets

## 2023 Mile High United Way Social Impact Award



Social Impact Award recognizes a corporate partner that has embraced corporate social responsibility as part of their community engagement and business strategies. The Social Impact Award is for a company that engages with Mile High United Way year-round to inspire employees to give, volunteer, advocate and lead. It can include companies that have launched an innovative program, aligned their community work with their business goals, or have taken a stance on an important community issue.

**#2 for lowest methane intensity among Permian Basin operators by Basinwide Independent Methane Emissions Insights**

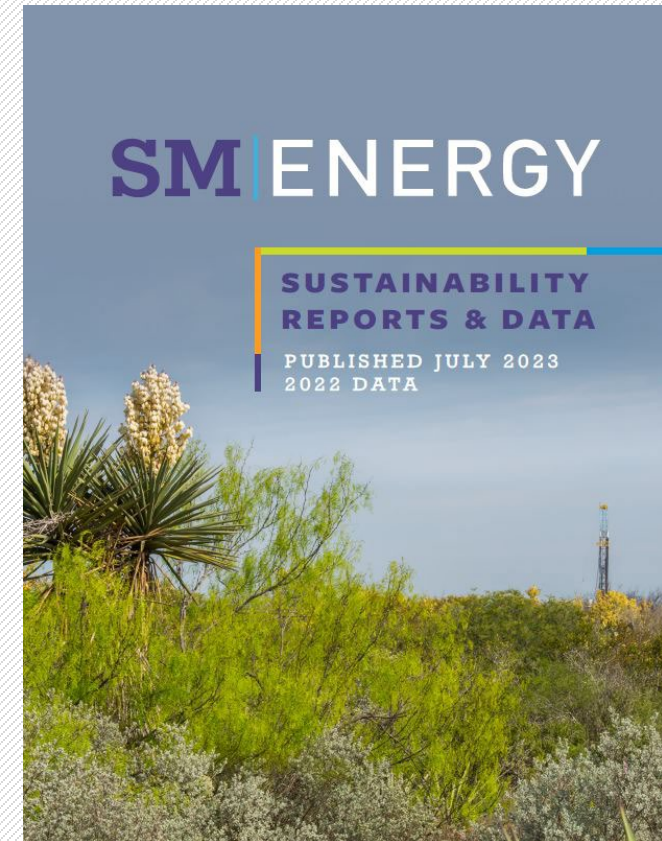


# SM Energy - Leader in Stewardship

2023 Disclosures Posted

## Updated ESG Disclosures:

- Performance Highlights and Quick Reference Metrics (2022 data)
- 2023 Sustainability Accounting Standards Board Report (2022 data)
- 2023 CDP Climate Change Questionnaire (2022 data)
- 2023 Task Force on Climate-related Disclosures framework mapped to the CDP Questionnaire (2022 data)



# Appendix



# 2023 Plan Guidance\*

Optimizing Free Cash Flow Over a Multi-year Plan

## Updates to Original Guidance

- Production ↑ 1.0 MMBoe
  - Oil percentage ↑
- Capital expenditures<sup>(1)</sup> ↓ \$50 MM
- LOE (per Boe) ↓ \$0.50

## Key Metrics

Guidance FY 2023

Capital Expenditures <sup>(1)</sup> (\$B)	\$1.05
Total Production (MMBoe)	53.5–55.5
Total Production (MBoe/d)	147–152
Oil percentage	43%–44%
LOE (per Boe)	\$5.25–\$5.50
Transportation (per Boe)	~\$2.50
Production & Ad Valorem taxes <sup>(2)</sup> (per Boe)	\$2.90–\$3.00
G&A <sup>(3)</sup> (\$MM)	~\$120
Exploration Expense (\$MM)	~\$60
DD&A (per Boe)	\$12–\$13

\*As of August 2, 2023.

(1) Capital expenditures before change in capital expenditure accruals and other; excludes acquisitions.

(2) Production & Ad Valorem taxes estimated at ~4.7% of pre-hedge revenue and ~\$0.80/Boe, respectively.

(3) Includes \$15 – \$20 million non-cash compensation.

# 2023 Plan Guidance

## Q3 and Regional Details

### Q3 2023 Guidance

- Production: ~14.0 MMBoe (~152 MBoe/d), at ~44% oil, 60-61% liquids
- Capital expenditures<sup>(1)</sup>: \$235-\$240 million
- Activity:
  - Drill: ~22 net wells (~10 South Texas, ~12 Midland Basin)
  - Complete: ~28 net wells (~11 South Texas, ~17 Midland Basin)

### 2023 Regional Activity

#### Midland Basin Plan Details

- 2023 Net wells planned: drill 40-45; complete ~50
- ~11,600' expected average lateral feet per well, including 15 wells at ≥15,000 ft lateral length<sup>(2)</sup>
- ~33% Boe PDP decline expected (YE22-YE23)

#### South Texas Plan Details

- 2023 Net wells planned: drill 40-45; complete ~40
- ~9,350' expected average lateral length per well<sup>(2)</sup>
- ~37% Boe PDP decline expected (YE22-YE23)
- Natural gas transportation costs decrease an additional ~\$0.35/Mcf effective 2H23

(1) Capital expenditures before change in capital expenditure accruals and other; excludes acquisitions.

(2) Based on operated wells expected to be completed in 2023.

# Second Quarter 2023 Performance

## Key Metrics

2Q23

Production and Pricing	
Total Production (MMBoe)	14.1
Total Production (MBoe/d)	154.4
Oil percentage / Liquids	42% / 60%
Pre-Hedge Realized Price (\$/Boe)	\$38.89
Post-Hedge Realized Price <sup>(1)</sup> (\$/Boe)	\$40.00
Costs (per Boe)	
LOE	\$4.98
Transportation	\$2.89
Production & Ad Valorem taxes	\$2.49
Total Production Expenses	\$10.36
<b>Cash Production Margin (pre-hedge)<sup>(1)</sup></b>	<b>\$28.53</b>
G&A (Cash)	\$1.73
G&A (Non-Cash)	\$0.23
DD&A	\$11.23
Earnings	
GAAP Earnings (per diluted share)	\$1.25
Adjusted net income <sup>(1)</sup> (per diluted share)	\$1.28
Adjusted EBITDAX <sup>(1)</sup> (\$MM)	\$390.2
Adjusted free cash flow (\$MM)	
Net cash provided by operating activities (GAAP)	\$383.3
Net change in working capital	\$(21.8)
Net cash provided by operating activities before net change in working capital <sup>(1)</sup>	\$361.5
Capital Expenditures (GAAP)	\$309.3
Decrease in capital expenditure accruals and other	\$(42.7)
Capital expenditures before change in capital expenditure accruals and other <sup>(1)</sup>	\$266.7
<b>Adjusted free cash flow<sup>(1)</sup></b>	<b>\$94.8</b>
Return of Capital (\$MM)	
Share repurchase	\$68.7
Dividends paid	\$18.1
<b>Return of Capital (\$MM)</b>	<b>\$86.8</b>

Note: Amounts may not calculate due to rounding.

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

2Q23 Production

**154.4** MBoe/d

2Q23 Adjusted EBITDAX<sup>(1)</sup>

**\$390.2** million

2Q23 Adjusted Free Cash Flow<sup>(1)</sup>

**\$94.8** million

2Q23 Return of Capital

**\$86.8** million

# 2Q 2023 Realizations by Region

## Two Top-Tier Areas of Operation

	Midland Basin	South Texas	Total
<b>Production Volumes</b>			
Oil (MBbls)	4,175	1,696	5,871
Gas (MMcf)	14,767	18,944	33,711
NGL (MBbls)	8	2,557	2,565
Total (MBoe)	6,644	7,410	14,054
% Oil	63%	23%	42%
<b>Revenue (in thousands)</b>			
Oil	\$302,874	\$120,519	\$423,393
Gas	\$36,800	\$32,927	\$69,727
NGL	\$211	\$53,224	\$53,435
Total	\$339,885	\$206,670	\$546,555
<b>Expenses (in thousands)</b>			
LOE	\$51,419	\$18,513	\$69,932
Ad Valorem	\$7,106	\$4,536	\$11,642
Transportation	\$123	\$40,506	\$40,629
Production Taxes	\$15,809	\$7,576	\$23,385
<b>Per Unit Metrics</b>			
Realized Price   Oil Per Bbl	\$72.55	\$71.07	\$72.12
% of Benchmark - WTI	98%	96%	98%
Realized Price   Gas per Mcf	\$2.49	\$1.74	\$2.07
% of Benchmark - NYMEX Henry Hub	119%	83%	99%
Realized Price   NGL per Bbl	Nm	\$20.81	\$20.83
% of Benchmark - OPIS	Nm	83%	83%
Realized Price per Boe	\$51.16	\$27.89	\$38.89
LOE per Boe	\$7.74	\$2.50	\$4.98
Ad Valorem per Boe	\$1.07	\$0.61	\$0.83
Transportation per Boe	\$0.02	\$5.47	\$2.89
Production Tax per Boe	\$2.38	\$1.02	\$1.66
Production Tax as % of Pre-hedge Revenue	4.7%	3.7%	4.3%
Cash Production Margin per Boe <sup>(1)</sup>	\$39.95	\$18.29	\$28.53

Benchmark Pricing	
NYMEX WTI Oil (\$/Bbl)	\$ 73.78
NYMEX Henry Hub Gas (\$/MMBtu)	\$ 2.10
OPIS Composite NGL (\$/Bbl)	\$ 25.21

(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 <sup>(1)</sup>				Flowing Completions <sup>(1)</sup>				DUC Count	
	2023		2023 YTD		2023		2023 YTD		As of June 30, 2023	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>Midland Basin</b>										
RockStar <sup>(1)</sup>	2	1	7	4	10	8	15	13	21	18
Sweetie Peck	9	4	15	9	13	9	20	14	15	9
Midland Basin total	11	5	22	13	23	17	35	27	36	27
<b>South Texas<sup>(2)</sup></b>										
Austin Chalk	11	11	17	17	7	7	18	18	14	14
Eagle Ford	1	1	2	2	1	1	7	6	9	9
South Texas total	12	12	19	19	8	8	25	24	23	23
<b>Total</b>	23	17	41	32	31	25	60	51	59	50

Note | Amounts may not calculate due to rounding.

(1) 2023 YTD wells drilled count includes 3 gross (1 net) non-op wells drilled in 1Q23 in the RockStar area of the Midland Basin. These wells were completed in 2Q23, so are also included in the 2Q23 and 2023 YTD flowing completions counts.

(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<sup>(1)</sup>

<b>Midland Basin</b>	
RockStar <sup>(2)</sup>	84,000
Sweetie Peck <sup>(3)</sup>	17,900
New Acreage	9,100
Midland Basin total	111,000
<b>South Texas</b>	
	154,800
<b>Rocky Mountain Other</b>	
	10,300
<b>Other Areas / Exploration</b>	
	25,800
<b>Total</b>	<b>301,900</b>

### MIDLAND BASIN NET ACRES

~111,000

### SOUTH TEXAS NET ACRES

~155,000

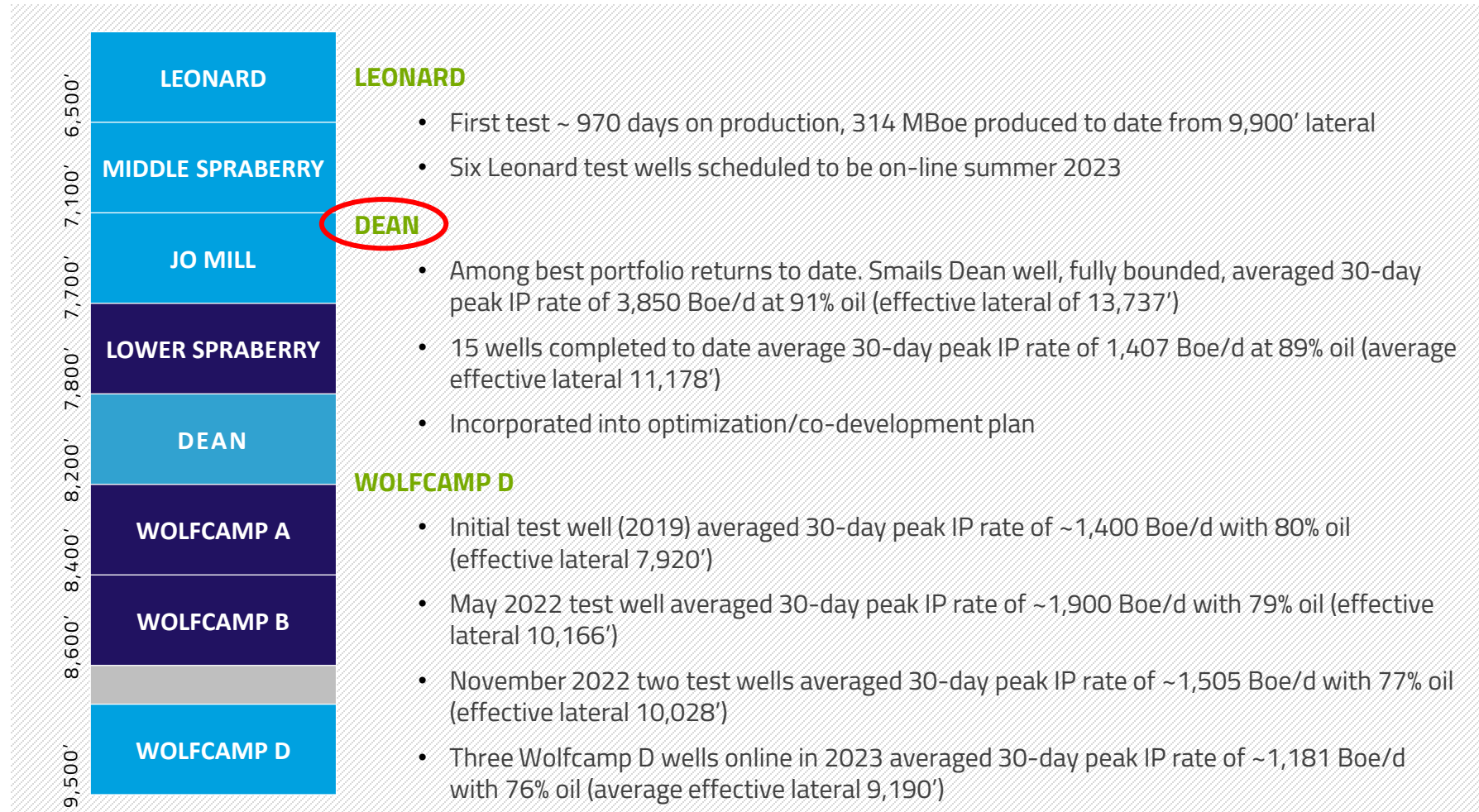
(1) Includes developed and undeveloped oil and natural gas leasehold, fee properties, and mineral servitudes held as of June 30, 2023.

(2) Includes 20,000 net acres acquired in 2Q23.

(3) Sweetie Peck acreage includes ~1,200 net drill-to-earn acreage.

# Midland Basin

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



Co-development  
sustains longer,  
high-quality  
inventory

# NGL Realizations

2023 Plan Assumes Ethane Processing All Year

## Realizations by Quarter

	2Q 2023	1Q 2023	4Q 2022	3Q 2022	2Q 2022
OPIS <sup>(1)</sup> Benchmark Price (\$/Bbl)	\$25.21	\$30.95	\$33.03	\$42.47	\$50.05
SM Energy NGL Realization (\$/Bbl)	\$20.83	\$26.24	\$26.10	\$36.36	\$42.08
% Differential to OPIS Benchmark <sup>(1)</sup>	83%	85%	79%	86%	84%

## 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

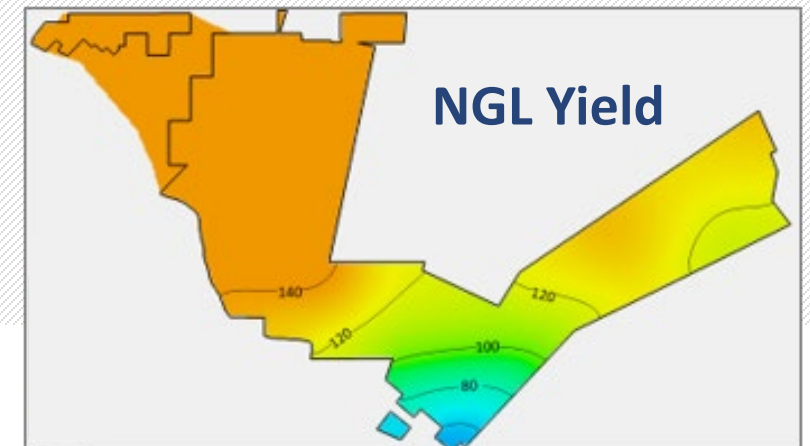
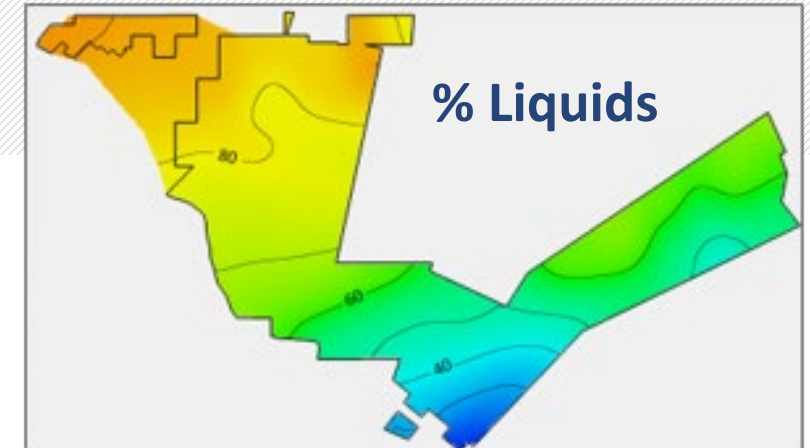
(1) Prior to 2023, the benchmark used was the Hart Energy NGL composite. Effective 2023, the benchmark is the OPIS NGL composite (both Mont Belvieu Purity Ethane and Non-TET).

Helpful Hints for Modeling NGLs:

Note 1: SM Energy recovered NGL Composition: 49% Ethane, 24% Propane, 12% Natural Gasoline, 8% Normal Butane, and 7% Isobutane.

Note 2: SM Energy has completed 85 Austin Chalk wells that have reached IP30 as of July 17, 2023. Based on wells to date, average gas shrink by area is: Northern oily area ~21%, South/Eastern liquids-rich gas: ~19%.

## Austin Chalk – High Liquids Content



# Hedges



# Hedging Summary

Hedging Volumes Lower – Aligned with Lower Leverage



~25%

of total expected Q3-Q4  
2023 production hedged<sup>(1)</sup>

## 2023 Hedge Program

### OIL

- ~3,600 MBbls<sup>(2)</sup>, or ~30% of expected Q3-Q4 2023 oil production, is hedged to contract prices in the Midland Basin at a weighted-average price of \$76.21/Bbl (weighted-average of collar floors and swaps)
- ~2,700 MBbls of expected Q3-Q4 2023 Midland Basin oil production is hedged to the local price point at a positive \$0.88/Bbl basis

### NATURAL GAS

- ~18,900 BBtu<sup>(3)</sup>, or ~30% of expected Q3-Q4 2023 natural gas production, is hedged at a weighted-average price of \$4.00/MMBtu (weighted-average of collar floors and swaps)
- ~2,800 BBtu is hedged to HSC at a weighted-average price of \$4.25/MMBtu (weighted-average of collar floors), and ~3,800 BBtu of HSC basis is hedged with a weighted-average price of \$(0.25)/MMBtu
- ~5,800 Bbtu of Waha basis is hedged with a weighted-average price of \$(0.97)/MMBtu

Note | Includes derivative contracts for settlement at any time during the third quarter of 2023 and later periods, entered into through July 21, 2023.

(1) Percent of 3Q-4Q 2023 production hedged assumes mid-point of production and oil % guidance.

(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<sup>(1)</sup>

## By Quarter

Oil

	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	
Period	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>	Ceiling \$/Bbl <sup>(3)</sup>	Floor \$/Bbl <sup>(3)</sup>
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	-	-	284	\$74.99	\$65.00	971	\$1.21	256	\$1.83	461	\$0.42	910	\$85.50	\$83.00	\$80.62
Q2 2024	-	-	605	\$81.39	\$67.25	951	\$1.21	293	\$1.82	536	\$0.42	-	-	\$81.39	\$67.25
Q3 2024	-	-	308	\$81.38	\$75.00	985	\$1.22	332	\$1.82	593	\$0.42	-	-	\$81.38	\$75.00
Q4 2024	-	-	318	\$78.20	\$75.00	1,002	\$1.21	309	\$1.82	598	\$0.42	-	-	\$78.20	\$75.00

Gas	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		NGLs	Propane Swaps	
Period	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>	Ceiling \$/MMBtu <sup>(4)</sup>	Floor \$/MMBtu <sup>(4)</sup>	Period	Volume (MBbls)	\$/Bbl <sup>(2)</sup>
Q3 2023	1,470	\$5.11	3,505	\$(0.95)	1,813	\$(0.25)	6,194	\$4.62	\$3.75	1,389	\$4.95	\$4.25	\$4.75	\$4.05	Q3 2023	181	\$36.67
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	Q4 2023	187	\$36.66
Q1 2024	-	-	5,089	\$(0.61)	4,125	\$(0.04)	7,582	\$8.13	\$3.63	-	-	-	\$8.13	\$3.63			
Q2 2024	1,366	\$3.14	5,285	\$(1.09)	2,400	\$(0.37)	4,432	\$4.00	\$3.69	-	-	-	\$3.80	\$3.56			
Q3 2024	1,393	\$3.39	5,344	\$(0.99)	3,426	\$(0.30)	4,612	\$4.21	\$3.68	-	-	-	\$4.02	\$3.62			
Q4 2024	-	-	5,240	\$(0.73)	5,037	\$(0.39)	5,716	\$5.24	\$3.48	-	-	-	\$5.24	\$3.48			
Q1 2025	1,382	\$4.41	5,102	\$(0.46)	-	-	1,382	\$6.78	\$3.50	-	-	-	\$5.59	\$3.95			
Q2 2025	1,466	\$3.96	5,236	\$(0.78)	-	-	1,466	\$4.03	\$3.50	-	-	-	\$4.00	\$3.73			
Q3 2025	1,468	\$4.10	5,117	\$(0.72)	-	-	1,468	\$4.60	\$3.50	-	-	-	\$4.35	\$3.80			
Q4 2025	1,575	\$4.33	5,046	\$(0.66)	-	-	1,575	\$5.90	\$3.50	-	-	-	\$5.12	\$3.92			

(1) Includes derivative contracts for settlement at any time during the third quarter of 2023 and later periods, entered into through July 21, 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 collars and IF HSC collars.

# Second 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 the most recent 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 and adjusted net income 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<sup>(1)</sup>

(in thousands)

	Three Months Ended June 30, 2023	Trailing Twelve Months Ended June 30, 2023
<b>Net income (GAAP)</b>	<b>\$ 149,874</b>	<b>\$ 1,088,129</b>
Interest expense	22,148	90,070
Interest income <sup>(2)</sup>	(4,994)	(14,936)
Income tax expense	42,092	281,844
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	157,832	601,497
Exploration <sup>(3)</sup>	14,064	54,570
Stock-based compensation expense	4,163	18,500
Net derivative gain	(11,674)	(211,748)
Derivative settlement gain (loss)	15,636	(281,207)
Other, net	1,079	(1,096)
<b>Adjusted EBITDAX (non-GAAP)</b>	<b>\$ 390,220</b>	<b>\$ 1,625,623</b>
Interest expense	(22,148)	(90,070)
Interest income <sup>(2)</sup>	4,994	14,936
Income tax expense	(42,092)	(281,844)
Exploration <sup>(3)(4)</sup>	(14,473)	(43,498)
Amortization of debt discount and deferred financing costs	1,372	5,417
Deferred income taxes	44,278	270,355
Other, net	(680)	(17,538)
Net change in working capital	21,780	33,249
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 383,251</b>	<b>\$ 1,516,630</b>

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

(in thousands)

	Three Months Ended June 30, 2023
<b>Net income (GAAP)</b>	<b>\$ 149,874</b>
Net derivative gain	(11,674)
Derivative settlement gain	15,636
Other, net	1,079
Tax effect of adjustments <sup>(5)</sup>	(1,094)
<b>Adjusted net income (non-GAAP)</b>	<b>\$ 153,821</b>
<b>Diluted net income per common share (GAAP)</b>	<b>\$ 1.25</b>
Net derivative gain	(0.10)
Derivative settlement gain	0.13
Other, net	0.01
Tax effect of adjustments <sup>(5)</sup>	(0.01)
<b>Adjusted net income per diluted common share (non-GAAP)</b>	<b>\$ 1.28</b>
Basic weighted-average common shares outstanding	119,408
Diluted weighted-average common shares outstanding	120,074

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

(2) Interest income is included within other non-operating income (expense), net line item on the unaudited condensed consolidated statements of operations.

(3) 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.

(4) For the three and trailing twelve months ended June 30, 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 June 30, 2023, amounts also exclude certain capital expenditures related to unsuccessful exploration efforts outside of the Company's core areas of operation.

(5) The tax effect of adjustments is calculated using a tax rate of 21.7% for the three months ended June 30, 2023. This rate approximates the Company's statutory tax rate adjusted for ordinary permanent differences.

# Non-GAAP Reconciliations

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

(in thousands)

	Three Months Ended June 30, 2023
<b>Net cash provided by operating activities (GAAP)</b>	<b>\$ 383,251</b>
Net change in working capital	(21,780)
<b>Cash flow from operations before net change in working capital (non-GAAP)</b>	<b>\$ 361,471</b>
<b>Capital expenditures (GAAP)</b>	<b>\$ 309,334</b>
Decrease in capital expenditure accruals and other	(42,653)
<b>Capital expenditures before accruals and other (non-GAAP)</b>	<b>\$ 266,681</b>
<b>Adjusted free cash flow (non-GAAP)</b>	<b>\$ 94,790</b>

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

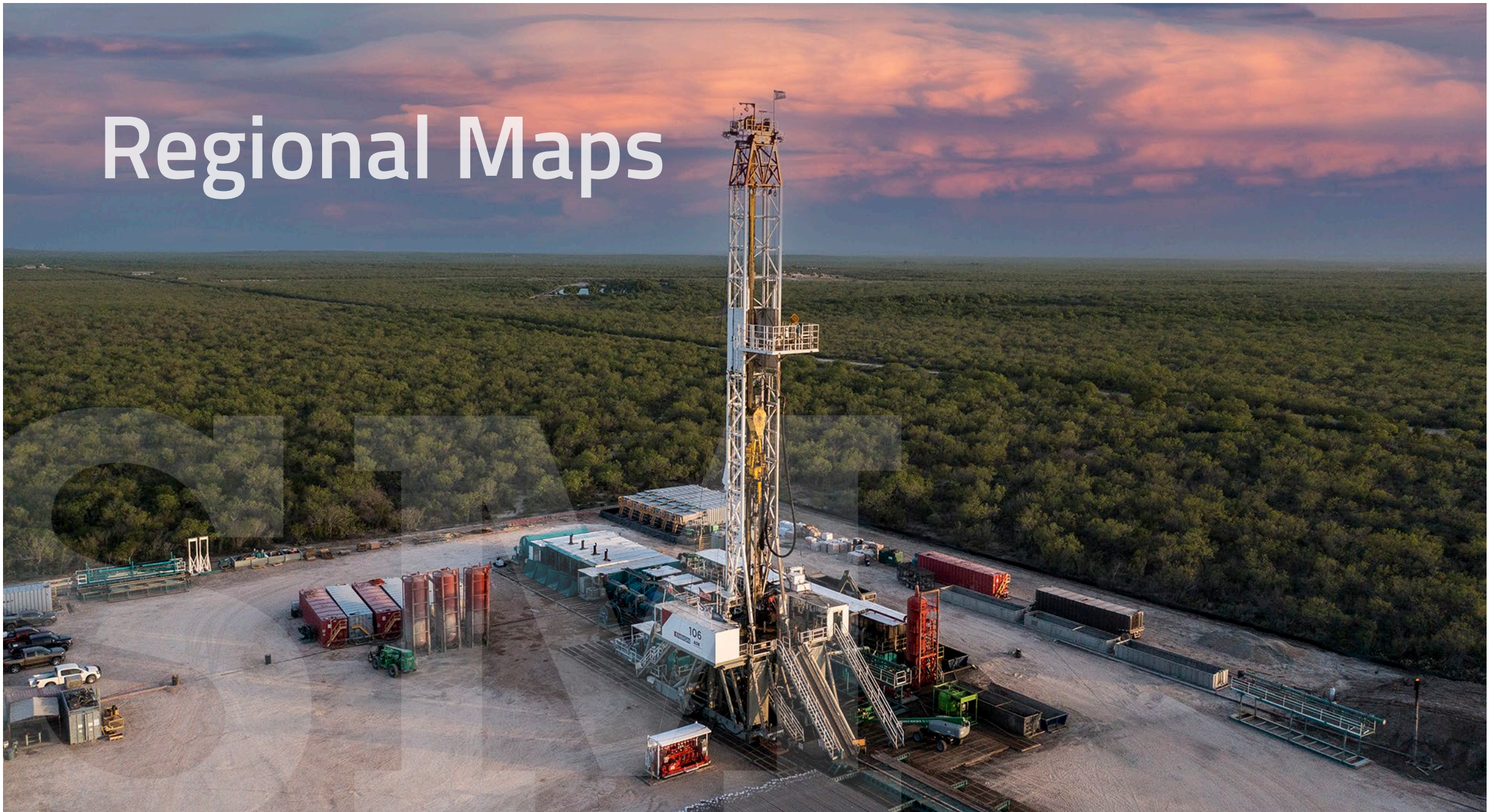
(in thousands)

	As of June 30, 2023
Principal amount of Senior Notes <sup>(2)</sup>	\$ 1,585,144
Revolving credit facility <sup>(2)</sup>	—
<b>Total principal amount of debt (GAAP)</b>	<b>\$ 1,585,144</b>
Less: Cash and cash equivalents	378,238
<b>Net Debt (non-GAAP)</b>	<b>\$ 1,206,906</b>

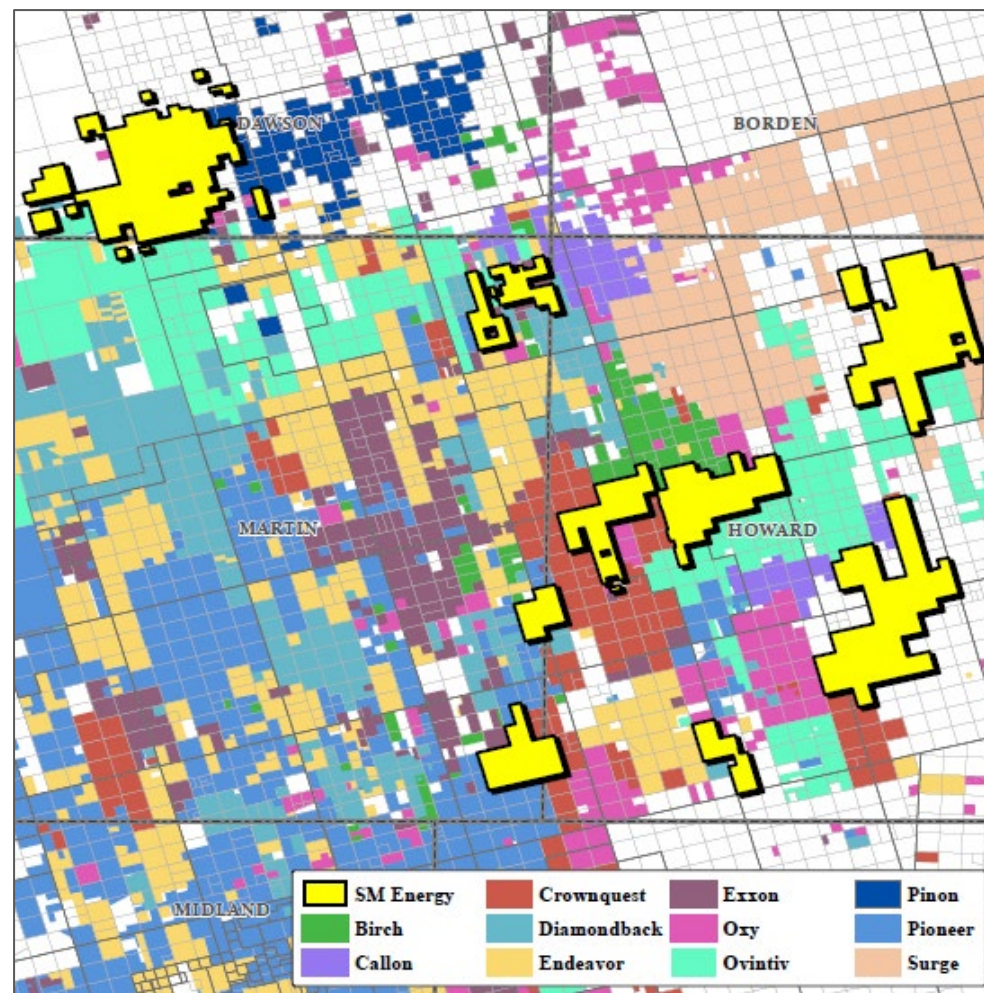
(1) Indicates a non-GAAP measure. See above "Definitions of non-GAAP measures and metrics as Calculated by the Company."

(2) Amounts are from Note 5 – Long-term Debt in Part I, Item 1 of the Company's second quarter Form 10-Q as of June 30, 2023.

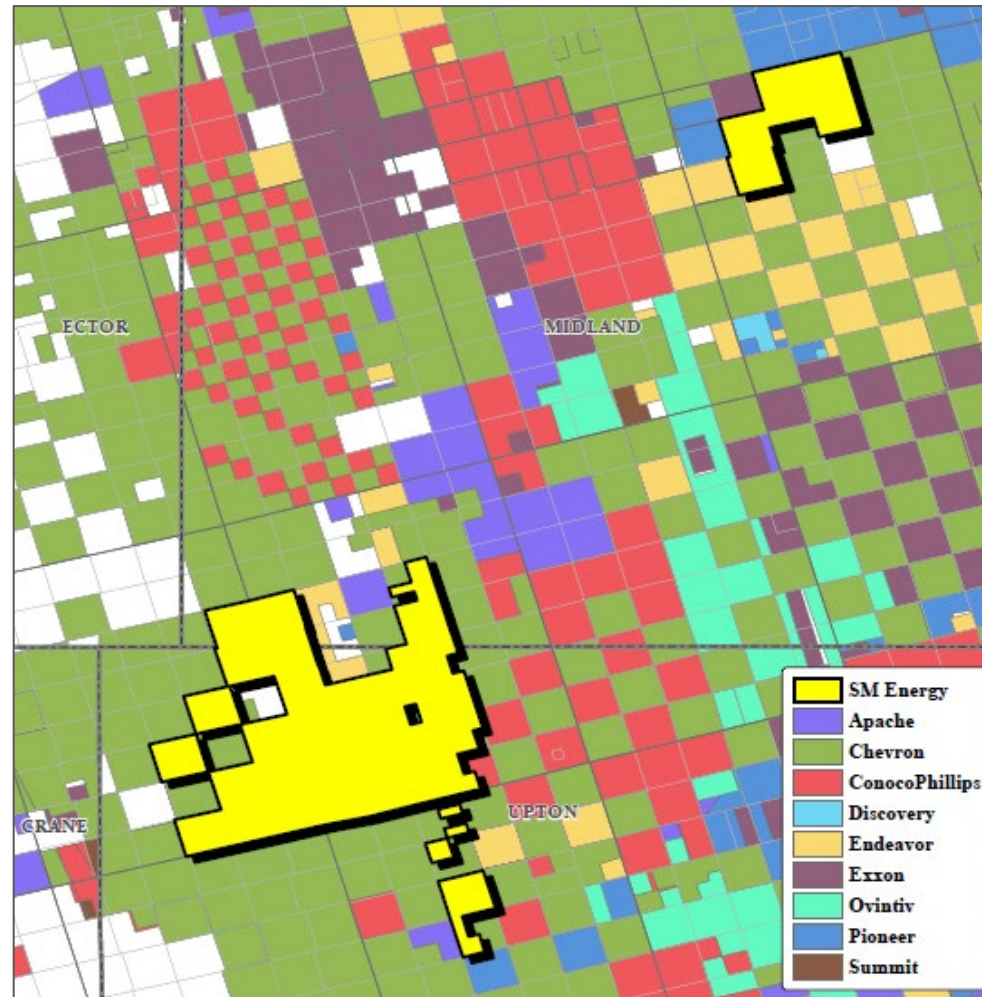
# Regional Maps



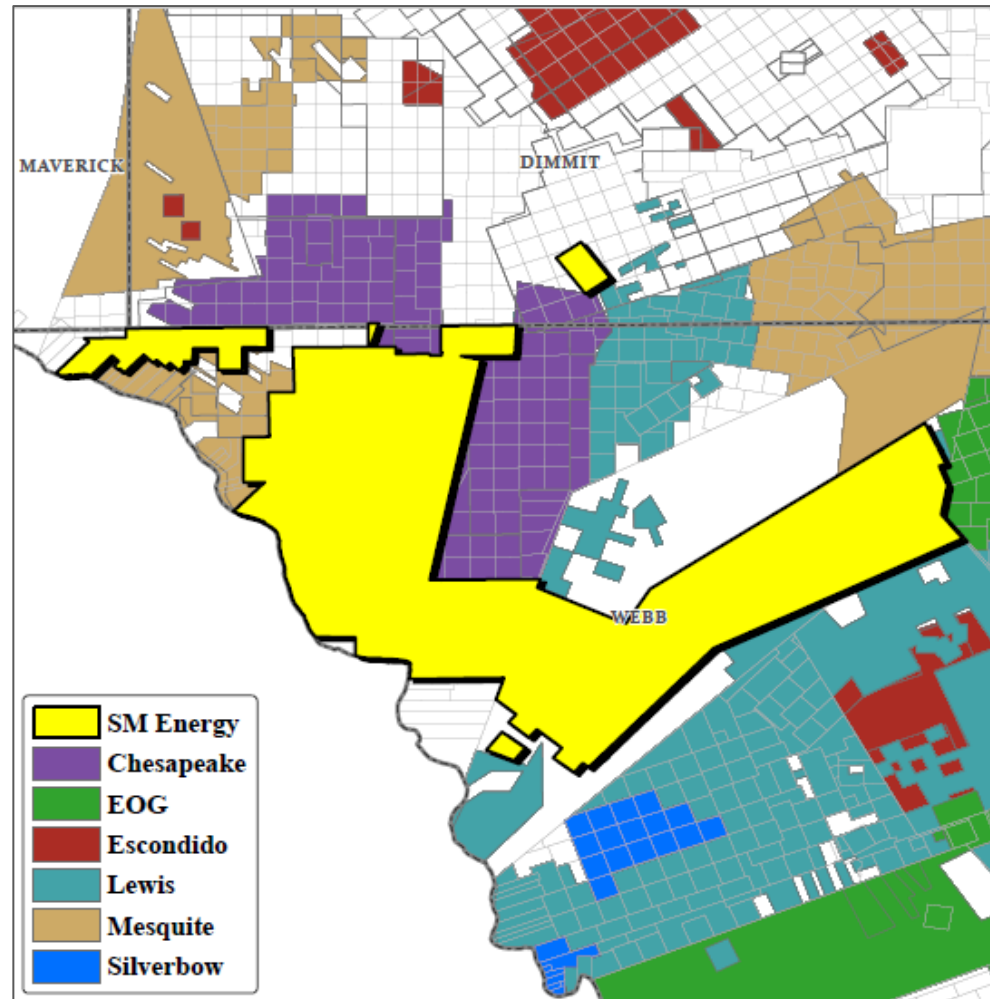
# Midland Basin Operators



# Sweetie Peck Operators



# South Texas Operators



# Contact Information

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