

The background of the slide is a photograph of an oil drilling rig at sunset. The rig is a tall, white metal structure with a derrick, situated in a field of green trees. The sky is filled with clouds, illuminated by the warm, orange and pink light of the setting sun. In the foreground, there are some industrial structures, including a large red storage tank and a blue building. The overall scene is a mix of industrial and natural elements.

SM|ENERGY

THIRD QUARTER 2023 FINANCIAL AND OPERATING RESULTS

NOVEMBER 2, 2023

NYSE: SM

WEB: sm-energy.com

Disclaimers

Forward-looking statements

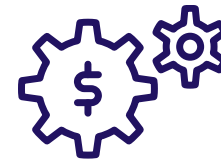
This presentation contains forward-looking statements within the meaning of securities laws. The words “believes,” “demonstrate,” “estimate,” “expect,” “intends,” “plan,” “target,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this release include, among other things, certain projections for the full year and fourth quarter of 2023 regarding guidance for capital expenditures, production, percent of oil, operating costs, G&A, exploration and DD&A; the number of wells we plan to drill and complete in each of our operating areas during the full year and remainder of 2023; the Company’s plan to increase quarterly dividend payments beginning in 2024; 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 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; 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



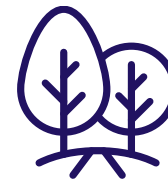
A PREMIER OPERATOR

- Capital Efficiency



OWNER OF TOP-TIER ASSETS

- High Inventory Quality with Long Runway



A LEADER

- ESG Stewardship

Increased Return of Capital Program

Repurchase 6% of Shares Outstanding Since Program Inception⁽¹⁾



RETURN OF CAPITAL TO STOCKHOLDERS SINCE INCEPTION:⁽¹⁾



Note | \$237.7 million remains available under our authorized share repurchase program through 2024.

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

(2) The Company's Board of Directors approved a 20% increase in the fixed dividend policy, intending to pay the increased dividend beginning in the first quarter of 2024.

(3) Total return of capital to stockholders of ~\$335 million since inception is made up of ~\$73MM in dividends paid and ~\$262MM in share repurchases.

2023 Strategic Objectives

3Q23 Delivering Results on All Fronts

31%↑ RETURN OF CAPITAL QUARTER OVER QUARTER

✓ **20%** ↑ Fixed Dividend⁽¹⁾

2.35 Million shares repurchased⁽²⁾

~\$114 Million in total capital returned to stockholders

✓ OPERATIONAL EXECUTION – OUTPERFORMANCE

14.1 MMBoe

44% Oil

3 Wells accelerated due to faster drilling & completion times

✓ ASSET EXCHANGE RESULTS IN ↑ NET WORKING INTEREST

9 New wells coming on 1Q24

~42% to ~100% ↑ Net Working Interest⁽³⁾

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

(1) The Company's Board of Directors approved a 20% increase in the fixed dividend policy, intending to pay the increased dividend beginning in the first quarter of 2024.

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

(3) The Company successfully completed an asset exchange in the Sweetie Peck area that resulted in an increased working interest in nine DUC wells.

Sustainable Long-Term Capital Structuring

Drives Low Leverage, Increasing Return to Shareholders, High Quality Inventory

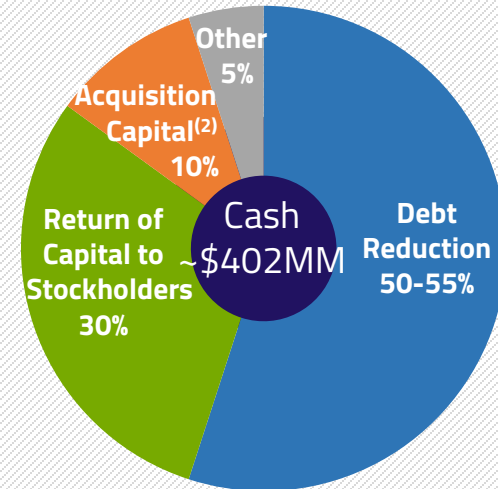
Sources

1/1/2022 to Present:

FCF⁽¹⁾
1/1/22-9/30/23 ~\$1.2 billion
Cash
At 1/1/22 ~\$333 million

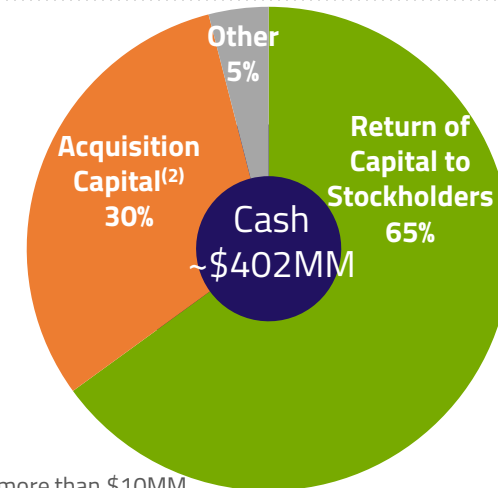


Uses



2023 YTD:

FCF⁽¹⁾
1/1/23-9/30/23 ~\$353 million
Cash
At 1/1/23 ~\$445 million



Note: Percentages shown are rounded.

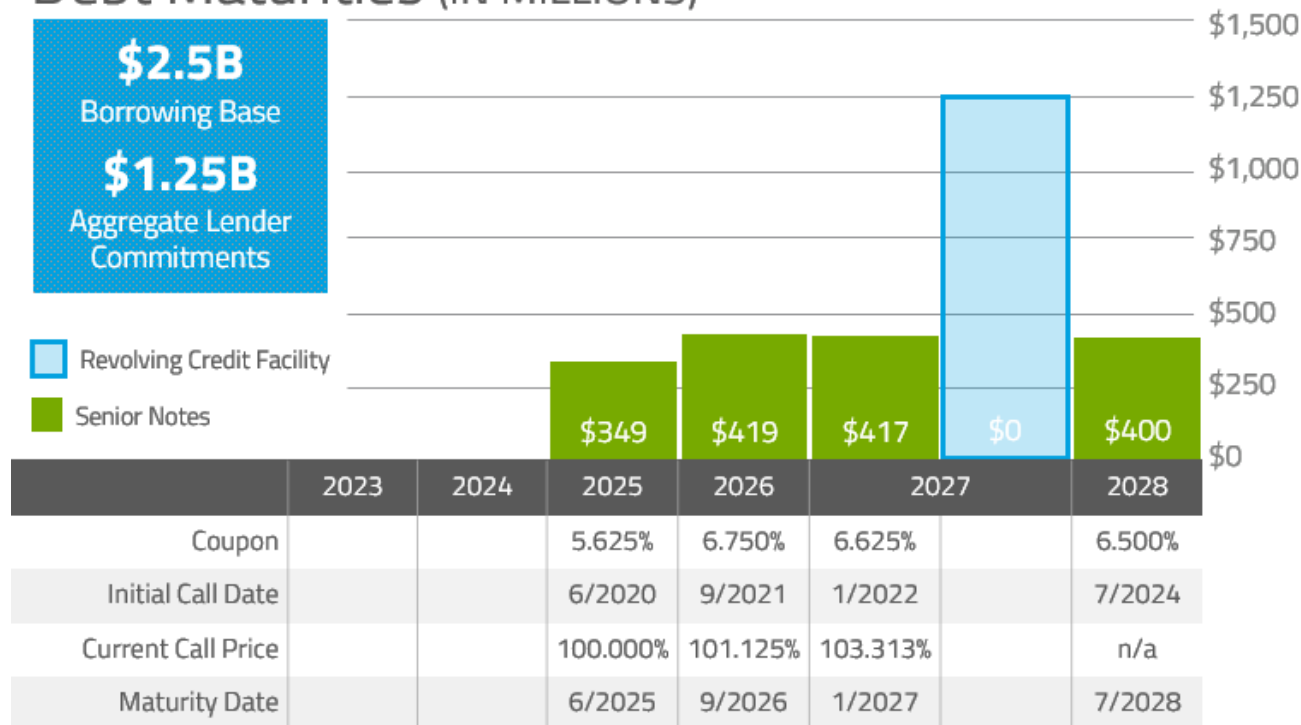
(1) Indicates a non-GAAP measure or metric. Please refer to the "Non-GAAP Reconciliations and Disclosures" section in the Appendix.

(2) Acquisition Capital includes GAAP capital expenditures - acquisitions and leasehold acquisitions capital (included in GAAP capital expenditures) of more than \$10MM.

Empowered by a Strong Balance Sheet

Balance Sheet Flexibility

Debt Maturities (IN MILLIONS)



0.7x NET DEBT-TO-ADJUSTED EBITDAX⁽¹⁾

LIQUIDITY **\$1.65 billion**

CASH BALANCE **\$402 million**

NET DEBT⁽¹⁾ **\$1.2 billion⁽²⁾**

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

Note | Amounts as of September 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.

Third Quarter 2023 Performance

Key Metrics

3Q23

Production and Pricing	
Total Production (MMBoe)	14.1
Total Production (MBoe/d)	153.7
Oil percentage / Liquids	44% / 61%
Pre-Hedge Realized Price (\$/Boe)	\$45.24
Post-Hedge Realized Price ⁽¹⁾ (\$/Boe)	\$45.22
Costs (per Boe)	
LOE	\$5.08
Transportation	\$2.07
Production & Ad Valorem taxes	\$2.63
Total Production Expenses	\$9.78
Cash Production Margin (pre-hedge)⁽¹⁾	\$35.46
G&A (Cash)	\$1.73
G&A (Non-Cash)	\$0.34
DD&A	\$13.39
Earnings	
GAAP Earnings (per diluted share)	\$1.88
Adjusted net income ⁽¹⁾ (per diluted share)	\$1.73
Adjusted EBITDAX ⁽¹⁾ (\$MM)	\$475.6
Adjusted free cash flow (\$MM)	
Net cash provided by operating activities (GAAP)	\$383.0
Net change in working capital	\$52.9
Net cash provided by operating activities before net change in working capital ⁽¹⁾	\$435.9
Capital Expenditures (GAAP)	\$216.7
Changes in capital expenditure accruals and other	\$11.5
Capital expenditures before change in capital expenditure accruals and other ⁽¹⁾	\$228.2
Adjusted free cash flow⁽¹⁾	\$207.7
Return of Capital (\$MM)	
Share repurchase	\$96.3
Dividends paid	\$17.8
Return of Capital (\$MM)	\$114.1

3Q23 Production

153.7 MBoe/d

3Q23 Adjusted EBITDAX⁽¹⁾

\$475.6 million

3Q23 Adjusted Free Cash Flow⁽¹⁾

\$207.7 million

3Q23 Return of Capital

\$114.1 million

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.

2023 Plan Guidance

Optimizing Free Cash Flow Over a Multi-year Plan

Key Metrics

Guidance FY 2023

Capital Expenditures ⁽¹⁾ (\$B)	\$1.1
Total Production (MMBoe)	55.1–55.4
Total Production (MBoe/d)	151–152
Oil percentage	42%–43%
LOE (per Boe)	\$5.20–\$5.25
Transportation (per Boe)	~\$2.50
Production & Ad Valorem taxes ⁽²⁾ (per Boe)	\$2.90–\$3.00
G&A ⁽³⁾ (\$MM)	~\$120
Exploration Expense (\$MM)	~\$60
DD&A (per Boe)	\$12–\$13

- Capital expenditure guidance remains unchanged plus the additional 5 net wells from asset exchange
- Midland completions increased from ~50 to ~55
- Total production guidance narrowed at the high end
- LOE lowered

(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

Q4 and Regional Details

Q4 2023 Guidance

- Production: 13.7-14.0 MMBoe (149-152 MBoe/d), at ~42% oil, ~60% liquids
- Capital expenditures⁽¹⁾: \$290-\$305 million
- LOE: \$5.55-\$5.65 per Boe
- Transportation: ~\$2.25 per Boe
- Activity:
 - Drill: ~30 net wells (~13 South Texas, ~17 Midland Basin)
 - Complete: ~11 net wells in the Midland Basin

2023 Regional Activity

Midland Basin Plan Details

- 2023 Net wells planned: drill ~46; complete ~55
- ~11,560' expected average lateral feet per well, including 15 wells at ≥15,000 ft lateral length⁽²⁾
- ~33% Boe PDP decline expected (YE22-YE23)

South Texas Plan Details

- 2023 Net wells planned: drill ~45; complete ~37
- ~9,260' expected average lateral length per well⁽²⁾
- ~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 completed to date and expected wells to be completed in 4Q23.

Premier Operator of Top-Tier Assets



Premier Operator

SMid Cap Company



Large Cap Technical Team

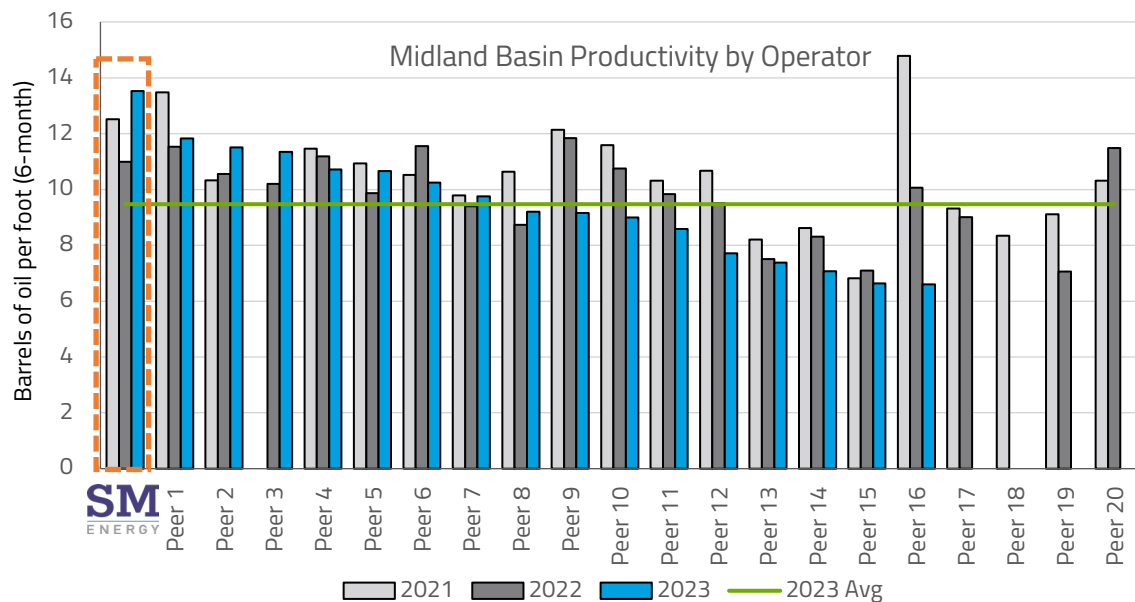
"SM boasts a **SIZEABLE GEOSCIENCE STAFF...** and has had past **SUCCESS IN ORGANICALLY ADDING INVENTORY THROUGH ITS TECHNICAL PROWESS** (pushing the boundaries of the Midland Basin further east in Howard County, successfully developing the S TX Austin Chalk)."⁽¹⁾

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

Consistent Top-Tier Well Performance

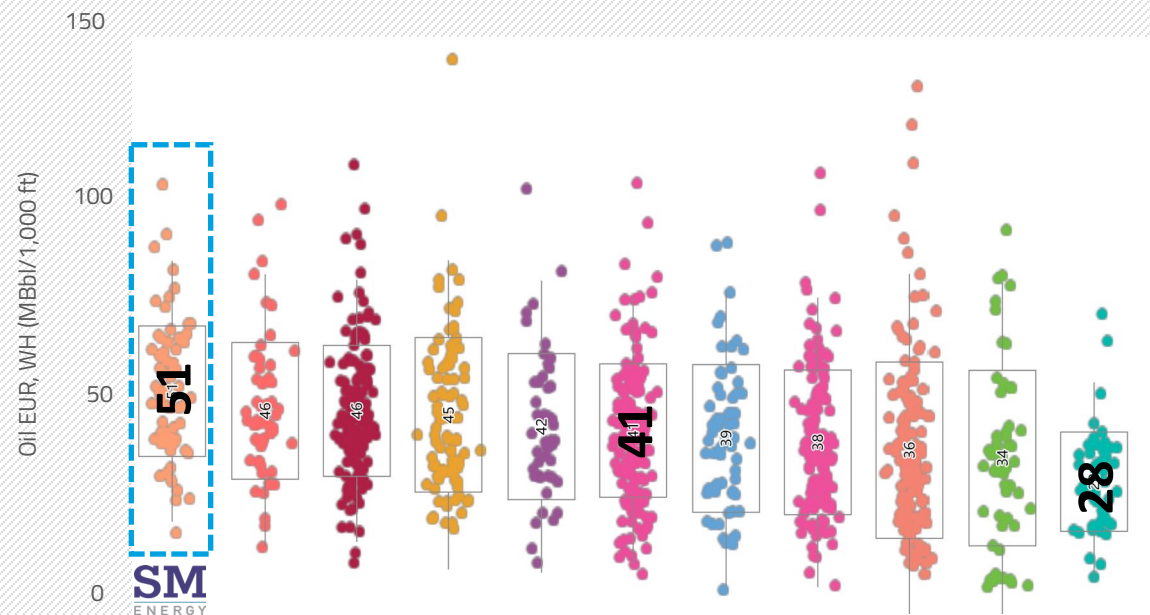
Third Parties Agree!

“SM... remains the most productive Midland operator in 2023... numero uno!”⁽¹⁾



(1) Quote: Gabe Daoud, TD Cowen, 10/2/2023 Chart: Gabe Daoud, Jr., TD Cowen, 10/12/2023 | Industry Update: “What’s Next for SMiD-Caps? More M&A”. Peers include APA, Birch Operations, COP, CPE, Crownquest Operating, CVX, DE IV Operating (Double Eagle), Endeavor Energy, EOG, ESTE, FANG, Henry Resources LLC, Hibernia Resources III, HPK, OVV, OXY, PXD, Vencer Energy LLC, VTLE and XOM.

SM has the HIGHEST OIL EUR of operators with 30 or more wells!

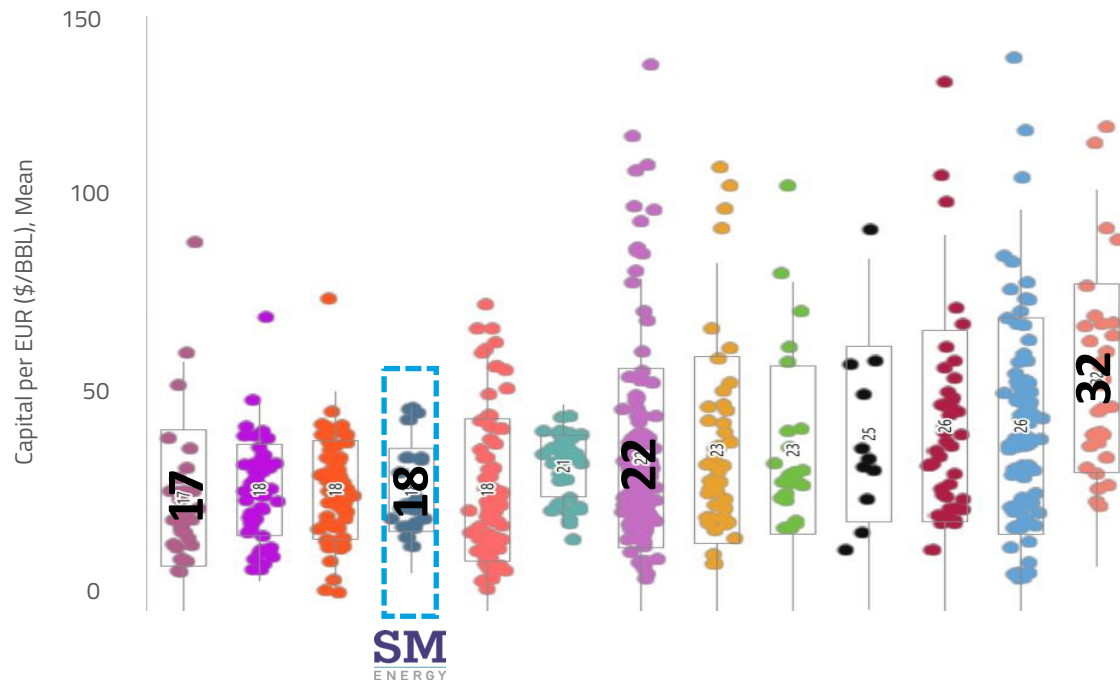


Note: Enverus data as of 10/26/2023 | Howard County wells (excluding the eastern shelf) completed from January 2021 to current with a minimum of 30 wells. Peers include Bayswater E&P, Birch Operations, CPE, Crownquest Operating, FANG, HPK, OVV, OXY, SGY.TO and VTLE.

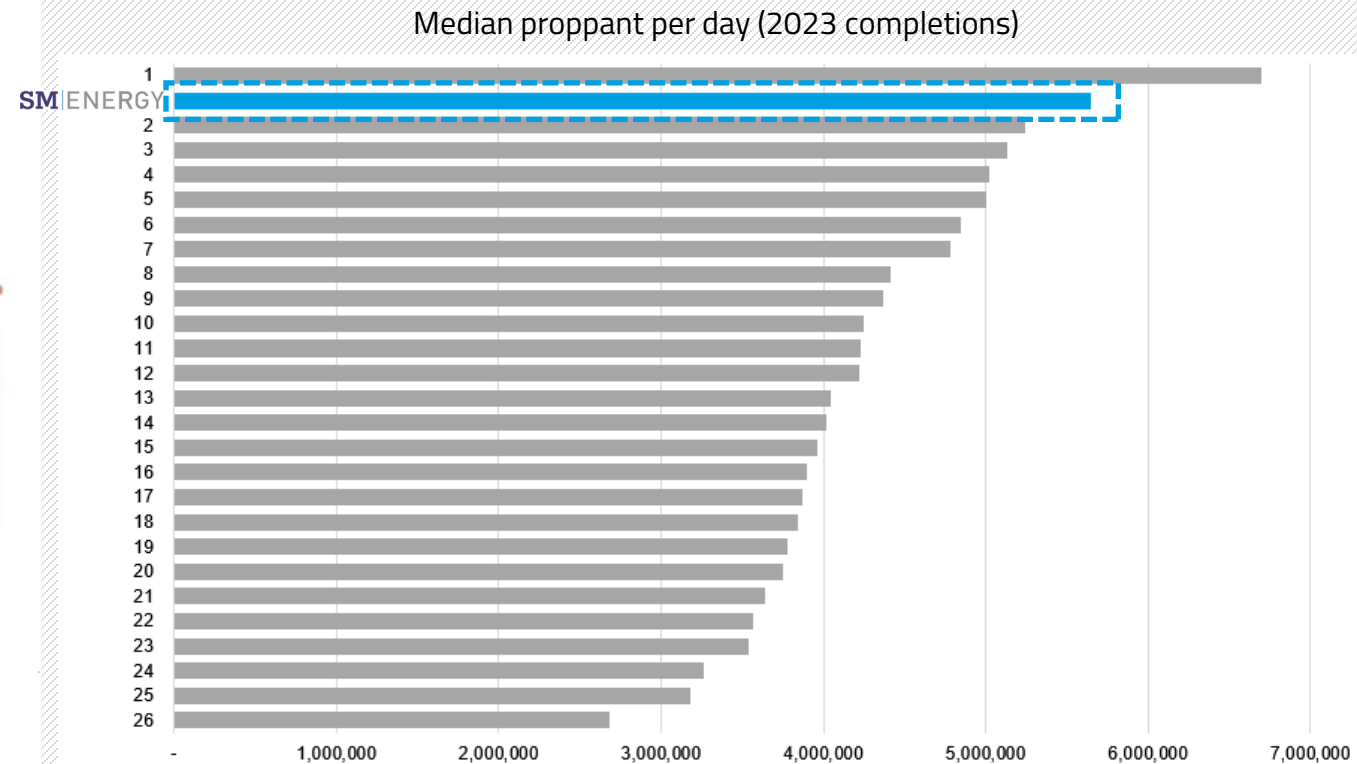
A Leader in Capital Efficiency

Third Parties Agree!

SM a leader among peers in lowest capital per EUR:⁽¹⁾



SM ranks #2 among Permian peers in Proppant Pumped/day⁽²⁾



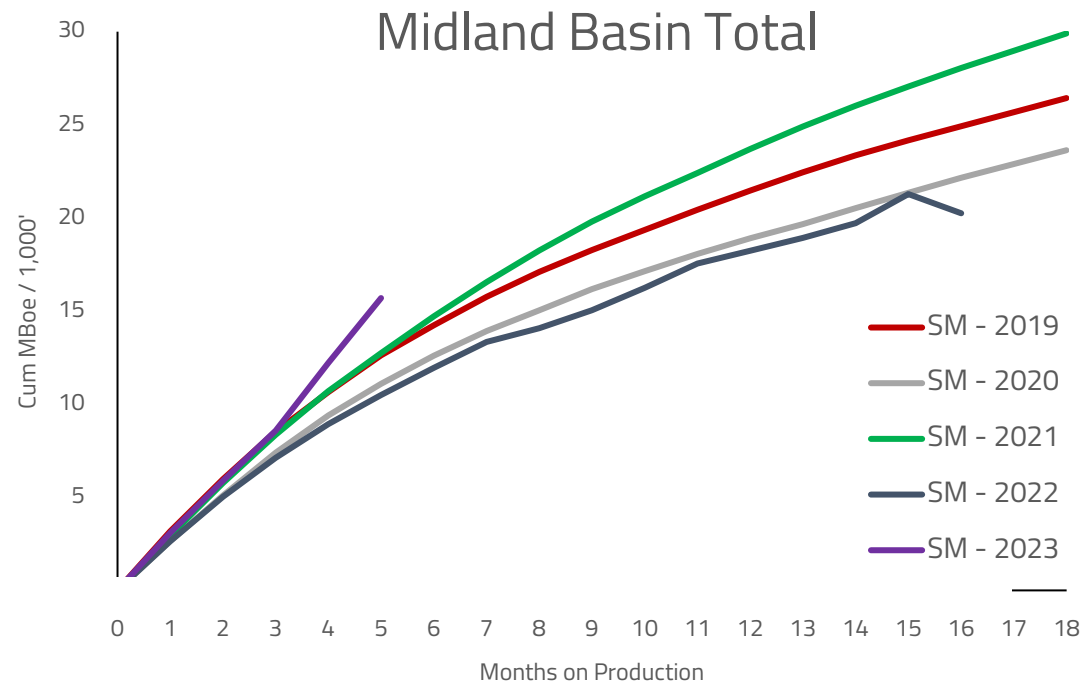
(1) Enverus data as of 10/16/2023 | Peers include Bayswater E&P, Birch Operations, CPE, Crownquest Operating, Endeavor Energy, FANG, HPK, OVV, OXY, SGY.TO, PXD and VTLE.

(2) Rystad data as of 10/31/23 | Peers include APA, Birch Operations, CIVI, CLR, COP, CPE, Crownquest Operating, CTRA, DVN, EOG, ESTE, FANG, HPK, Mewbourne Oil Company, OVV, OXY, Permian Delaware Tight, US, PXD, SGY.TO, TRP Energy, VTLE, and XOM

Premier Operator of Top Tier Assets

Delivering Optimized Performance Year-over-Year

“The Leaders: ...SM has shown solid trends in both South TX and the Midland Basin....”(1)



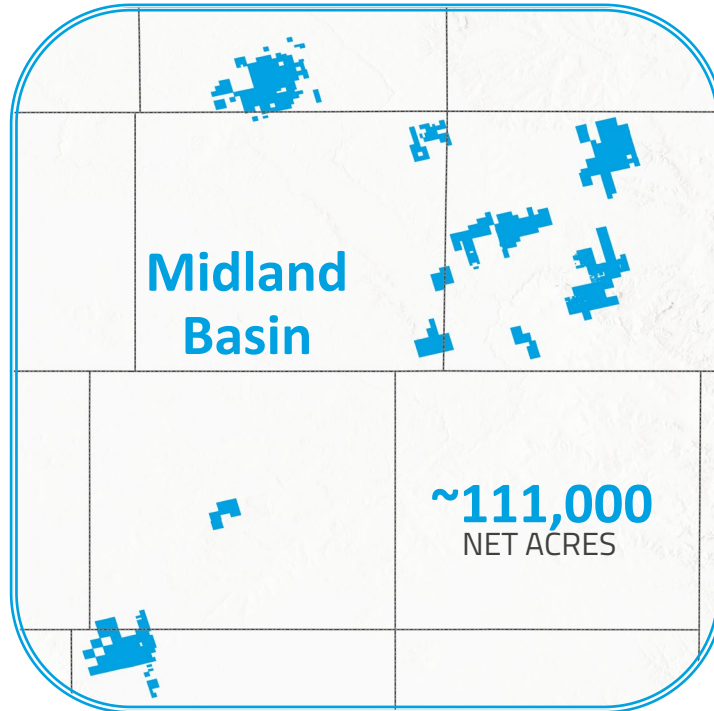
SM development program

- has co-developed multiple zones throughout this time period
- employs customized spacing for each drilling spacing unit and each interval
- is designed to meet return thresholds with every well drilled
- delivering consistent and predictable results

(1) Zach Parham, J.P. Morgan, 10/3/2023 | JPM U.S. Shale Well Productivity Tracker: “Leaders and Laggards Vol. III: Assessing Well Productivity Trends across U.S. Shale”

Top-Tier Assets

Increased Midland Basin Acreage 35% YTD



OPERATING DETAILS⁽¹⁾

4 RIGS RUNNING    

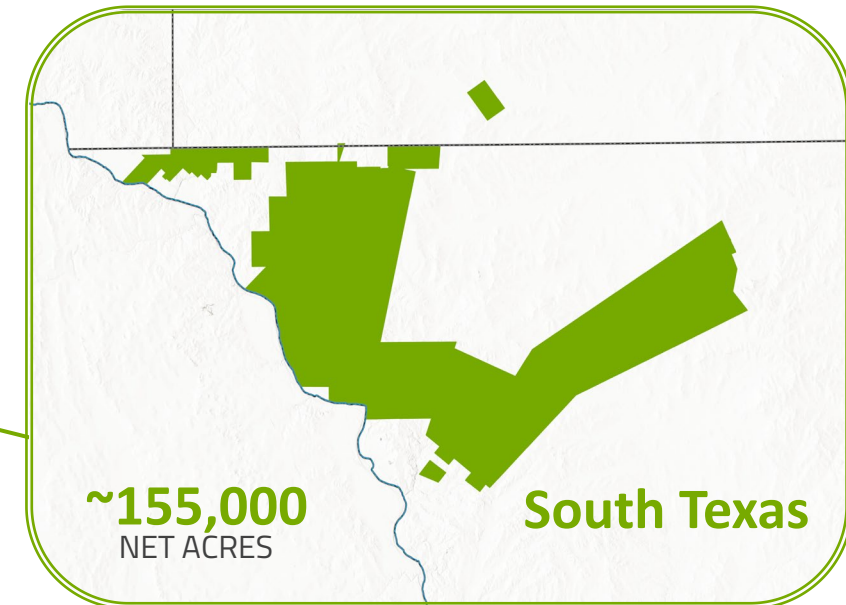
1-2 COMPLETION CREWS  



OPERATING DETAILS⁽¹⁾

2 RIGS RUNNING  

0-1 COMPLETION CREW 

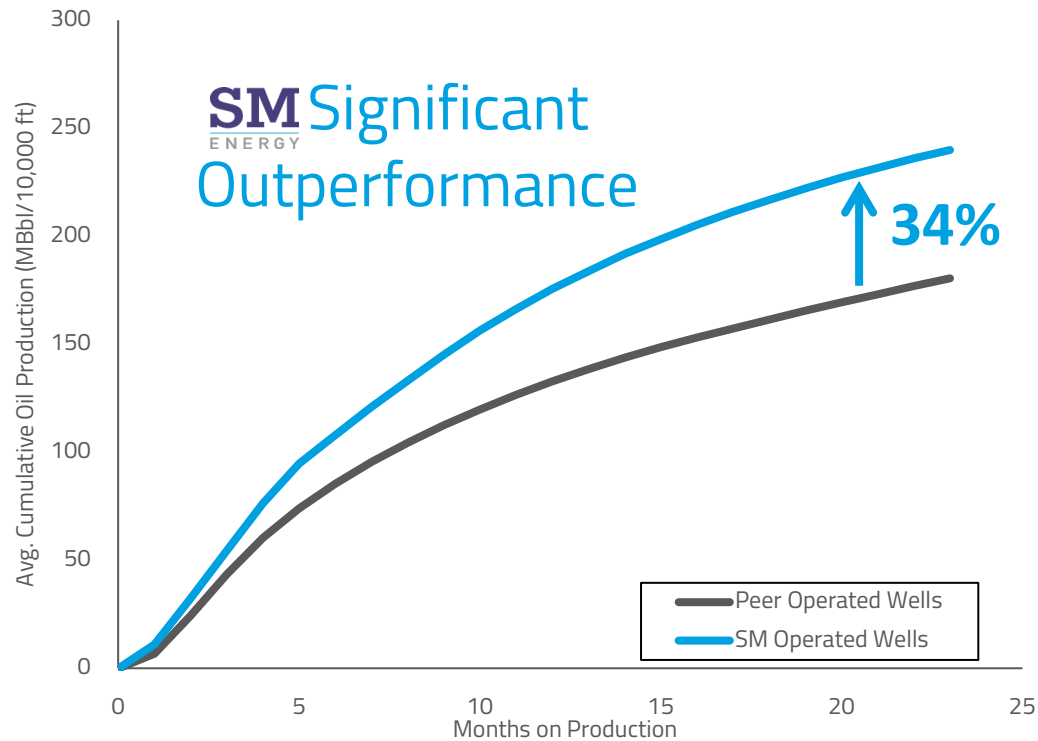


(1) Reflects the average of expected 4Q23 activity.

Midland Basin

Performance Update

SM Wells v. Howard County Peers⁽¹⁾



(1) Enverus data as of October 13, 2023 | Horizontal wells completed in Howard County, January 2021 through July 2023 | Peers include Bayswater, Birch Operations, CPE, CrownQuest Operating, CVX, Endeavor Energy Resources, FANG, HighPeak Energy, HOG, Murchison Oil & Gas, OVV, OXY, Paladin Petroleum, PXD, SGY, SOGC and VTLE.

Organically Building Inventory and Economic Value

North Martin/Dawson 20,000 net acre Acquisition

- Implementing SM Permian Ops model
 - Production optimization
 - Flare assurance
 - Field-wide Leak Detection and Repair (LDAR)
 - Donations to local school and fire department
- First SM Energy wells spud December

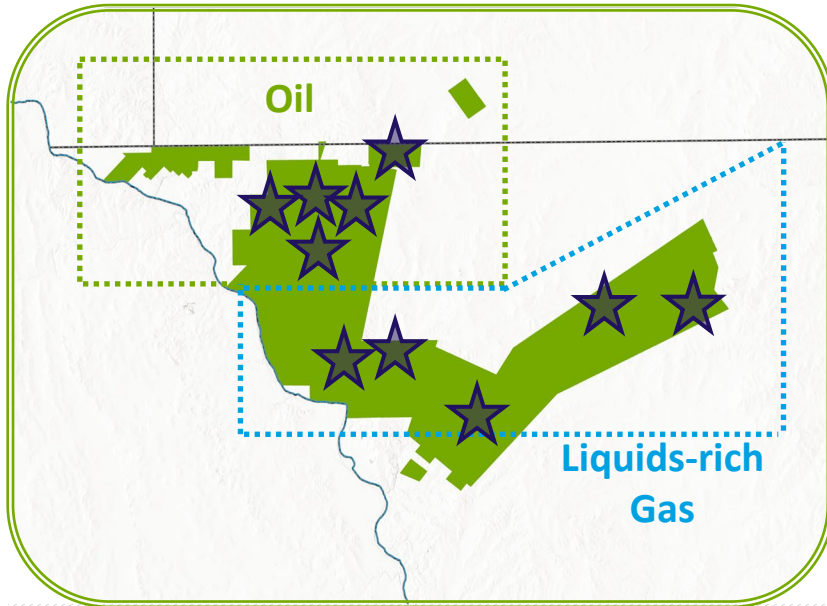
Sweetie Peck Asset Exchange

- ~100% working interest in nine 15k' lateral DUCs
- Sets-up increased oil production cadence 1Q24

South Texas – Austin Chalk

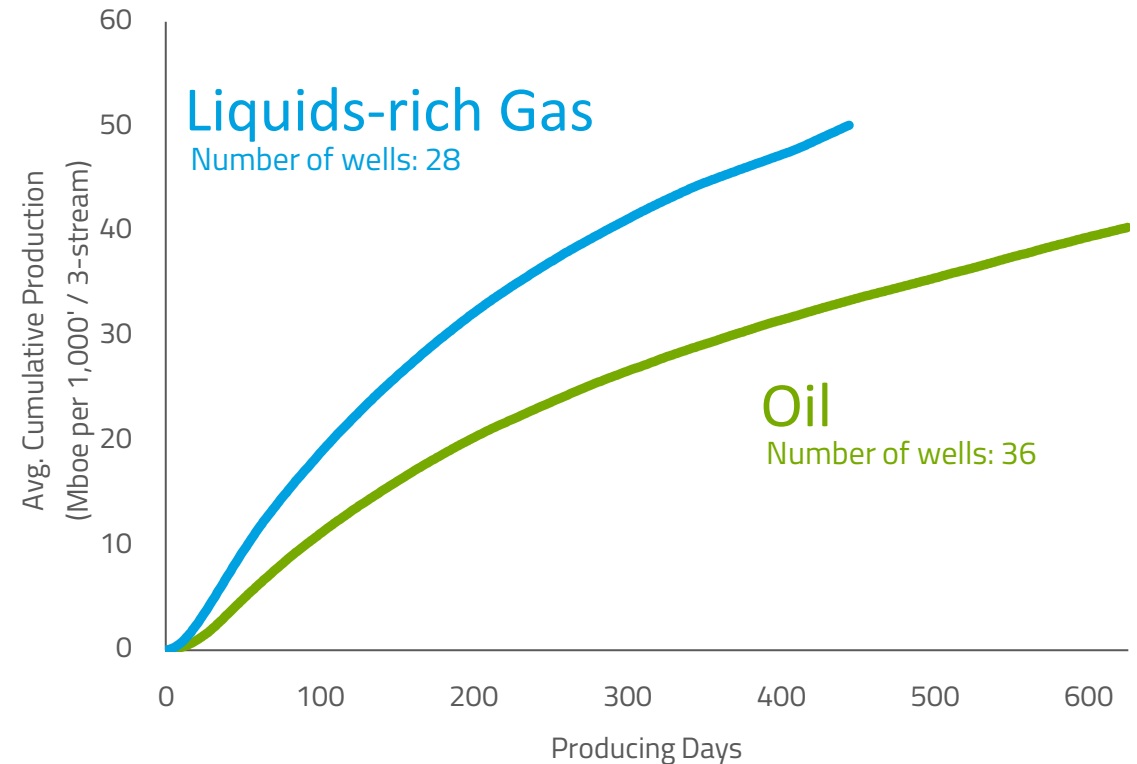
30 Wells YTD Reach Peak IP30 | Demonstrate Continued High Returns Across Acreage

Wells Reached IP30 in 2023



30 Wells
1,909 Avg. Boe/d
43 | 72 Oil | Liquids %

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



Note | SM Energy has completed 98 Austin Chalk wells that have reached IP30 as of October 31, 2023.

(1) All SM Energy operated wells that came online in 2022 and 2023 that have reached peak IP30 rates as of October 23, 2023.

Operations Surveillance Room

Collaboration → Technology → Efficiencies → Stewardship

OSR

Production Operations

Permian Instrumentation
Electrical Automation &
Communications

Advanced Analytics &
Emerging Technologies

IT

Operations Technology

Facilities

Office Management

🔄 24/7/365 Monitoring by Operations Specialists

🔄 Driving operational efficiencies and cost savings

🔄 Improved response time to mitigate emissions and reduce spill volumes

🔄 Better serving the communities in which we live and work:
Identification of local brush fires, theft and spill management



Appendix



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

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.

3Q 2023 Realizations by Region

Two Top-Tier Areas of Operation

	Midland Basin	South Texas	Total
Production Volumes			
Oil (MBbls)	4,549	1,618	6,167
Gas (MMcf)	15,388	17,543	32,931
NGL (MBbls)	7	2,478	2,485
Total (MBoe)	7,120	7,020	14,140
% Oil	64%	23%	44%
Revenue (in thousands)			
Oil	\$369,858	\$129,376	\$499,234
Gas	\$45,215	\$36,592	\$81,807
NGL	\$175	\$58,483	\$58,658
Total	\$415,248	\$224,451	\$639,699
Expenses (in thousands)			
LOE	\$54,607	\$17,282	\$71,889
Ad Valorem	\$5,678	\$4,154	\$9,832
Transportation	\$93	\$29,122	\$29,215
Production Taxes	\$20,653	\$6,675	\$27,328
Per Unit Metrics			
Realized Price Oil Per Bbl	\$81.31	\$79.94	\$80.95
% of Benchmark - WTI	99%	97%	98%
Realized Price Gas per Mcf	\$2.94	\$2.09	\$2.48
% of Benchmark - NYMEX Henry Hub	115%	82%	97%
Realized Price NGL per Bbl	Nm	\$23.60	\$23.61
% of Benchmark - OPIS	Nm	85%	85%
Realized Price per Boe	\$58.32	\$31.97	\$45.24
LOE per Boe	\$7.67	\$2.46	\$5.08
Ad Valorem per Boe	\$0.80	\$0.59	\$0.70
Transportation per Boe	\$0.01	\$4.15	\$2.07
Production Tax per Boe	\$2.90	\$0.95	\$1.93
Production Tax as % of Pre-hedge Revenue	5%	3%	4%
Cash Production Margin per Boe ⁽¹⁾	\$46.94	\$23.82	\$35.46

Benchmark Pricing	
NYMEX WTI Oil (\$/Bbl)	\$ 82.26
NYMEX Henry Hub Gas (\$/MMBtu)	\$ 2.55
OPIS Composite NGL (\$/Bbl)	\$ 27.81

(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 ⁽¹⁾				DUC Count	
	3Q23		2023 YTD		3Q23		2023 YTD		As of September 30, 2023	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Midland Basin										
RockStar ⁽¹⁾	12	8	19	12	20	17	35	30	13	9
Sweetie Peck	7	3	22	12	-	-	20	14	22	11
Asset Exchange ⁽²⁾	-	-	-	5	-	-	-	-	-	5
Midland Basin total	19	11	41	29	20	17	55	44	35	25
South Texas⁽³⁾										
Austin Chalk	12	12	29	29	12	12	30	30	14	14
Eagle Ford	1	1	3	3	1	1	8	7	9	9
South Texas total	13	13	32	32	13	13	38	37	23	23
Total	32	24	73	61	33	30	93	81	58	48

Note | Amounts may not calculate due to rounding.

(1) 2023 YTD wells drilled and completed counts include 3 gross (1 net) non-op wells drilled in 1Q23 and completed in 2Q23, in the RockStar area of the Midland Basin.

(2) Amount relates to additional working interests acquired during the three months ended September 30, 2023, on wells drilled during the first half of 2023, that were not completed as of September 30, 2023.

(3) 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⁽²⁾ 83,800

Sweetie Peck⁽³⁾ 18,000

New Acreage 9,100

Midland Basin total 110,900

South Texas 154,800

Rocky Mountain Other 10,300

Other Areas / Exploration 25,800

Total 301,800

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 September 30, 2023.

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

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

NGL Realizations

2023 Plan Assumes Ethane Processing All Year

Realizations by Quarter

	3Q 2023	2Q 2023	1Q 2023	4Q 2022	3Q 2022
OPIS ⁽¹⁾ Benchmark Price (\$/Bbl)	\$27.81	\$25.21	\$30.95	\$33.03	\$42.47
SM Energy NGL Realization (\$/Bbl)	\$23.61	\$20.83	\$26.24	\$26.10	\$36.36
% Differential to OPIS Benchmark ⁽¹⁾	85%	83%	85%	79%	86%

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

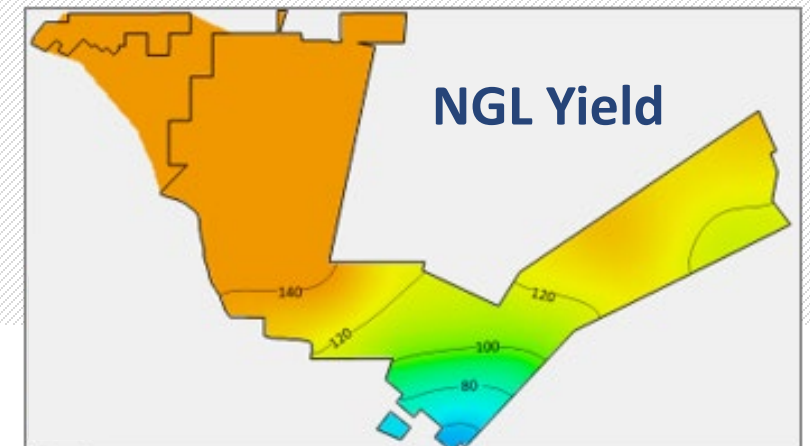
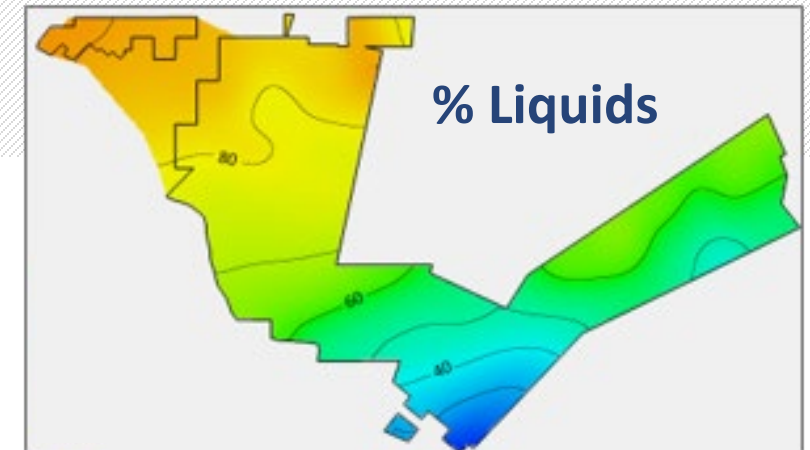
(1) Prior to 2023, the benchmark used was the Hart Energy NGL composite. Effective 2023, the benchmark is the OPIS NGL composite (both Mont Belvieu Purity Ethane and Non-TET).

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 98 Austin Chalk wells that have reached IP30 as of October 31, 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



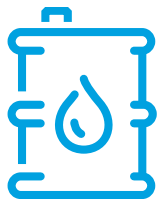
Hedging Summary

Hedging Volumes Lower – Aligned with Lower Leverage



~25%

of total expected Q4 2023
production hedged⁽¹⁾



~25-30%

Expected % of production
hedged entering 2024

2023 Hedge Program

OIL

- ~1,800 MBbls⁽²⁾, or ~30% of expected Q4 2023 oil production⁽³⁾, is hedged to contract prices in the Midland Basin at a weighted-average price of \$76.69/Bbl (weighted-average of swaps)
- ~1,300 MBbls of expected Q4 2023 Midland Basin oil production is hedged to the local price point at a positive \$0.88/Bbl basis

NATURAL GAS

- ~9,800 BBtu⁽⁴⁾, or ~30% of expected Q4 2023 natural gas production⁽³⁾, is hedged at a weighted-average price of \$3.95/MMBtu (weighted-average of collar floors)
- ~1,500 BBtu is hedged to HSC at a weighted-average price of \$4.25/MMBtu (weighted-average of collar floors), and ~2,000 BBtu of HSC basis is hedged with a weighted-average price of \$(0.25)/MMBtu
- ~2,300 Bbtu of Waha basis is hedged with a weighted-average price of \$(1.01)/MMBtu

Note | Includes derivative contracts for settlement at any time during the fourth quarter of 2023, entered into through October 26, 2023.

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

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

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

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

Oil, Gas, and NGL Derivative Positions⁽¹⁾

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 ⁽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⁾
Q4 2023	837	\$65.91	-	-	-	1,294	\$0.88	296	\$1.53	2,026	\$0.90	920	\$86.50	\$76.69	\$76.69
Q1 2024	-	-	795	\$82.37	\$68.21	1,199	\$1.21	256	\$1.83	1,415	\$0.57	910	\$85.50	\$84.04	\$77.44
Q2 2024	-	-	1,544	\$86.71	\$68.92	1,193	\$1.21	293	\$1.82	1,792	\$0.57	-	-	\$86.71	\$68.92
Q3 2024	-	-	1,336	\$85.28	\$71.15	1,235	\$1.21	332	\$1.82	1,964	\$0.57	-	-	\$85.28	\$71.15
Q4 2024	-	-	318	\$78.20	\$75.00	1,230	\$1.21	309	\$1.82	1,877	\$0.57	-	-	\$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 ⁽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⁾	Period	Volume (MBbls)	\$/Bbl ⁽²⁾
	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	2,792	\$3.11	5,285	\$(1.09)	3,310	\$(0.34)	4,432	\$4.00	\$3.69	-	-	-	\$3.65		\$3.47			
	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)	-	-	2,753	\$6.41	\$3.50	-	-	-	\$5.74		\$3.80			
	Q2 2025	1,466	\$3.96	5,236	\$(0.78)	-	-	2,917	\$3.82	\$3.50	-	-	-	\$3.86		\$3.65			
	Q3 2025	1,468	\$4.10	5,117	\$(0.72)	-	-	2,921	\$4.33	\$3.50	-	-	-	\$4.25		\$3.70			
Q4 2025	1,575	\$4.33	5,046	\$(0.66)	-	-	3,132	\$5.63	\$3.50	-	-	-	\$5.19	\$3.78					

(1) Includes derivative contracts for settlement at any time during the fourth quarter of 2023 and later periods, entered into through October 26, 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.

Third 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 change in 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⁽¹⁾

(in thousands)

	Three Months Ended September 30, 2023	Trailing Twelve Months Ended September 30, 2023
Net income (GAAP)	\$ 222,343	\$ 829,232
Interest expense	23,106	90,351
Interest income	(4,106)	(17,496)
Income tax expense (benefit)	(45,979)	116,486
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	189,353	644,985
Exploration ⁽²⁾	9,071	50,438
Stock-based compensation expense	6,038	19,433
Net derivative loss	75,355	1,184
Derivative settlement loss	(314)	(95,222)
Other, net	698	1,642
Adjusted EBITDAX (non-GAAP)	\$ 475,565	\$ 1,641,033
Interest expense	(23,106)	(90,351)
Interest income	4,106	17,496
Income tax (expense) benefit	45,979	(116,486)
Exploration ⁽²⁾⁽³⁾	(8,912)	(40,417)
Amortization of debt discount and deferred financing costs	1,371	5,485
Deferred income taxes	(51,075)	109,232
Other, net	(8,041)	(23,576)
Net change in working capital	(52,893)	(116,162)
Net cash provided by operating activities (GAAP)	\$ 382,994	\$ 1,386,254

Adjusted Net Income⁽¹⁾

(in thousands)

	Three Months Ended September 30, 2023
Net income (GAAP)	\$ 222,343
Net derivative loss	75,355
Derivative settlement loss	(314)
Other, net	698
Tax effect of adjustments ⁽⁴⁾	(16,435)
Net R&D tax credit carryover ⁽⁵⁾	(76,686)
Adjusted net income (non-GAAP)	\$ 204,961
Diluted net income per common share (GAAP)	\$ 1.88
Net derivative loss	0.64
Derivative settlement loss	—
Other, net	—
Tax effect of adjustments ⁽⁴⁾	(0.14)
Net R&D tax credit carryover ⁽⁵⁾	(0.65)
Adjusted net income per diluted common share (non-GAAP)	\$ 1.73
Basic weighted-average common shares outstanding	117,823
Diluted weighted-average common shares outstanding	118,328

(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 the exploration expense and general and administrative expense line items 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) For the three and trailing twelve months ended September 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 September 30, 2023, amounts also exclude 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 September 30, 2023. This rate approximates the Company's statutory tax rate adjusted for ordinary permanent differences.

(5) Adjusted net income removes the benefit of the research and development tax credit carryover related to tax years prior to 2023.

Non-GAAP Reconciliations

Adjusted Free Cash Flow⁽¹⁾

(in thousands)

Three Months Ended
September 30, 2023

Net cash provided by operating activities (GAAP)	\$ 382,994
Net change in working capital	52,893
Cash flow from operations before net change in working capital (non-GAAP)	\$ 435,887
Capital expenditures⁽²⁾ (GAAP)	\$ 216,710
Changes in capital expenditure accruals and other	11,463
Capital expenditures before changes in accruals and other (non-GAAP)	\$ 228,173
Adjusted free cash flow (non-GAAP)	\$ 207,714

Net Debt⁽¹⁾

(in thousands)

As of September 30,
2023

Principal amount of Senior Notes ⁽³⁾	\$ 1,585,144
Revolving credit facility ⁽³⁾	—
Total principal amount of debt (GAAP)	\$ 1,585,144
Less: Cash and cash equivalents	401,980
Net Debt (non-GAAP)	\$ 1,183,164

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

(2) Capital expenditures includes leasehold acquisitions capital of more than \$10MM.

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

Contact Information

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