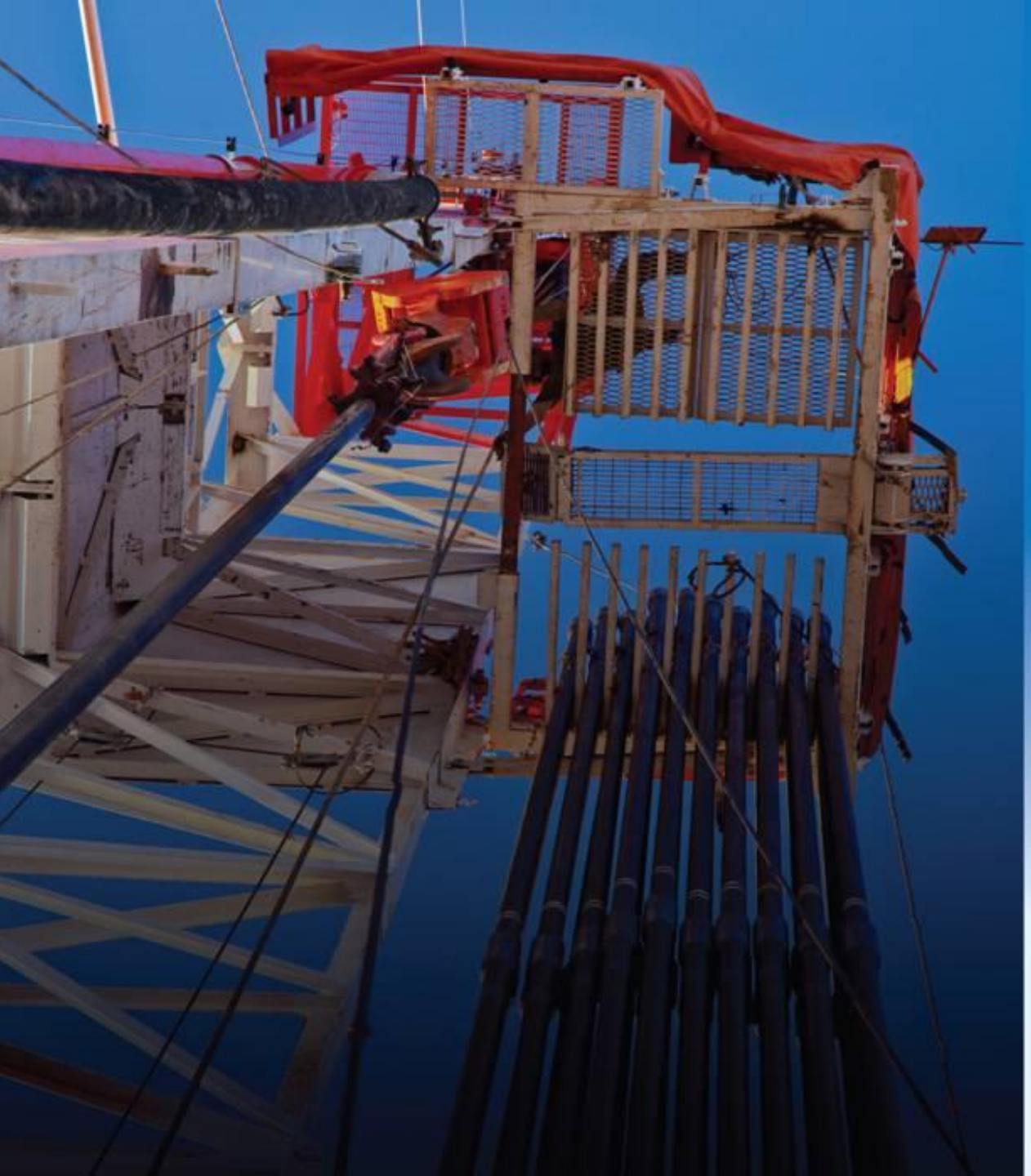


3rd Quarter 2010 Earnings Call & Operational Update

November 3, 2010

SM ENERGY

Cautionary Language

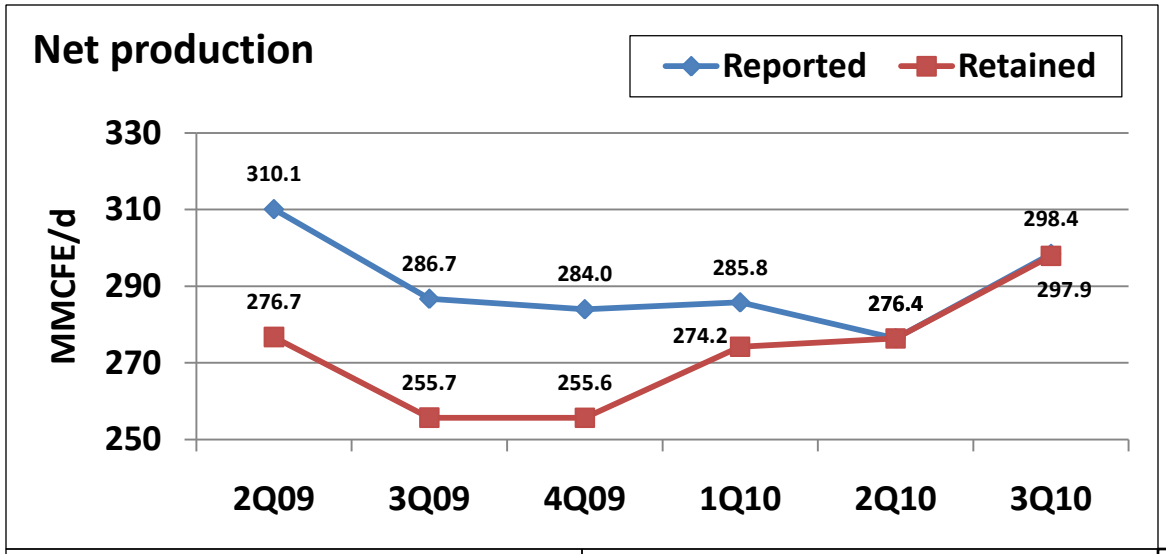
Except for historical information contained herein, statements in this presentation, including information regarding the business of the Company, may be "forward looking statements" within the meaning of the federal securities laws. Forward looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from results expressed or implied by the forward looking statements. These risks are described in the "Risk Factors" section of the Company's 2009 Annual Report on Form 10-K and subsequent quarterly reports file on Form 10-Q. Such factors include the volatility and level of oil and natural gas prices, a contraction in demand for oil and natural gas as a result of adverse general economic conditions, the availability of economically attractive exploration and development and property acquisition opportunities and any necessary financing, the uncertain nature of the expected benefits from acquisitions and divestitures of oil and natural gas properties, the pending nature of reported divestiture plans for certain non-core oil and gas properties as well as the ability to complete divestiture transactions and the uncertain nature of the amount of proceeds that may be received for divestitures, lower prices realized on oil and gas sales resulting from our commodity price risk management activities, unsuccessful exploration and development drilling, the imprecise nature of estimating oil and gas reserves, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, drilling and operating service availability, uncertainties in cash flow, the financial strength of hedge contract counterparties, the ability of banks in our lending facility to fund requested borrowings, the ability of purchasers of production to pay for amounts purchased, the negative impact that lower oil and natural gas prices could have on the value of our properties and our ability to borrow, litigation, environmental matters, and the potential impact of government regulations.

Proved reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. In this presentation, the Company uses the terms "probable," "possible," "3P," and "resources." Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations (subject to other conditions). Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. SM Energy also uses the term "EUR" (estimated ultimate recovery), which is the sum of reserves remaining as of a given date and cumulative production as of that date. Estimates of probable and possible reserves included in 3P reserves and resources which may potentially be recoverable through additional drilling or recovery techniques are by their nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by the Company.

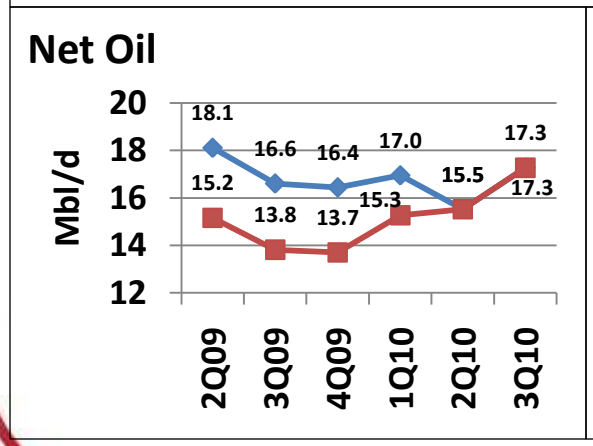
Key Messages

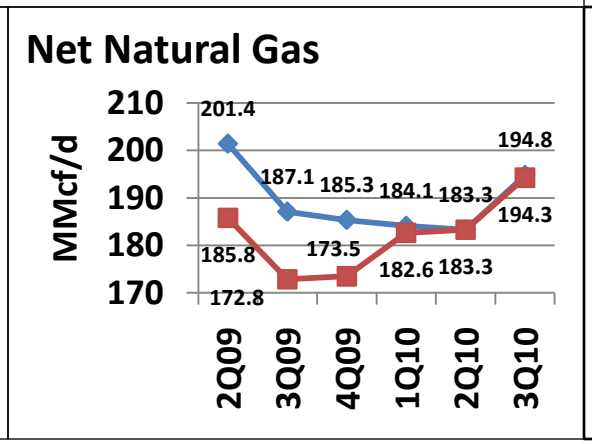
- **Performance for 2010 continues to be strong**
  - ✓ Solid operational and financial results in 3Q10
  - ✓ Top end of production guidance for the quarter
  - ✓ Came in at or below guidance for costs we provide guidance on
- **Production ramp being led by liquids programs**
  - ✓ Eagle Ford and Bakken/Three Forks programs are leading the charge and will continue to in 2011

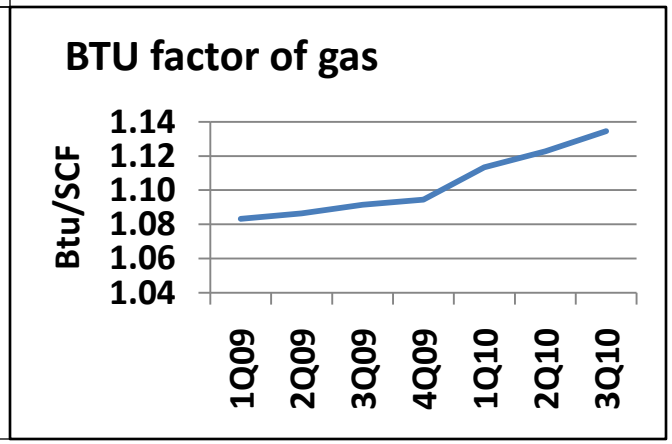
SM Energy Production Summary



- The production ramp at SM Energy is real
  - ✓ Increase of 8% for daily equivalent volumes quarter over quarter
- Liquids are driving growth
  - ✓ Daily oil volumes increased 12% sequentially
  - ✓ Gas ramp being driven by rich gas







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FINANCIAL UPDATE

Results for the Third Quarter of 2010

Strong performance versus guidance

	Actual Results		Guidance
Average daily production (MMCFE/d)	298.4		277 – 299
Total production (BCFE)	27.5		25.5 – 27.5
LOE ($/MCFE)	$1.06		$1.20 – $1.25
Transportation ($/MCFE)	$0.18		$0.21 – $0.23
Production taxes (% of pre-hedge revenue)	5.4%		7%
G&A – Cash ($/MCFE)	$0.61		$0.65 – $0.67
G&A – Cash NPP ($/MCFE)	$0.14		$0.19 – $0.21
G&A – Non-cash ($/MCFE)	$0.21		$0.20 – $0.22
TOTAL G&A ($/MCFE)	$0.96		$1.04 – $1.10
DD&A ($/MCFE)	$3.05		$2.90 – $3.10

Net Income

- ✓ Reported GAAP net income of $15.5 million, or $0.24 per diluted share
- ✓ Adjusted net income (non-GAAP) of $20.0 million, or $0.31 per diluted share

Cash Flow

- ✓ GAAP cash flow from operating activities of $148.2 million
- ✓ Operating cash flow (non-GAAP) of $130.1 million, or $2.01 per diluted share

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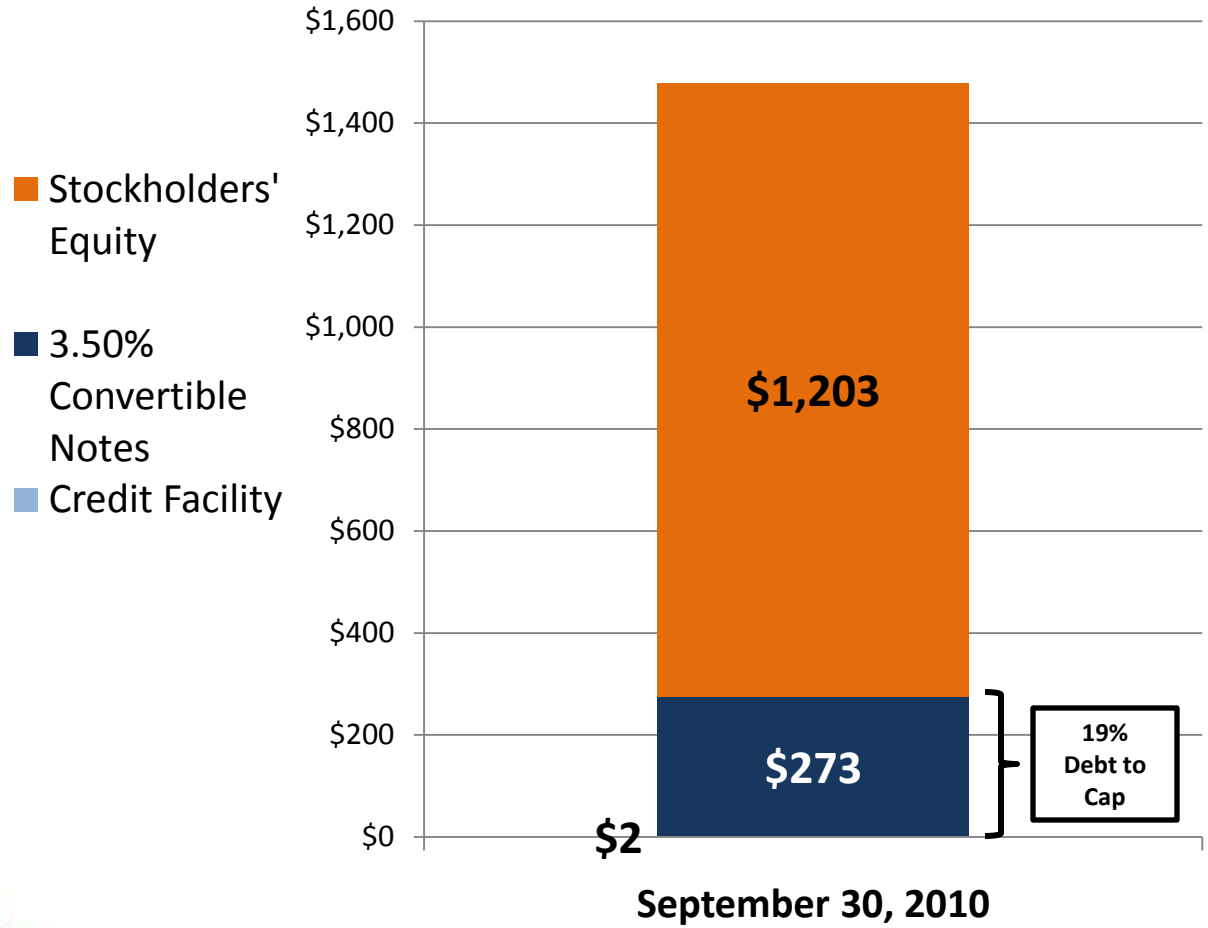
Financial Position

3Q10 TOTAL BOOK CAPITALIZATION (in millions)



- Balance sheet is in solid shape
- No debt maturities until 2012
- Ample liquidity at our disposal for drilling, leasing, or acquisitions

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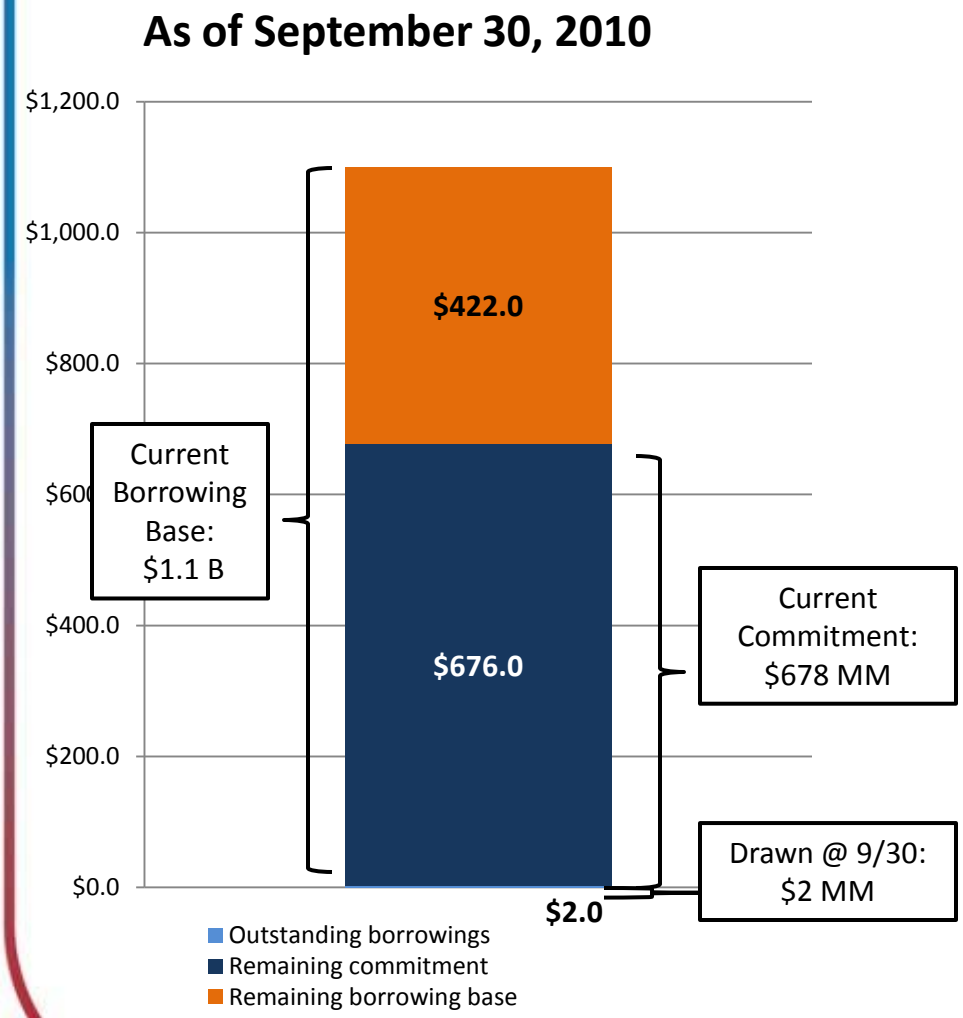
Long-term Credit Facility



- Borrowing base stands at $1.1 billion, up from $900 MM
- $2.0 MM drawn at end of 3Q10
- Within financial covenants at quarter-end
  - — Debt/EBITDA < 3.5x to 1.0; SM is 0.61x at quarter-end
  - — Adjusted Current Ratio > 1.0x; SM is 2.58x at quarter-end

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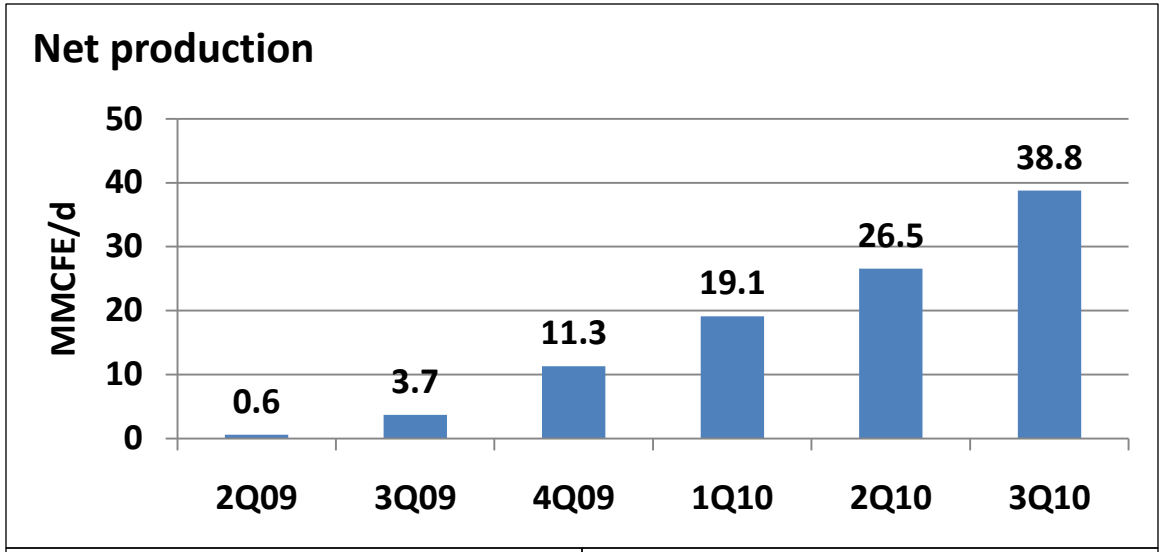
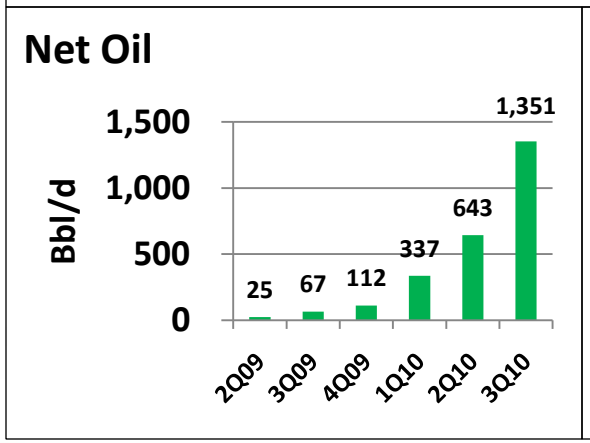
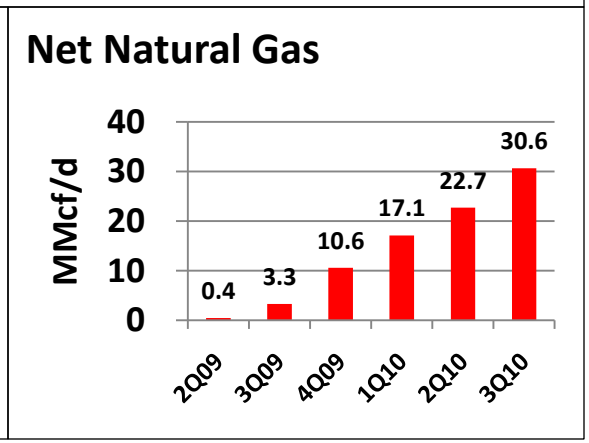
OPERATIONS UPDATE

Operated Eagle Ford Production







- Average equivalent daily production volumes grew 46% sequentially
  - ✓ Avg. daily oil up over 100%
  - ✓ Avg. daily gas up 35%
- Operated gas production has robust NGL contribution
  - ✓ Average Btu content of gas over entire operated position is slightly over 1,250 Btu/SCF

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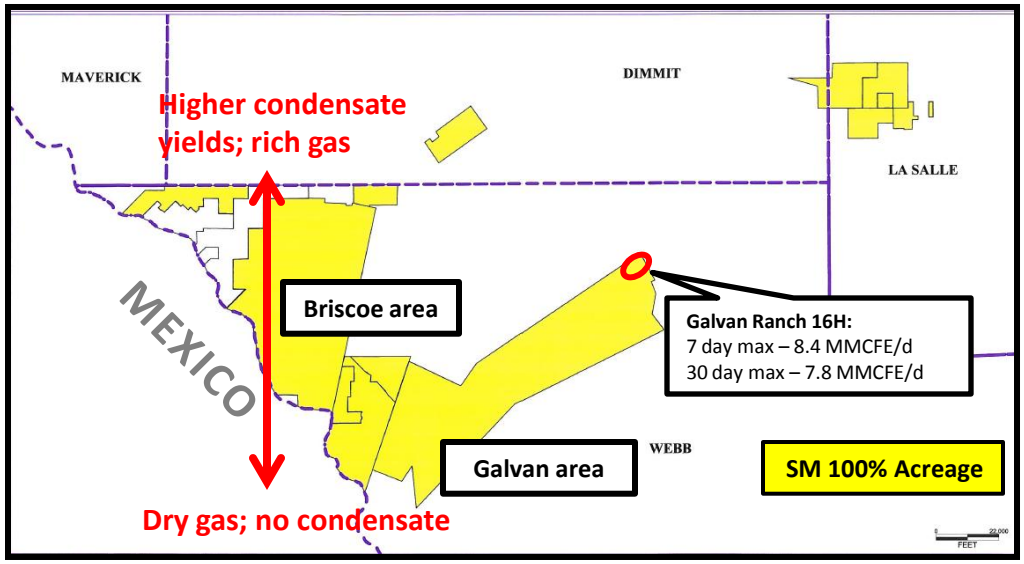
Operated Eagle Ford Shale Highlights



SM operated acreage
- ~165,000 net acres
- Largely 100% working interest
- Gross operated production currently at 59 MMcf/d and 2,000 Bbl/d
- Two (2) operated drilling rigs running in play currently
- Total of 40 gross wells planned for 2010

OPERATING HIGHLIGHTS

- Two (2) operated rigs ran during third quarter
- Nine (9) wells were turned to sales in 3Q10
  - ✓ Successful results from two (2) well simul-frac in Galvan Ranch
  - ✓ One (1) other well completed at unrestricted rate:

    Galvan Ranch 16H:
    - 7 day max sales – 8.4 MMCFE/d
    - 30 day max sales – 7.8 MMCFE/d
    - 1,250 Btu/SCF gas & 55 BPM condensate yield
  - ✓ Due to infrastructure constraints, rates were restricted on six (6) wells
- Nine (9) wells commenced drilling during 3Q10

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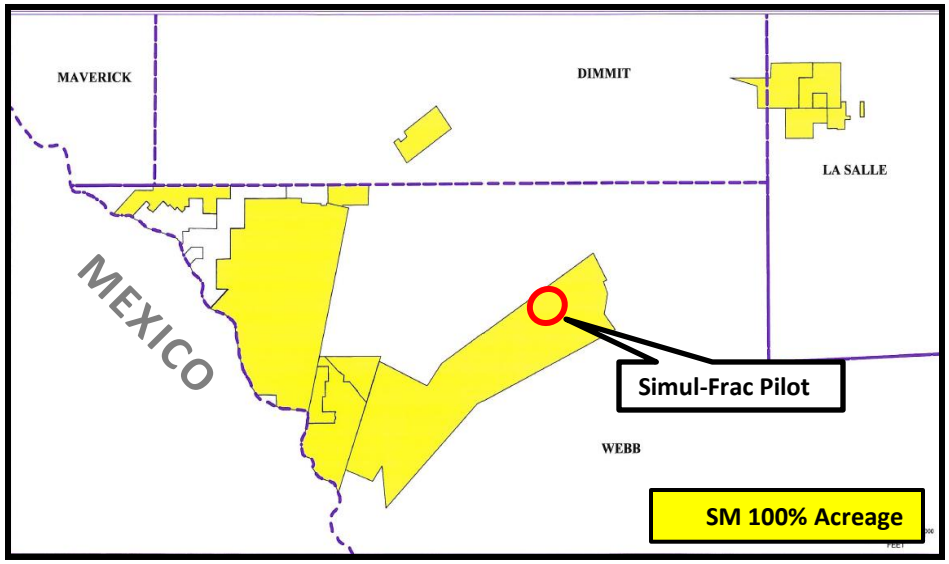
Galvan Ranch Simul-Frac Pilot



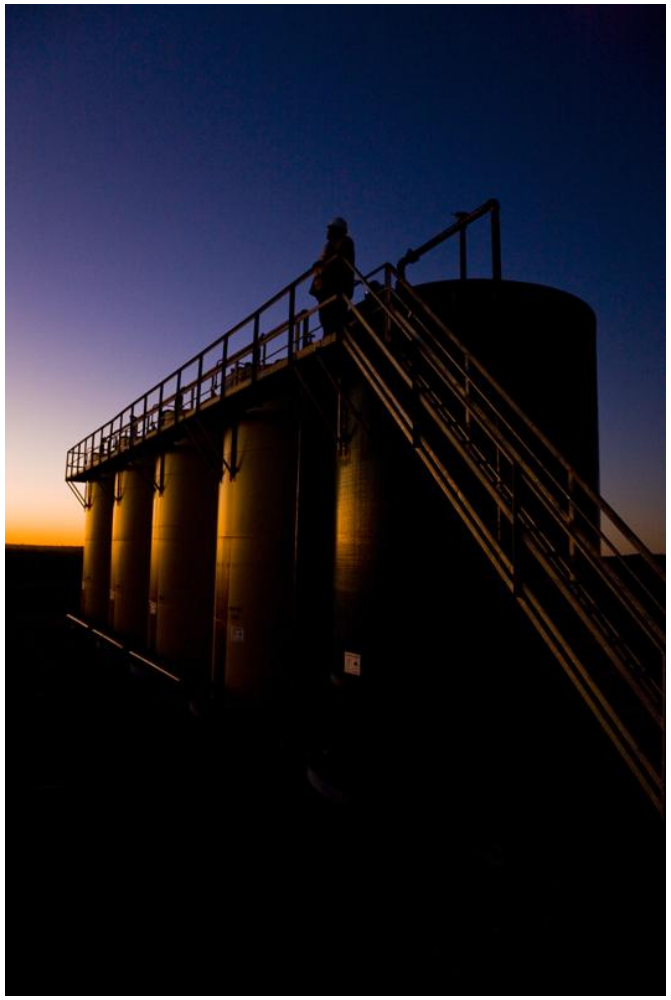
Simul-Frac Pilot

- Two (2) wells drilled on 120 acre spacing; test to advance knowledge of ultimate spacing for development
- Wells used 17 stage completions over approximately 5,600 ft laterals
- Results as follows:

Galvan Ranch 10H:
- 7 day max sales – 8.0 MMCFE/d
- 30 day max sales – 7.3 MMCFE/d
- 1,250 Btu/SCF gas & 25 BPM condensate yield

Galvan Ranch 14H:
- 7 day max sales – 7.0 MMCFE/d
- 30 day max sales – 5.9 MMCFE/d
- 1,250 Btu/SCF gas & 10 BPM condensate yield

Preparing for Acceleration in Eagle Ford



Rigs

✓ SM has extended contracts on two (2) rigs currently working for company

✓ Two (2) additional new builds have been committed by SM which will be on 3-year contracts when they arrive in 2011

✓ Drilling ramp up coincides with infrastructure build out

Completion Services

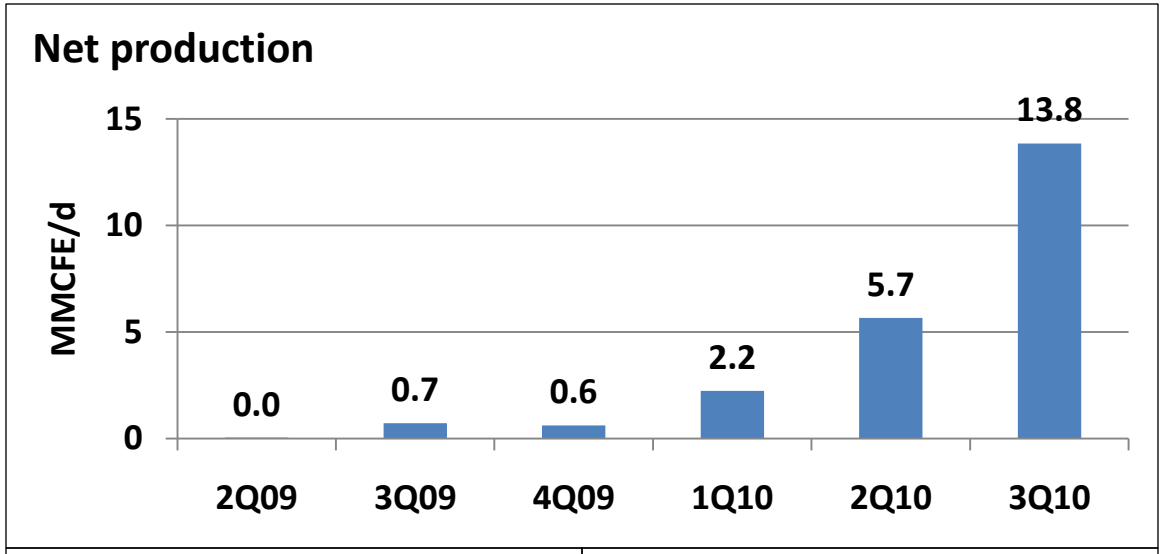
✓ SM recently entered into an agreement for a portion of the completion services needed to support drilling activity in 2011; negotiations ongoing with other providers

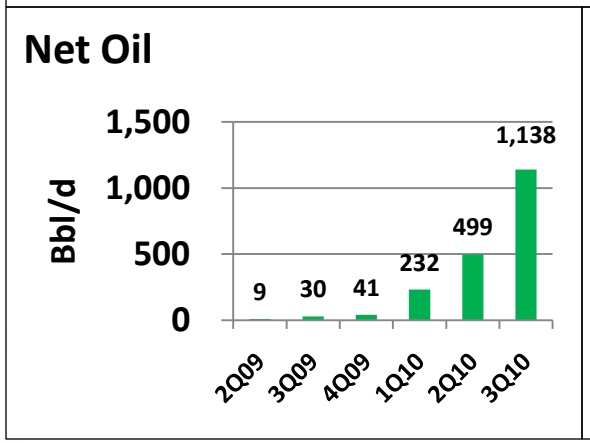
Marketing

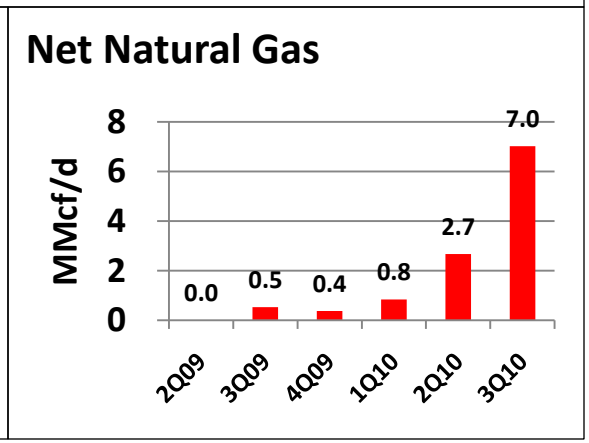
✓ Early this year, SM announced agreement with Eagle Ford Gathering, LLC (KM/CPNO JV) that provides up to 200 MMcf/d of transportation

✓ Advanced negotiations underway for additional transportation

Non-Operated Eagle Ford Production







- Average equivalent daily production volumes grew 142% sequentially
  - ✓ Avg. daily oil up 128%
  - ✓ Avg. daily gas up 159%

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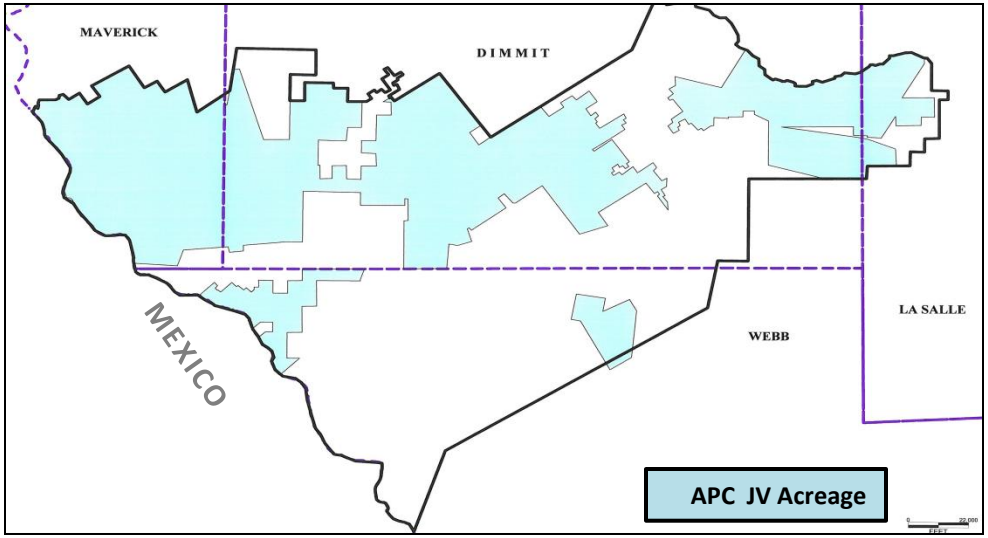
Non-operated Eagle Ford Shale Update



APC operated acreage

- ~84,500 net acres; roughly 25% WI
- Six (6) rigs currently running; current backlog of uncompleted wells to be reduced by year-end as new completion equipment becomes available to partner
- SM plans on participating in the mid-stream and down-stream arrangements

UPDATE

- Six (6) rigs ran during third quarter; 29 wells were spud during 3Q10
- Mid-stream marketing arrangement announced with Enterprise
- APC has announced that it is exploring a joint venture on the shared acreage

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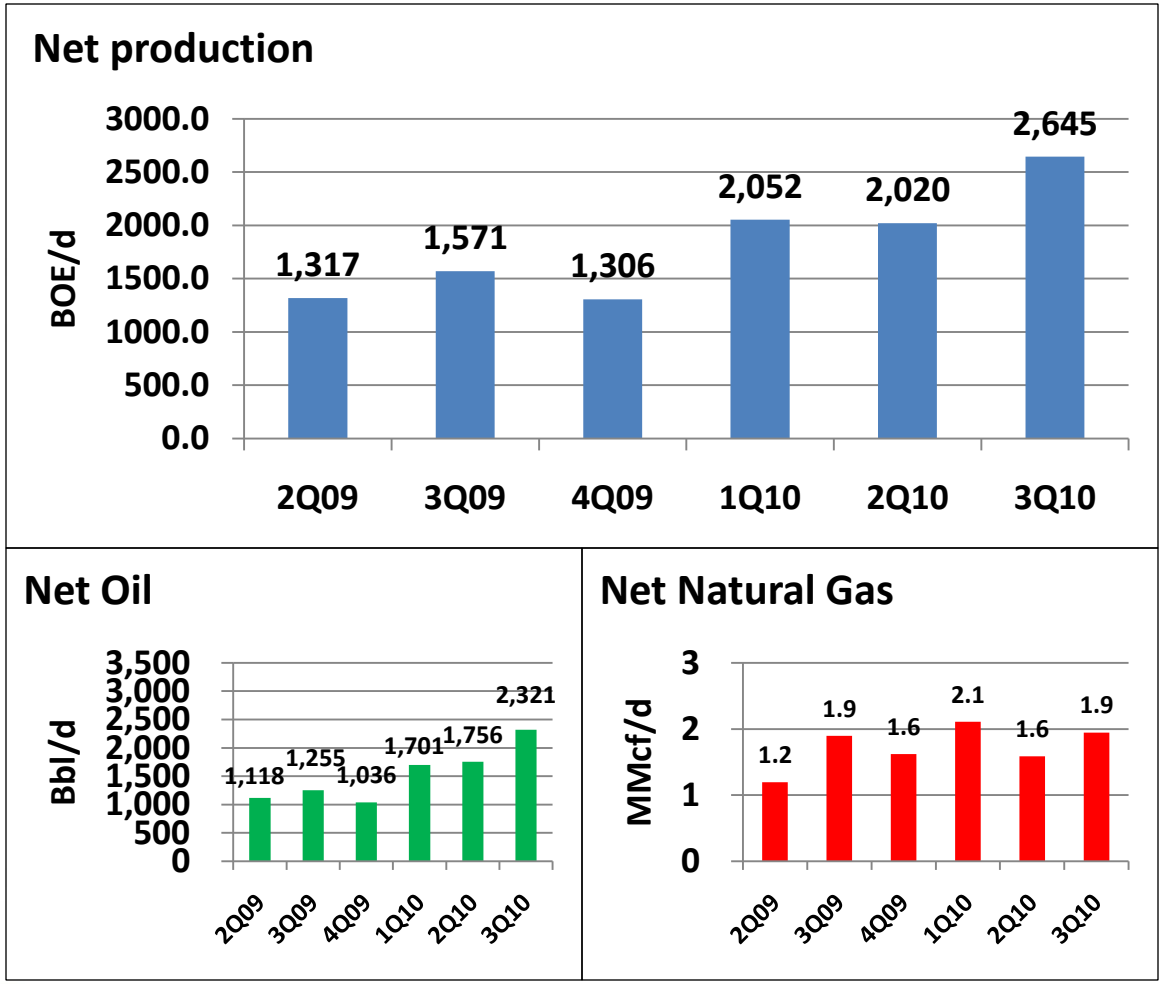
Total ND Bakken/Three Forks



- Average equivalent daily production volumes grew 31% sequentially
  - ✓ Avg. daily oil up 32%
  - ✓ Avg. daily gas up 19%

Note: Sales gas restricted due to temporary gas gathering bottlenecking

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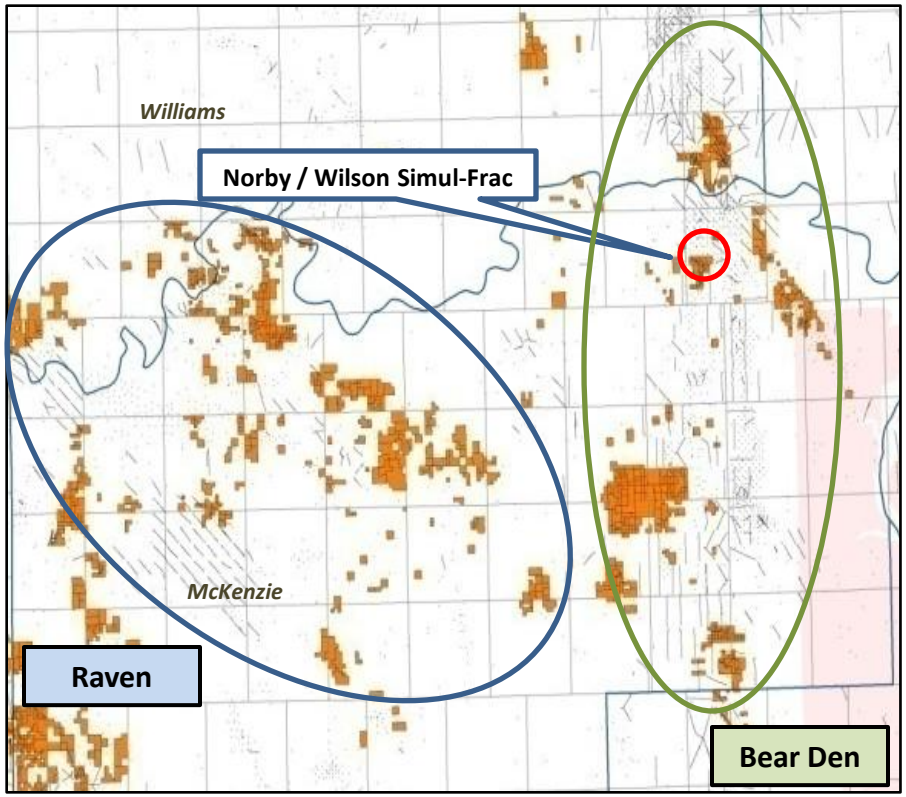
ND Bakken / Three Forks



Williston Basin acreage

- ~81,000 prospective net acres in ND, up from 78,000 net
- SM holds an additional ~120,000 legacy net acres in the basin
- Two (2) rigs running targeting Bakken & Three Forks intervals

Simul-Frac Results

- Three (3) horizontal Bakken wells drilled in one ~1280 acre spacing unit; test to advance knowledge of ultimate spacing for development
- Wells were completed to sales around mid-October
- Results as follows:

Norby 16-20H:
- 7 day max sales – 955 BOE/d
- 10 stage completion over ~ 10,000 ft lateral

Norby 9-20H:
- 7 day max sales – 1,100 BOE/d
- 10 stage completion over ~ 10,000 ft lateral

Wilson 8-20H:
- 7 day max sales – 1,140 BOE/d
- 20 stage completion over ~ 10,000 ft lateral

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Other Activity

- **Permian Basin**
  - ✓ Finishing 20-acre downspacing pilot in our Wolfberry tight oil program
  - ✓ Will be dropping to one operated rig while pilot is evaluated
- **Woodford Shale**
  - ✓ Finishing the drilling of 4 well simul-frac; completion scheduled for December
  - ✓ Recent activity has been focused in rich gas portion of acreage position
- **Haynesville Shale**
  - ✓ Recently completed two (2) solid horizontals at 10 to 12 MMCFE/d on restricted chokes; two (2) additional completions planned by year-end
  - ✓ Majority of 2010 operated activity is being carried
- **Granite Wash**
  - ✓ Recently completed the McGuire 1-6H; four (4) additional completions planned by year-end
  - ✓ Continue to evaluate various intervals of interest on HBP acreage
- **Niobrara**
  - ✓ Second test well drilled; currently completing
  - ✓ Continue to monitor performance of initial test well, the Atlas 1-19H
    - ○ Initial 7-day sales rate of 1,075 BOE/d; cumulative oil production of over 67,000 bbls; currently producing ~350 Bbl/d

Capital Update and Planning for 2011

- **Capital budget for 2010**
  - ✓ Guidance of $871 million unchanged since last update

- **Divestiture updates**
  - ✓ Marcellus Shale Package
    - Data room opened mid-October
    - Bids due mid-November
    - Expected to close early January 2011
  - ✓ Non-core PDP Package
    - Data room opened early-October
    - Bids due mid-November
    - Expected to close end of December 2010

- **2011 capital investment plans**
  - ✓ Initial expectation is for $1.0 billion in capex
  - ✓ Vast majority of capital will be invested in Eagle Ford and Bakken/Three Forks
  - ✓ Operating cash flow and divestiture proceeds anticipated to fund program
  - ✓ Planning process underway currently; expect update in December

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Key Takeaways

- **Solid 2010 performance year to date**
  - ✓ Strong 3rd quarter on both production and costs
  - ✓ SM is executing well on its plan for 2010
- **The growth story is real**
  - ✓ Underlying growth on retained properties shows the company is back on a growth trajectory
  - ✓ Eagle Ford and Bakken/Three Forks are leading the charge in our liquids growth
- **Planning for the long-term**
  - ✓ Announced commitments for services in Eagle Ford program
  - ✓ SM Energy has a substantial core asset to drive growth

Background Materials

Guidance for 2010

Production	1Q10A	2Q10A	3Q10A	4Q10E	FY 2010E
Average daily production (MMCFE/d)	286	276	298	305 – 330	291 - 298
Total production (BCFE)	25.7	25.2	27.5	28.0 – 30.5	106.5 – 109
Costs				**4Q10**	**FY 2010**
LOE ($/MCFE)				$1.15 - $1.20	$1.11 – $1.18
Transportation ($/MCFE)				$0.20 - $0.22	$0.18 – $0.20
Production taxes (% of pre-hedge revenue)				7%	6.5%
G&A – Cash ($/MCFE)				$0.54 - $0.58	$0.55 – $0.59
G&A – Cash NPP ($/MCFE)				$0.16 - $0.18	$0.19 – $0.21
G&A – Non-cash ($/MCFE)				$0.18 - $0.20	$0.18 – $0.20
TOTAL G&A ($/MCFE)				$0.88 - $0.96	$0.92 – $1.00
DD&A ($/MCFE)				$2.90 - $3.20	$2.92 – $3.23
Non-cash interest expense ($MM)				$3.4	$13.5
Effective income tax rate range					37.6% - 38.1%
% of income tax that is current					<10%

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Summarized Oil Hedging Position*

Oil Swaps - NYMEX Equivalent

	Bbls		$/Bbl
2010			
Q4	344,100	$	67.76
2010 Total	344,100		
2011			
Q1	418,000	$	70.36
Q2	367,800	$	69.49
Q3	327,800	$	68.63
Q4	325,400	$	73.51
2011 Total	1,439,000	$	70.46
2012			
Q1	402,500	$	81.68
Q2	384,900	$	81.83
Q3	369,900	$	81.49
Q4	356,900	$	85.72
2012 Total	1,514,200	$	82.62
2013			
Q1	105,800	$	84.19
Q2	188,800	$	84.36
Q3			
Q4			
2013 Total	294,600	$	84.30
Grand Total	3,591,900		

Oil Collars - NYMEX Equivalent

	Bbls		Floor $/Bbl		Ceiling $/Bbl
2010					
Q4	344,500	$	50.00	$	64.91
2010 Total	344,500				
2011					
Q1	305,250	$	50.00	$	63.70
Q2	308,250	$	50.00	$	63.70
Q3	311,250	$	50.00	$	63.70
Q4	311,250	$	50.00	$	63.70
2011 Total	1,236,000	$	50.00		
2012					
Q1	176,800	$	72.43	$	103.36
Q2	170,000	$	72.46	$	103.34
Q3	163,600	$	72.48	$	103.32
Q4	157,100	$	72.44	$	103.68
2012 Total	667,500	$	72.45		
2013					
Q1	399,100	$	77.08	$	101.94
Q2	302,400	$	70.00	$	104.35
Q3	474,800	$	70.00	$	104.83
Q4					
2013 Total	1,176,300	$	72.40		
Grand Total	3,424,300				

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***As of 10/27/2010**

Summarized Gas and NGL Hedging Position*

Natural Gas Swaps - NYMEX Equivalent

	MMBTU	$/MMBTU
2010		
Q4	5,050,000	$ 6.66
2010 Total	5,050,000	
2011		
Q1	4,420,000	$ 7.04
Q2	4,090,000	$ 6.17
Q3	3,780,000	$ 6.34
Q4	3,510,000	$ 6.68
2011 Total	15,800,000	$ 6.57
2012		
Q1	3,120,000	$ 6.82
Q2	2,390,000	$ 6.14
Q3	2,270,000	$ 6.36
Q4	2,660,000	$ 6.37
2012 Total	10,440,000	$ 6.45
2013		
Q1	2,540,000	$ 5.96
Q2		
Q3		
Q4		
2013 Total	2,540,000	
Grand Total	33,830,000	

Natural Gas Collars - NYMEX Equivalent

	MMBTU	Floor $/MMBTU	Ceiling $/MMBTU
2010			
Q4	1,960,000	$ 5.45	$ 7.74
2010 Total	1,960,000		
2011			
Q1	1,650,000	$ 5.53	$ 6.77
Q2	1,655,000	$ 5.59	$ 6.83
Q3	1,660,000	$ 5.64	$ 6.88
Q4	1,660,000	$ 5.61	$ 6.85
2011 Total	6,625,000	$ 6.57	
Grand Total	8,585,000		

Natural Gas Liquid Swaps - Mont. Belvieu

	Bbls	$/Bbl
2010		
Q4	312,000	$ 42.46
2010 Total	312,000	
2011		
Q1	331,000	$ 41.38
Q2	302,000	$ 39.66
Q3	279,000	$ 39.75
Q4	260,000	$ 40.12
2011 Total	1,172,000	$ 40.27
2012		
Q1	192,000	$ 40.02
Q2	183,000	$ 39.38
Q3	137,000	$ 35.90
Q4	130,000	$ 36.38
2012 Total	642,000	$ 38.22
2013		
Q1	84,000	$ 44.63
Q2		
Q3		
Q4		
2013 Total	84,000	
Grand Total	2,210,000	

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*As of 10/27/2010