

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
June 14, 2011 (June 9, 2011)

SM Energy Company
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-31539
(Commission
File Number)

41-0518430
(I.R.S. Employer
Identification No.)

1775 Sherman Street, Suite 1200, Denver, Colorado
(Address of principal executive offices)

80203
(Zip Code)

Registrant's telephone number, including area code: (303) 861-8140

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On June 9, 2011, SM Energy Company (the “Company”) entered into a Purchase and Sale Agreement (the “Agreement”) by and among the Company, Statoil Texas Onshore Properties LLC (“Statoil”) and Talisman Energy USA Inc. (“Talisman” and together with Statoil, the “Buyers”). Pursuant to the Agreement, the Company agreed to sell approximately 15,400 net acres of oil and gas leasehold interests in the State of Texas and various other related interests, rights, wells, contracts, records, fixtures, equipment, and other assets (collectively, the “Assets”). The Assets exclude certain contracts, rights, claims, credits, records, data and other assets. The effective date of the purchase and sale of the Assets is May 1, 2011. The transaction is expected to close on or about August 2, 2011, subject to the satisfaction of customary closing conditions.

The total consideration to be received by the Company for the Assets is \$225.0 million in cash, subject to customary adjustments to reflect the operation of the Assets prior to the closing, title defects, unresolved preferential rights and consents and environmental defects (the “Purchase Price”). Shortly after execution of the Agreement, the Buyers deposited \$22.5 million into escrow pursuant to the terms of the Agreement (the “Deposit”).

The Agreement contains customary representations and warranties and covenants by the Buyers and the Company. Among other things, during the period between the execution of the Agreement and the consummation of the transactions contemplated by the Agreement, the Company has agreed (i) to provide the Buyers with reasonable access to the Assets and the records pertaining to the Assets; (ii) to conduct its operations concerning the Assets in the ordinary course; and (iii) to restrict certain activities and capital expenditures relating to the Assets. At the option of the Buyers, the Company may also be required to enter into a transition services agreement at closing to allow for an orderly transition of the Assets to the Buyers. The transition services agreement would survive for 60 days following closing (unless earlier terminated upon election of Talisman or upon the mutual agreement of Talisman and the Company).

The Agreement provides the Buyers and the Company certain customary termination rights, including, among others: (1) the parties may terminate by mutual consent; (2) the Buyers or the Company may terminate if the closing shall not have occurred on or before August 31, 2011, unless the party seeking to terminate is in material breach of the Agreement; (3) the Buyers or the Company may terminate if a governmental entity has issued a final, non-appealable order or decree prohibiting the consummation of the transactions contemplated by the Agreement; (4) the Company may terminate if the Buyers are in breach of any of their representations, warranties or covenants and such breach would give rise to a failure of a closing condition (subject to Buyers’ opportunity to cure any such breach); or (5) the Buyers may terminate if the Company is in breach of any of its representations, warranties or covenants and such breach would give rise to a failure of a closing condition (subject to the Company’s opportunity to cure any such breach). The Company may retain the Deposit if the Agreement is terminated because of either Buyer’s failure to materially perform their obligations under the Agreement or the failure of either Buyer’s representations and warranties to be true and correct in all material respects (or, in the case of representations and warranties qualified by materiality, in all respects).

The Company has agreed to indemnify the Buyers after the closing, subject to certain limitations, for losses incurred by the Buyers for (i) any breach of the Company’s representations and warranties, (ii) any breach of the Company’s covenants, (iii) liabilities associated with assets or properties not part of the Assets, (iv) any off-site environmental liabilities occurring prior to June 9, 2011 that relate to the Assets, (v) any claims for bodily injury, illness or death arising from the Company’s ownership or operation of the Assets prior to June 9, 2011, (vi) any wells that are permanently abandoned by the Company prior to closing, and (vii) payments to affiliates of SM that relate to the Assets prior to closing. Each Buyer has agreed to severally indemnify the Company after the closing, subject to certain limitations, for losses incurred by the Company for (a) any breach of such Buyer’s representations and warranties and (b) any breach of such Buyer’s covenants. The Company’s indemnification obligations are subject to customary deductible, survival and overall cap limitations.

Item 7.01 Regulation FD Disclosure.

In accordance with General Instruction B.2. of Form 8-K, the following information, including Exhibit 99.1, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall such information and Exhibit be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such a filing.

On June 13, 2011, the Company issued a press release announcing that the Company had entered into the Agreement. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.
Exhibit 99.1

The following exhibit is furnished as part of this report:
Press release of the Company dated June 13, 2011, entitled SM Energy Reaches Agreement to Divest Portion of Eagle Ford Shale Position

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 14, 2011

SM ENERGY COMPANY

By: /s/ KELLY E. COLLINS

Kelly E. Collins

Director of Financial Reporting & Assistant Corporate Secretary

FOR IMMEDIATE RELEASE**SM ENERGY REACHES AGREEMENT TO DIVEST
PORTION OF EAGLE FORD SHALE POSITION**

- *Company enters into agreement to sell approximately 15,400 net acres in LaSalle and Dimmit Counties, Texas for \$225 million*
- *Separate negotiations on other portions of Eagle Ford shale position ongoing*

DENVER, CO – June 13, 2011 – SM Energy Company (NYSE: SM) announces it has entered into an agreement with undisclosed buyers to divest a portion of its Eagle Ford shale position. The position is a detached block of acreage that is comprised of the entirety of the Company's operated acreage in LaSalle County, Texas, as well as an immaterial portion of adjacent operated acreage in Dimmit County, Texas. In total, approximately 15,400 net acres are being sold for cash proceeds of approximately \$225 million. Due to limited infrastructure, there is currently no production associated with three wells that have been drilled on the acreage. As of year-end 2010, there was an immaterial amount of proved reserves booked for this acreage. The buyers will be entitled to approximately 12% of the takeaway capacity associated with SM Energy's agreement with Eagle Ford Gathering LLC, a joint venture between Kinder Morgan Energy Partners, L.P. and Copano Energy, L.L.C. The sale is expected to close in August of 2011 and is subject to customary purchase price adjustments, closing conditions, and transaction fees.

Consistent with prior public statements, SM Energy continues its negotiations on additional potential transactions involving a material portion of its total Eagle Ford shale position in South Texas.

Tony Best, President and CEO, remarked, "I am extremely pleased with this first transaction from our Eagle Ford shale marketing effort. This agreement allows us to realize significant value for a relatively small portion of our total Eagle Ford position."

INFORMATION ABOUT FORWARD LOOKING STATEMENTS

This release contains forward looking statements within the meaning of securities laws, including forecasts and projections. The words "will," "believe," "budget," "anticipate," "plan," "intend," "estimate," "forecast," and "expect" and similar expressions are intended to identify forward looking statements. 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. These risks include factors such as the uncertainty of negotiations to result in an agreement or a completed transaction, the uncertain nature of the expected benefits from the actual or expected acquisition, divestiture, farm down or joint venture of oil and gas properties, the uncertain nature of announced divestiture, joint venture, farm down or similar efforts and the ability to complete such transactions, the volatility and level of oil, natural gas, and natural gas liquids prices, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, the imprecise nature of estimating oil and gas reserves, the availability of additional economically attractive exploration, development, and property acquisition opportunities for future growth and any necessary financings, unexpected drilling conditions and results, unsuccessful exploration and development drilling, the availability of drilling, completion, and operating equipment and services, the risks associated with the Company's commodity price risk management strategy, uncertainty regarding the ultimate impact of potentially dilutive securities, and other such matters discussed in the "Risk Factors" section of SM Energy's 2010 Annual Report on Form 10-K and subsequent quarterly reports filed on Form 10-Q. 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.

ABOUT THE COMPANY

SM Energy Company is an independent energy company engaged in the exploration, exploitation, development, acquisition, and production of natural gas, natural gas liquids, and crude oil. SM Energy routinely posts important information about the Company on its website. For more information about SM Energy, please visit its website at sm-energy.com.