

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)  
August 1, 2011 (August 1, 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 2.02 Results of Operations and Financial Condition.**

In accordance with General Instruction B.2. of Form 8-K, the following information, including Exhibits 99.1 and 99.2, 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 August 1, 2011, SM Energy Company (the “Company”) issued a press release announcing its results of operations for the second quarter of 2011. As indicated in the press release, the Company has scheduled a second quarter 2011 earnings teleconference call for August 2, 2011, at 8:00 a.m. (Mountain Time). The teleconference call is publicly accessible, and the press release includes instructions as to when and how to access the teleconference and the location on the Company’s web site where the teleconference information will be available. A copy of the press release is furnished as Exhibit 99.1 to this report and incorporated by reference herein.

The press release also contains information about the Company’s operating cash flow, which is a “non-GAAP financial measure” under SEC rules. The press release also presents information about the Company’s net cash provided by operating activities, which is the most directly comparable GAAP financial measure, and contains a reconciliation of operating cash flow to net cash provided by operating activities for the periods presented, a presentation of other cash flow information under GAAP, and a statement indicating why management believes that the presentation of operating cash flow provides useful information to investors.

The press release contains information about the Company’s adjusted net income, which is a “non-GAAP financial measure” under SEC rules. The press release also presents information about the Company’s net income, which is the most directly comparable GAAP financial measure, and contains a reconciliation of adjusted net income to net income for the periods presented and a statement indicating why management believes that the presentation of adjusted net income provides useful information to investors.

Additionally, on August 1, 2011, the Company issued a separate press release providing an update of its operating activities, performance guidance, and capital budget for the remainder of 2011, as well as providing a preliminary 2012 capital budget. A copy of the press release is furnished as Exhibit 99.2 to this report and incorporated by reference herein.

**Item 7.01 Regulation FD Disclosure.**

In accordance with General Instruction B.2. of Form 8-K, the following information, including Exhibit 99.3, 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 August 1, 2011, the Company issued a press release announcing its participation in upcoming conferences. A copy of the press release is furnished as Exhibit 99.3 to this report and incorporated by reference herein.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.	The following exhibits are furnished as part of this report:
Exhibit 99.1	Press release of the Company dated August 1, 2011, entitled SM Energy Reports Results for Second Quarter of 2011
Exhibit 99.2	Press release of the Company dated August 1, 2011, entitled SM Energy Updates Capital Expenditure and Production Outlook; Provides Operations Update
Exhibit 99.3	Press release of the Company dated August 1, 2011, entitled SM Energy Announces Participation in Upcoming Investor Conferences

**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: August 1, 2011

SM ENERGY COMPANY

By: /s/ KELLY E. COLLINS

Kelly E. Collins

Director of Financial Reporting & Assistant Corporate Secretary

**FOR IMMEDIATE RELEASE****SM ENERGY REPORTS RESULTS FOR  
SECOND QUARTER OF 2011**

- Record quarterly production of 39.8 BCFE, or an average of 437 MMCFE/d; exceeding second quarter guidance range of 396-429 MMCFE/d
- Quarterly GAAP net income of \$124.5 million, or \$1.86 per diluted share
- Adjusted net income of \$61.1 million, or \$0.91 per diluted share

**DENVER, CO August 1, 2011** – SM Energy Company (NYSE: SM) announces financial results from the second quarter of 2011. In addition, a new presentation for the Company's second quarter earnings and operational update will be posted on the Company's website at [www.sm-energy.com](http://www.sm-energy.com). This presentation will be referenced during the conference call scheduled for 8:00 a.m. Mountain time (10:00 a.m. Eastern time) on August 2, 2011. Information for the earnings call can be found below.

**SECOND QUARTER 2011 RESULTS**

SM Energy reported net income for the second quarter of 2011 of \$124.5 million, or \$1.86 per diluted share. This compares to net income of \$18.1 million, or \$0.28 per diluted share, for the same period of 2010. The increase in net income between these two periods is due primarily to a gain on divestiture activity, increased production, increased commodity prices, and unrealized derivative gains recognized in the Company's income statement in the second quarter of 2011. Adjusted net income for the quarter was \$61.1 million, or \$0.91 per diluted share, versus adjusted net income of \$10.2 million, or \$0.16 per diluted share, for the second quarter of 2010. Adjusted net income excludes certain items that the Company believes affect the comparability of operating results. Items excluded are generally non-recurring items or items whose timing and/or amount cannot be reasonably estimated, and large non-cash items, such as unrealized gains or losses from derivative activity. A summary of the adjustments made to arrive at adjusted net income is presented in the table below:

**Adjusted Net Income Reconciliation**

(In thousands, except per share data)

Reconciliation of Net Income (GAAP)  
To Adjusted Net Income (Non-GAAP):

	<b>For the Three Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
Reported Net Income (GAAP)	\$ 124,533	\$ 18,068
Adjustments, net of tax: <sup>(1)</sup>		
Change in Net Profits Plan liability	\$ (8,823)	\$ (3,907)
Unrealized portion of derivative (gain) loss	\$ (36,500)	\$ (1,236)
Gain on divestiture activity	\$ (18,940)	\$ (4,156)
Abandonment & impairment of unproved properties	\$ 780	\$ 1,406
Adjusted Net Income (Non-GAAP)	<u>\$ 61,050</u>	<u>\$ 10,175</u>
Adjusted Net Income per common share:		
Basic	\$ 0.96	\$ 0.16
Diluted	\$ 0.91	\$ 0.16
Weighted-average common shares outstanding:		
Basic	63,638	62,917
Diluted	66,909	64,566

**NOTE:** Totals may not add due to rounding

(1) Adjustments are shown net of tax using the effective income tax rate as calculated by dividing the income tax expense by income before income taxes as stated on the consolidated statement of operations.

Operating cash flow, a non-GAAP measure, increased to \$226.7 million for the second quarter of 2011 from \$119.2 million for the same period of 2010. Net cash provided by operating activities increased to \$213.3 million for the second quarter of 2011 from \$116.3 million for the same period of 2010.

Adjusted net income and operating cash flow are non-GAAP financial measures – please refer to the respective reconciliation in the accompanying Financial Highlights section at the end of this release for additional information about these measures.

SM Energy reported quarterly production of 39.8 BCFE, or an average of 437 MMCFE/d for the second quarter of 2011. This was above second quarter average daily production guidance of 396-429 MMCFE/d.

Revenues and other income for the second quarter were \$377.9 million compared to \$211.7 million for the same period of 2010. Below is a table that displays, by product type, the average realized price received by the Company, as well as the adjusted price received after taking into account cash settlements for derivative transactions.

**Average Realized Commodity Prices for Quarter Ended June 30, 2011**

	Before the impact of derivative cash settlements	After the impact of derivative cash settlements
Oil (\$/Bbl)	\$ 97.51	\$ 84.40
Gas (\$/Mcf)	\$ 4.63	\$ 5.01
Natural gas liquids (\$/Bbl)	\$ 54.02	\$ 47.49
Equivalent (\$/MCFE)	\$ 8.40	\$ 7.89

The table below presents production and per MCFE cost metrics as reported for the quarter along with previously issued second quarter guidance for 2011:

<b>Production</b>	<b>Reported</b>	<b>2Q11 Guidance</b>
Average daily production (MMCFE/d)	436.9	396 - 429
Total production (BCFE)	39.8	36 - 39
<b>Costs</b>		
LOE (\$/MCFE)	\$ 0.84	\$0.98 - \$1.03
Transportation (\$/MCFE)	\$ 0.42	\$0.50 - \$0.55
Production taxes (% of pre-derivative oil, gas, and NGL revenue)	1.0%	7.0%
G&A – Cash (\$/MCFE)	\$ 0.43	\$0.47 - \$0.50
G&A – Cash NPP (\$/MCFE)	\$ 0.13	\$0.13 - \$0.15
G&A – Non-cash (\$/MCFE)	\$ 0.13	\$0.11 - \$0.13
Total G&A (\$/MCFE)	\$ 0.69	\$0.71 - \$0.78
DD&A (\$/MCFE)	\$ 2.90	\$2.90 - \$3.10
Non-cash interest expense (\$MM)	\$ 7.7	\$ 7.3

The variance between reported and guided production taxes as a percentage of pre-derivative oil, gas, and NGL revenue is primarily due to severance tax incentives that were realized in the Company's Eagle Ford shale program.

## FINANCIAL POSITION AND LIQUIDITY

As of June 30, 2011, the Company's debt-to-book capitalization ratio was 32%. At the end of the second quarter 2011, SM Energy has total long-term debt of \$630.3 million, which consisted of its 6.625% senior notes and 3.50% senior convertible notes, net of debt discount. The convertible notes are accounted for as if they will be net-share settled.

As of June 30, 2011, the Company had \$101.1 million in cash and no outstanding borrowings under its long-term secured credit facility. As previously disclosed, the Company amended its credit facility during the second quarter of 2011. Currently the borrowing base for the facility stands at \$1.3 billion and the commitment amount is \$1.0 billion. As of the end of the second quarter 2011, SM Energy is in compliance with all the covenants associated with this facility.

## EARNINGS CALL INFORMATION

The Company has scheduled a teleconference to discuss these results and other operational matters on August 2, 2011, at 8:00 a.m. Mountain time (10:00 a.m. Eastern time). The call participation number is 800-573-4842 and the participant passcode is 91627792. An audio replay of the call will be available approximately two hours after the call at 888-286-8010, with the passcode 51587016. International participants can dial 617-224-4327 to take part in the conference call, using passcode 91627792, and can access a replay of the call at 617-801-6888, using passcode 51587016. Replays can be accessed through August 9, 2011.

In addition, the call will be webcast live and can be accessed at SM Energy's website at [www.sm-energy.com](http://www.sm-energy.com). An audio recording of the conference call will be available at that site through August 9, 2011.

## 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 such factors as the volatility and level of oil, natural gas, and natural gas liquids prices, the uncertain nature of the expected benefits from the acquisition, divestiture, 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, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, the ability of midstream service providers to purchase or market the Company's production, the ability of purchasers of production to pay for those sales, the availability of debt and equity financing for purchasers of oil and gas properties, the ability of the banks in the Company's credit facility to fund requested borrowings, the ability of derivative counterparties to settle derivative contracts in favor of the Company, 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, drilling and operating service availability, 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 [www.sm-energy.com](http://www.sm-energy.com).



**SM ENERGY COMPANY**  
**FINANCIAL HIGHLIGHTS**  
**June 30, 2011**

**Guidance Comparison**

	For the Three Months	
	Ended June 30, 2011	
	Actual	Guidance Range
Average daily production (MMCFE per day)	436.9	396 - 429
Total production (BCFE)	39.8	36.0 - 39.0
Lease operating expense (per MCFE)	\$ 0.84	\$0.98 - \$1.03
Transportation expense (per MCFE)	\$ 0.42	\$0.50 - \$0.55
Production taxes, as a percentage of pre-derivative oil, gas, and NGL revenue	1.0%	7%
General and administrative - cash (per MCFE)	\$ 0.43	\$0.47 - \$0.50
General and administrative - cash related to Net Profits Plan (per MCFE)	\$ 0.13	\$0.13 - \$0.15
General and administrative - non-cash (per MCFE)	\$ 0.13	\$0.11 - \$0.13
General and administrative - TOTAL (per MCFE)	\$ 0.69	\$0.71 - \$0.78
Depreciation, depletion, and amortization (per MCFE)	\$ 2.90	\$2.90 - \$3.10

**Production Data**

	For the Three Months			For the Six Months		
	Ended June 30,			Ended June 30,		
	2011	2010	Percent Change	2011	2010	Percent Change
<b>Average realized sales price, before the effects of derivative cash settlements: (1)</b>						
Oil (per Bbl)	\$ 97.51	\$ 70.92	37%	\$ 91.76	\$ 71.86	28%
Gas (per Mcf)	4.63	4.54	2%	4.50	5.34	-16%
NGL (per Bbl)	54.02	-	NM	50.80	-	NM
Equivalent (MCFE)	\$ 8.40	\$ 6.99	20%	\$ 8.04	\$ 7.64	5%
<b>Average realized sales price, including the effects of derivative cash settlements: (1)</b>						
Oil (per Bbl)	\$ 84.40	\$ 65.17	30%	\$ 79.82	\$ 66.10	21%
Gas (per Mcf)	5.01	5.59	-10%	5.02	6.21	-19%
NGL (per Bbl)	47.49	-	NM	44.60	-	NM
Equivalent (MCFE)	\$ 7.89	\$ 7.36	7%	\$ 7.67	\$ 7.88	-3%
<b>Production: (1)</b>						
Oil (MMBbls)	1.9	1.4	31%	3.6	2.9	24%
Gas (Bcf)	23.9	16.7	43%	45.6	33.2	37%
NGL (MMBbls)	0.8	-	NM	1.4	-	NM
BCFE (6:1)	39.8	25.2	58%	75.9	50.9	49%
<b>Average daily production: (1)</b>						
Oil (MBbls per day)	20.4	15.5	31%	20.1	16.2	24%
Gas (MMcf per day)	262.7	183.3	43%	252.2	183.7	37%
NGL (MBbls per day)	8.7	-	NM	7.8	-	NM
MMCFE per day (6:1)	436.9	276.4	58%	419.3	281.1	49%
<b>Per MCFE Data:</b>						
Realized price	\$ 8.40	\$ 6.99	20%	\$ 8.04	\$ 7.64	5%
Lease operating expense	(0.84)	(1.15)	-27%	(0.87)	(1.16)	-25%
Transportation costs	(0.42)	(0.20)	110%	(0.42)	(0.18)	133%
Production taxes	(0.08)	(0.44)	-82%	(0.28)	(0.50)	-44%
General and administrative	(0.69)	(1.01)	-32%	(0.70)	(0.96)	-27%
Operating profit, before the effects of derivative cash settlements	\$ 6.37	\$ 4.19	52%	\$ 5.77	\$ 4.84	19%
Derivative cash settlements	(0.51)	0.37	-238%	(0.37)	0.24	-254%
Operating profit, including the effects of derivative cash settlements	\$ 5.86	\$ 4.56	29%	\$ 5.40	\$ 5.08	6%
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	\$ 2.90	\$ 3.17	-9%	\$ 2.91	\$ 3.10	-6%

(1) NGL production volumes, revenues, and prices for 2010 have not been reclassified to conform to the current presentation given the immateriality of the volumes in that period. Please refer to additional discussion in the Company's Form 10-Q for the quarter ended March 31, 2011.

## Consolidated Statements of Operations

(In thousands, except per share amounts)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2011	2010	2011	2010
Operating revenues and other income:				
Oil, gas, and NGL production revenue	\$ 333,934	\$ 175,887	\$ 610,247	\$ 388,774
Realized hedge gain (loss)*	(6,330)	9,329	(7,705)	11,924
Gain on divestiture activity	30,019	7,021	54,934	127,999
Marketed gas system and other operating revenue	20,250	19,460	35,726	43,135
Total operating revenues and other income	<u>377,873</u>	<u>211,697</u>	<u>693,202</u>	<u>571,832</u>
Operating expenses:				
Oil, gas, and NGL production expense	53,342	45,168	119,154	93,508
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	115,382	79,770	220,738	157,535
Exploration	9,603	14,498	22,315	28,396
Abandonment and impairment of unproved properties	1,237	2,375	4,316	3,279
General and administrative	27,310	25,398	53,171	48,884
Change in Net Profits Plan liability	(13,984)	(6,599)	211	(33,871)
Unrealized and realized derivative (gain) loss*	(43,876)	(2,087)	44,553	(9,822)
Marketed gas system and other expense	17,152	16,385	37,009	39,383
Total operating expenses	<u>166,166</u>	<u>174,908</u>	<u>501,467</u>	<u>327,292</u>
Income from operations	211,707	36,789	191,735	244,540
Nonoperating income (expense):				
Interest income	227	54	355	183
Interest expense	(14,550)	(6,343)	(24,264)	(13,130)
Income before income taxes	197,384	30,500	167,826	231,593
Income tax expense	(72,851)	(12,432)	(61,796)	(87,347)
<b>Net income</b>	<u><b>\$ 124,533</b></u>	<u><b>\$ 18,068</b></u>	<u><b>\$ 106,030</b></u>	<u><b>\$ 144,246</b></u>
Basic weighted-average common shares outstanding	<u>63,638</u>	<u>62,917</u>	<u>63,543</u>	<u>62,855</u>
Diluted weighted-average common shares outstanding	<u>66,909</u>	<u>64,566</u>	<u>66,695</u>	<u>64,493</u>
<b>Basic net income per common share</b>	<u><b>\$ 1.96</b></u>	<u><b>\$ 0.29</b></u>	<u><b>\$ 1.67</b></u>	<u><b>\$ 2.29</b></u>
<b>Diluted net income per common share</b>	<u><b>\$ 1.86</b></u>	<u><b>\$ 0.28</b></u>	<u><b>\$ 1.59</b></u>	<u><b>\$ 2.24</b></u>

\* As of January 1, 2011, the Company elected to de-designate all commodity derivative contracts that had previously been designated as cash flow hedges as of December 31, 2010, and to discontinue hedge accounting prospectively. Accordingly, beginning January 1, 2011, gains and losses from commodity price management activities, both realized and unrealized, will be included in the income statement on the line titled "Unrealized and realized derivative (gain) loss". Hedging balances accounted for in the balance sheet line titled "accumulated other comprehensive loss" as of December 31, 2010 will now be recognized in the income statement line titled "Realized hedge gain (loss)" as they are realized. For the six months ended June 30, 2011, our adjusted oil price was negatively impacted by \$43.4 million of realized oil derivative cash settlements, our adjusted natural gas price was positively impacted by \$24.0 million of realized natural gas derivative cash settlements, and our adjusted NGL price was negatively impacted by \$8.7 million of realized NGL derivative cash settlements. For the three months ended June 30, 2011, our adjusted oil price was negatively impacted by \$24.3 million of realized oil derivative cash settlements, our adjusted natural gas price was positively impacted by \$9.1 million of realized natural gas derivative cash settlements, and our adjusted NGL price was negatively impacted by \$5.2 million of realized NGL derivative cash settlements.

**Consolidated Balance Sheets**

(In thousands)		June 30, 2011	December 31, 2010
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents		\$ 101,080	\$ 5,077
Accounts receivable		173,557	163,190
Refundable income taxes		3,134	8,482
Prepaid expenses and other		32,281	45,522
Derivative asset		28,985	43,491
Deferred income taxes		7,086	8,883
Total current assets		<u>346,123</u>	<u>274,645</u>
Property and equipment (successful efforts method), at cost:			
Land		1,526	1,491
Proved oil and gas properties		3,799,844	3,389,158
Less - accumulated depletion, depreciation, and amortization		(1,532,670)	(1,326,932)
Unproved oil and gas properties		89,317	94,290
Wells in progress		245,650	145,327
Materials inventory, at lower of cost or market		15,915	22,542
Oil and gas properties held for sale		130,077	86,811
Other property and equipment, net of accumulated depreciation of \$17,550 in 2011 and \$15,480 in 2010		61,831	21,365
		<u>2,811,490</u>	<u>2,434,052</u>
Other noncurrent assets:			
Derivative asset		10,624	18,841
Other noncurrent assets		51,656	16,783
Total other noncurrent assets		<u>62,280</u>	<u>35,624</u>
<b>Total Assets</b>		<b><u>\$ 3,219,893</u></b>	<b><u>\$ 2,744,321</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable and accrued expenses		\$ 413,048	\$ 417,654
Derivative liability		70,100	82,044
Deposit associated with oil and gas properties held for sale		-	2,355
Total current liabilities		<u>483,148</u>	<u>502,053</u>
Noncurrent liabilities:			
Long-term credit facility		-	48,000
3.50% Senior Convertible Notes, net of unamortized discount of \$7,209 in 2011 and \$11,827 in 2010		280,291	275,673
6.625% Senior Notes		350,000	-
Asset retirement obligation		72,273	69,052
Asset retirement obligation associated with oil and gas properties held for sale		92	2,119
Net Profits Plan liability		133,419	135,850
Deferred income taxes		496,405	443,135
Derivative liability		38,233	32,557
Other noncurrent liabilities		16,866	17,356
Total noncurrent liabilities		<u>1,387,579</u>	<u>1,023,742</u>
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued: 63,764,421 shares in 2011 and 63,412,800 shares in 2010; outstanding, net of treasury shares: 63,683,354 shares in 2011 and 63,310,165 shares in 2010		638	634
Additional paid-in capital		215,704	191,674
Treasury stock, at cost: 81,067 shares in 2011 and 102,635 shares in 2010		(1,544)	(423)
Retained earnings		1,144,972	1,042,123
Accumulated other comprehensive loss		(10,604)	(15,482)
Total stockholders' equity		<u>1,349,166</u>	<u>1,218,526</u>
<b>Total Liabilities and Stockholders' Equity</b>		<b><u>\$ 3,219,893</u></b>	<b><u>\$ 2,744,321</u></b>

**Consolidated Statements of Cash Flows**

(In thousands)

	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2011	2010	2011	2010
Cash flows from operating activities:				
Net income	\$ 124,533	\$ 18,068	\$ 106,030	\$ 144,246
Adjustments to reconcile net income to net cash provided by operating activities:				
Gain on divestiture activity	(30,019)	(7,021)	(54,934)	(127,999)
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	115,382	79,770	220,738	157,535
Exploratory dry hole expense	9	164	49	327
Abandonment and impairment of unproved properties	1,237	2,375	4,316	3,279
Stock-based compensation expense*	6,286	6,261	11,837	11,864
Change in Net Profits Plan liability	(13,984)	(6,599)	211	(33,871)
Unrealized derivative (gain) loss	(57,852)	(2,087)	24,160	(9,822)
Amortization of debt discount and deferred financing costs	7,674	3,366	11,294	6,657
Deferred income taxes	70,415	14,212	52,241	78,820
Plugging and abandonment	(1,395)	(3,988)	(1,430)	(6,222)
Other	(3,917)	1,988	(5,888)	2,937
Changes in current assets and liabilities:				
Accounts receivable	(26,755)	20,872	(10,370)	7,628
Refundable income taxes	1,618	(3,445)	5,348	9,558
Prepaid expenses and other	(5,267)	(1,637)	15,692	(148)
Accounts payable and accrued expenses	25,811	(5,103)	(2,530)	26,299
Excess income tax benefit from the exercise of stock awards	(488)	(938)	(6,791)	(938)
<b>Net cash provided by operating activities</b>	<b>213,288</b>	<b>116,258</b>	<b>369,973</b>	<b>270,150</b>
Cash flows from investing activities:				
Net proceeds from sale of oil and gas properties	58,929	8,751	97,952	247,998
Capital expenditures	(352,681)	(172,182)	(662,372)	(304,627)
Receipts from (deposits to) restricted cash	-	16,565	-	(19,595)
Other	-	8	(2,355)	(6,492)
<b>Net cash used in investing activities</b>	<b>(293,752)</b>	<b>(146,858)</b>	<b>(566,775)</b>	<b>(82,716)</b>
Cash flows from financing activities:				
Proceeds from credit facility	-	26,500	102,000	204,059
Repayment of credit facility	-	(26,500)	(150,000)	(392,059)
Debt issuance costs related to credit facility	(8,525)	-	(8,525)	-
Net proceeds from 6.625% Senior Notes	-	-	341,435	-
Proceeds from sale of common stock	1,469	2,648	4,929	2,916
Dividends paid	(3,181)	(3,144)	(3,181)	(3,144)
Excess income tax benefit from the exercise of stock awards	488	938	6,791	938
Other	(1)	(17)	(644)	(544)
<b>Net cash provided by (used in) financing activities</b>	<b>(9,750)</b>	<b>425</b>	<b>292,805</b>	<b>(187,834)</b>
Net change in cash and cash equivalents	(90,214)	(30,175)	96,003	(400)
Cash and cash equivalents at beginning of period	191,294	40,424	5,077	10,649
<b>Cash and cash equivalents at end of period</b>	<b>\$ 101,080</b>	<b>\$ 10,249</b>	<b>\$ 101,080</b>	<b>\$ 10,249</b>

\* Stock-based compensation expense is a component of exploration expense and general and administrative expense on the consolidated statements of operations. For the three months ended June 30, 2011 and 2010, approximately \$1.3 million and \$1.7 million, respectively, of stock-based compensation expense was included in exploration expense. For the three months ended June, 30, 2011 and 2010, approximately \$5.0 million and \$4.6 million, respectively, of stock-based compensation expense was included in general and administrative expense. For the six months ended June 30, 2011 and 2010, approximately \$2.8 million and \$3.4 million, respectively, of stock-based compensation expense was included in exploration expense. For the six months ended June 30, 2011 and 2010, approximately \$9.0 million and \$8.5 million, respectively, of stock-based compensation expense was included in general and administrative expense.

## Adjusted Net Income

(In thousands, except per share data)

Reconciliation of net income (GAAP) to Adjusted net income (Non-GAAP):	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2011	2010	2011	2010
Reported net income (GAAP)	\$ 124,533	\$ 18,068	\$ 106,030	\$ 144,246
<b>Adjustments net of tax: (2)</b>				
Change in Net Profits Plan liability	(8,823)	(3,907)	133	(21,102)
Unrealized derivative (gain) loss	(36,500)	(1,236)	15,264	(6,119)
Gain on divestiture activity	(18,940)	(4,156)	(34,706)	(79,743)
Abandonment and impairment of unproved properties	780	1,406	2,727	2,043
<b>Adjusted net income (Non-GAAP) (3)</b>	<u>\$ 61,050</u>	<u>\$ 10,175</u>	<u>\$ 89,448</u>	<u>\$ 39,325</u>
Adjusted net income per share (Non-GAAP)				
Basic	\$ 0.96	\$ 0.16	\$ 1.41	\$ 0.63
Diluted	\$ 0.91	\$ 0.16	\$ 1.34	\$ 0.61
Weighted-average common shares outstanding				
Basic	63,638	62,917	63,543	62,855
Diluted	66,909	64,566	66,695	64,493

(2) Adjustments are shown net of tax using the effective income tax rate; calculated by dividing the income tax expense by income before income taxes as stated on the consolidated statement of operations.

(3) Adjusted net income excludes certain items that the Company believes affect the comparability of operating results. Items excluded generally are non-recurring items or are items whose timing and/or amount cannot be reasonably estimated. These items include non-cash adjustments and impairments such as the change in the Net Profits Plan liability, unrealized derivative (gain) loss, abandonment and impairment of unproved properties, and gain on divestiture activity. The non-GAAP measure of adjusted net income is presented because management believes it provides useful additional information to investors for analysis of SM Energy's fundamental business on a recurring basis. In addition, management believes that adjusted net income is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the oil and gas exploration and production industry, and many investors use the published research of industry research analysts in making investment decisions. Adjusted net income should not be considered in isolation or as a substitute for net income, income from operations, cash provided by operating activities or other income, profitability, cash flow, or liquidity measures prepared under GAAP. Since adjusted net income excludes some, but not all, items that affect net income and may vary among companies, the adjusted net income amounts presented may not be comparable to similarly titled measures of other companies.

## Operating Cash Flow

(In thousands)

Reconciliation of net cash provided by operating activities (GAAP) to Operating cash flow (Non-GAAP):	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2011	2010	2011	2010
Net cash provided by operating activities (GAAP)	\$ 213,288	\$ 116,258	\$ 369,973	\$ 270,150
Changes in current assets and liabilities	5,081	(9,749)	(1,349)	(42,399)
Exploration	9,603	14,498	22,315	28,396
Less: Exploratory dry hole expense	(9)	(164)	(49)	(327)
Less: Stock-based compensation expense included in exploration	(1,284)	(1,684)	(2,806)	(3,438)
Operating cash flow (Non-GAAP) (4)	<u>\$ 226,679</u>	<u>\$ 119,159</u>	<u>\$ 388,084</u>	<u>\$ 252,382</u>

(4) Operating cash flow is computed as net cash provided by operating activities adjusted for changes in current assets and liabilities and exploration, less exploratory dry hole expense, and stock-based compensation expense included in exploration. The non-GAAP measure of operating cash flow is presented because management believes that it provides useful additional information to investors for analysis of SM Energy's ability to internally generate funds for exploration, development, acquisitions, and to service debt. In addition, operating cash flow is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the oil and gas exploration and production industry, and many investors use the published research of industry research analysts in making investment decisions. Operating cash flow should not be considered in isolation or as a substitute for net income, income from operations, net cash provided by operating activities or other income, profitability, cash flow, or liquidity measures prepared under GAAP. Since operating cash flow excludes some, but not all items that affect net income and net cash provided by operating activities and may vary among companies, the operating cash flow amounts presented may not be comparable to similarly titled measures of other companies. See the consolidated statements of cash flows herein for more detailed cash flow information.

**FOR IMMEDIATE RELEASE**

**SM ENERGY UPDATES CAPITAL EXPENDITURE AND PRODUCTION OUTLOOK; PROVIDES OPERATIONS UPDATE**

- *Company increases 2011 production forecast to a range of 162 – 167 BCFE, up approximately 10% from prior guidance; anticipate year over year production growth of 50%*
- *Production for 2012 expected to increase 35% - 40% to a range of 225 – 232 BCFE, based on preliminary 2012 capital program budget of \$1.4 to \$1.5 billion*
- *Company has closed or entered into over \$1.0 billion of transactions in 2011 to fund activity*

**DENVER, CO August 1, 2011** – SM Energy Company (NYSE: SM) today provides an operational update, as well as an update of its capital expenditure and production outlook for 2011 and 2012. In addition, a new presentation for the second quarter earnings and operational update will be posted on the Company’s website at [www.sm-energy.com](http://www.sm-energy.com). This presentation will be referenced during the conference call scheduled for 8:00 a.m. Mountain time (10:00 a.m. Eastern time) on August 2, 2011. Information for the earnings call can be found below.

**MANAGEMENT COMMENTARY**

Tony Best, President and CEO, remarked, “The capital expenditure and production outlook we are providing today is the result of our successful transformation into a significant North American resource play company. We have built a portfolio that provides line of sight to significant growth over the coming years, while providing the flexibility to allow us to redirect capital when circumstances dictate. Our disciplined approach to high-grading our portfolio has positioned us so that we can grow value for our shareholders while maintaining our strong balance sheet. I hope our shareholders are as excited about our strong project inventory and growth potential as I am.”

**2011 CAPITAL BUDGET UPDATE**

The following table summarizes the changes in the Company’s 2011 capital expenditure budget:

	<u>Previously Issued 2011 Capital Plan</u>	<u>Changes</u>	<u>Revised 2011 Capital Plan</u>
<i>(\$ in millions)</i>			
<b>Drilling Capital</b>			
Total Eagle Ford Shale	\$ 500	\$ 295	\$ 795
Bakken/Three Forks	170	20	190
Granite Wash	60		60
Permian Basin Oil	40	10	50
Haynesville Shale	75	90	165
Niobrara/Other Oil	25		25
Drilling subtotal	<u>\$ 870</u>	<u>\$ 415</u>	<u>\$ 1,285</u>
Non-drilling capital	<u>\$ 210</u>	<u>\$ 55</u>	<u>\$ 265</u>
Total	<u><u>\$ 1,080</u></u>	<u><u>\$ 470</u></u>	<u><u>\$ 1,550</u></u>

The primary increase to the 2011 capital budget results from differences regarding the size and timing of the Company’s previously announced Eagle Ford shale transactions, compared to assumptions made when they were originally budgeted. The reduction in SM Energy’s total Eagle Ford shale position will not be as large as was assumed at the beginning of the year. The scheduled closing dates for these transactions are also later in the year than originally budgeted. As a result, higher amounts of production and capital expenditures will be recognized by the Company in 2011. The capital budget is also being increased to reflect the decision to continue drilling in the Company’s operated Haynesville shale position in East Texas until its leasehold position is held by production in 2012. More detailed production and cost guidance for the remainder of 2011 is provided later in this release.

The increase in capital expenditures is effectively being funded by proceeds from transactions that the Company has either closed or announced in 2011. A summary of the estimated gross proceeds from these transactions is provided in the following table:

	<u>Gross Proceeds</u>
	(\$ in millions)
Eagle Ford LaSalle block	\$ 225
Non-operated Eagle Ford reimbursements	55
Marcellus shale assets	80
Constitution Field (East Texas) assets	44
Rocky Mountain oil assets	47
Eagle Ford gathering assets	25
Total gross proceeds	<u><u>\$ 476</u></u>

The table above does not include any benefit from the \$680 million carry that will be applied to the Company’s interests in its outside operated Eagle Ford assets.



## PRELIMINARY 2012 CAPITAL PROGRAM BUDGET

	Estimated Gross Wells	Estimated WI%	Estimated Capital
(\$ in millions)			
Operated Eagle Ford shale	95	100%	\$ 670 - 730
Non-Operated Eagle Ford shale	300	14.5%	-
Operated Bakken/Three Forks	40	57%	185 - 205
Operated Haynesville	8	95%	85 - 95
Operated Granite Wash	15	60%	70 - 75
Other Operated	TBD	Varies	130 - 150
Outside Operated	TBD	Varies	75 - 100
Range of drilling capital			\$ 1,200 - 1,300
Non-drilling capital			\$ 200
<b>Range of total capital</b>			<b>\$ 1,400 - 1,500</b>

NOTE: The above estimated capital ranges are preliminary and are not intended to sum.

## 2011 AND 2012 PRODUCTION OUTLOOK

	Previous FY2011 Guidance	Revised FY2011 Guidance	Preliminary FY2012 Guidance
Production (BCFE)	146 - 152	162 - 167	225 - 232
Production growth (year over year)	33 - 38%	47 - 52 %	35 - 40%

## FUNDING OF 2011 AND 2012 PROGRAMS

Below is a table that summarizes the Company's estimated net cash needs for 2011 and 2012 based on the assumptions presented above:

(\$ in millions)	2011	2012
Capital program	\$ 1,550	\$ 1,400 - 1,500
Less: Projected operating cash flow*	860	1,200 - 1,300
Less: Transaction proceeds	476	-
Estimated funding gap	\$ 214	\$ 200

\* Projected operating cash flow assumes current strip pricing. Projected operating cash flow is a non-GAAP financial measure intended to be an estimate of future operating cash flow that provides internally generated funds for exploration, development, acquisitions, and to service debt. The Company computes historical operating cash flow as net cash provided by operating activities adjusted for changes in current assets and liabilities and exploration, less exploratory dry hole expense, and stock-based compensation expense included in exploration. A reconciliation of projected operating cash flow to projected net cash provided by operating activities is not provided due to uncertainties in projecting future changes in current assets and liabilities and other reconciling items.

SM Energy issued \$350 million in 6.625% senior notes earlier in 2011 to partially fund its 2011 and 2012 capital programs. As of the end of the quarter, there were no outstanding borrowings on the revolving credit facility, which has a \$1.0 billion commitment amount at the present time. Management believes that the Company is appropriately capitalized to fund the capital programs detailed above, while maintaining the strength of its balance sheet. The Company expects that it will achieve double-digit production growth within operating cash flow in 2013.

## OPERATIONAL UPDATE

### Eagle Ford Shale

SM Energy is currently operating four (4) drilling rigs on its operated acreage in South Texas. The focus of drilling activity during the second quarter of 2011 was to drill spacing pilots and test alternative completion designs. Data from this testing should be available to guide development activities during 2012. During the second quarter, the build-out of operated midstream facilities was commissioned to an outside party under the terms of a previously disclosed gas gathering services contract. Gas takeaway capacity during the quarter continued to be below contracted amounts due to restrictions on downstream third-party infrastructure. Previously announced capacity from another outside provider is anticipated to be available to the Company late in the third quarter of 2011.

As previously announced, during the second quarter of 2011 the Company entered into two separate transactions related to its Eagle Ford shale assets. These transactions are scheduled to close during the third quarter. Post-closings, SM Energy will have approximately 196,000 net acres in the play.

### Bakken / Three Forks

SM Energy is currently operating two (2) drilling rigs in the Williston Basin, with a focus on horizontal development of the Bakken and Three Forks formations in the Company's prospects in Divide and McKenzie Counties, North Dakota. During the second quarter of 2011, the Company, along with other operators, experienced flooding which delayed drilling and completion operations and required some production to be shut-in. All shut-in production is expected to come back online early in the third quarter of 2011 as the flood waters recede. A third drilling rig is being added to this play in the third quarter of 2011.

### Niobrara

SM Energy continues to test its Niobrara position in the northern extension of the DJ Basin in southern Wyoming. During the second quarter, three (3) new operated wells were drilled. The Polaris (SM 38% WI) was completed during the quarter and had a 7-day average production rate of roughly 950 BOE/d. The remaining two (2) wells are expected to be completed later this year.

The Company has also started permitting for several wells in the Powder River Basin in Wyoming where SM Energy has recently added to its acreage holdings. The Company now has 63,000 net acres in the Powder River Basin. In total, SM Energy has 89,000 total net acres in eastern Wyoming with potential in the emerging Niobrara play.

### ArkLaTex Region

During the quarter, SM Energy maintained activity in its operated Haynesville position in San Augustine County, Texas, using a two (2) rig program. Due to strong well results

and the presence of additional highly prospective up-hole intervals, the Company has decided to continue drilling its acreage in East Texas until the acreage is held by production, which it believes can be achieved by the third quarter of 2012 with a one (1) drilling rig program.

#### Mid-Continent Region

SM Energy operated one (1) drilling rig in its Granite Wash program during much of the second quarter of 2011, focusing on the liquids rich wash intervals. During the second quarter, SM Energy completed a Cottage Grove well, the Ruth 4-60 (SM 44% WI) in Wheeler County, Texas, which had a 7-day average initial production of approximately 1,378 BOE/d, of which 82% was oil. The Company plans to continue a one (1) to two (2) drilling rig program for the remainder of the year on its Granite Wash acreage, all of which is held by production.

#### Permian Region

The Company operated one (1) drilling rig in the Permian region during the second quarter of 2011, aimed at drilling down-spacing pilots in the Wolfberry tight oil and testing Mississippian targets.

**DETAILED 2011 PRODUCTION AND COST GUIDANCE**

	3Q11E	4Q11E	FY 2011E
Production (BCFE)	42.0 – 44.5	44.0 – 47.0	162.0 – 167.0
Average daily production (MMCFE/d)	453 – 481	479 – 509	437 – 464
Oil production (as % of total)	~30%	~31%	~30%
Natural gas production (as % of total)	~55%	~55%	~57%
NGL production (as % of total)	~15%	~14%	~13%
LOE (\$/MCFE)	\$ 0.90 – 0.96	\$ 0.90 – 0.96	\$ 0.88 – 0.93
Transportation (\$/MCFE)	\$ 0.59 – 0.62	\$ 0.58 – 0.61	\$ 0.50 – 0.53
Production Taxes (% of pre-derivative oil, gas, and NGL revenue)	6 – 7%	6 – 7%	5.5 – 6%
G&A - cash NPP (\$/MCFE)	\$ 0.11 – 0.13	\$ 0.11 – 0.13	\$ 0.12 – 0.14
G&A - other cash (\$/MCFE)	\$ 0.47 – 0.50	\$ 0.47 – 0.50	\$ 0.47 – 0.50
G&A - non-cash (\$/MCFE)	\$ 0.12 – 0.14	\$ 0.11 – 0.13	\$ 0.11 – 0.13
G&A TOTAL (\$/MCFE)	\$ 0.70 – 0.77	\$ 0.69 – 0.76	\$ 0.70 – 0.77
DD&A (\$/MCFE)	\$ 2.90 – 3.10	\$ 2.90 – 3.10	\$ 2.90 – 3.10
Non-cash interest expense (\$MM)	\$ 3.4	\$ 3.5	\$ 18.1
Effective income tax rate range			37.0% - 37.5%
% of income tax that is current			~5%

**EARNINGS CALL INFORMATION**

The Company has scheduled a teleconference to discuss second quarter results and other operational matters on August 2, 2011, at 8:00 a.m. Mountain time (10:00 a.m. Eastern time). The call participation number is 800-573-4842 and the participant passcode is 91627792. An audio replay of the call will be available approximately two hours after the call at 888-286-8010, with the passcode 51587016. International participants can dial 617-224-4327 to take part in the conference call, using passcode 91627792, and can access a replay of the call at 617-801-6888, using passcode 51587016. Replays can be accessed through August 9, 2011.

This call will be webcast live and can be accessed at SM Energy Company's website at [www.sm-energy.com](http://www.sm-energy.com). An audio recording of the conference call will be available at that site through August 9, 2011.

**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 such factors as the volatility and level of oil, natural gas, and natural gas liquids prices, the uncertain nature of the expected benefits from the acquisition, divestiture, 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, uncertainties inherent in projecting future rates of production from drilling activities and acquisitions, the ability of midstream service providers to purchase or market the Company's production, the ability of purchasers of production to pay for those sales, the availability of debt and equity financing for purchasers of oil and gas properties, the ability of the banks in the Company's credit facility to fund requested borrowings, the ability of derivative counterparties to settle derivative contracts in favor of the Company, 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, drilling and operating service availability, 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 [www.sm-energy.com](http://www.sm-energy.com).

**FOR IMMEDIATE RELEASE**

**SM ENERGY ANNOUNCES PARTICIPATION  
IN UPCOMING INVESTOR CONFERENCES**

**DENVER, CO August 1, 2011** – SM Energy Company (NYSE: SM) today announces that the Company will be participating in the following upcoming investor events:

- August 17, 2011 – Enercom Incorporated’s 2011 Oil and Gas Conference. Tony Best, President and CEO, will present at 11:20 AM Mountain Time.
- September 8, 2011 – Barclays CEO Energy-Power Conference. Tony Best, President and CEO, will present at 12:25 PM Eastern Time.

SM Energy’s presentation materials for these respective events will be available the day of the event at the at the Company’s website at [www.sm-energy.com](http://www.sm-energy.com). Links to webcasts of the Company’s presentations will also be available on the Company’s website.

**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 [www.sm-energy.com](http://www.sm-energy.com).