

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)
December 1, 2016

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.)
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1775 Sherman Street, Suite 1200, Denver, Colorado (Address of principal executive offices)	80203 (Zip Code)
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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))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

On December 1, 2016, SM Energy Company (the “*Company*”) completed its previously announced divestiture (the “*Divestiture*”) of certain oil and gas assets located in Montana and North Dakota (the “*Williston Basin Assets*”) to Oasis Petroleum North America LLC, a Delaware limited liability company (“*Oasis*”), for total cash consideration of \$765.8 million, subject to customary post-closing purchase price adjustments. The Divestiture closed pursuant to the Purchase and Sale Agreement, dated as of October 17, 2016, by and between the Company and Oasis. Other than the Divestiture, there is no material relationship between the Company and Oasis.

The foregoing summary of the Purchase and Sale Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the full text of the Purchase and Sale Agreement, which is filed as Exhibit 2.3 to the Current Report on Form 8-K filed on October 21, 2016.

The pro forma financial information required by Item 9.01 is filed as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

In accordance with General Instruction B.2. of Form 8-K, the following information, including Exhibit 99.2, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), or otherwise subject to the liabilities of that section, nor shall such information and Exhibit be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the “*Securities Act*”), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On December 1, 2016, the Company issued a press release announcing that it completed its previously announced divestiture of its Williston Basin Assets. A copy of the press release is furnished as Exhibit 99.2 to this report and is incorporated by reference herein.

Item 8.01 Other Events.

Pending Acquisitions

On November 15, 2016, the Company entered into a definitive agreement (the “*Howard County Agreement*”) to acquire producing properties and undeveloped leasehold interests in Howard County, Texas. The transaction contemplated by the Howard County Agreement is expected to close in January 2017, with an effective date of October 1, 2016, but closing is subject to the satisfaction of closing conditions customary for a transaction of this nature. There can be no assurance that the transaction will close when expected or at all.

As previously disclosed, on October 17, 2016, the Company entered into a definitive purchase agreement with QStar LLC (“*QStar*”) to acquire QStar’s interests in certain proved and unproved properties in the Midland Basin. Additionally, the Company entered into a Ratification and Joinder Agreement (“*Joinder Agreement*”) with RRP-QStar, LLC (“*RRP*”), whereby the Company agreed to acquire RRP’s interests in the same Midland Basin properties on the same terms and conditions set forth in the agreement with QStar, except as such terms are modified under the Joinder Agreement. Under these agreements, the Company agreed to purchase QStar’s and RRP’s interests in the Midland Basin properties for a combination of \$1.1 billion in cash consideration, and approximately 13.4 million shares of the Company’s common stock. Pursuant to the terms of the agreements with QStar and RRP, each of QStar and RRP have the right prior to closing to acquire additional leasehold interests in specified areas (the “*Additional Leases*”), and in the event any such additional interests are acquired, the purchase price to be paid by the Company would be increased by an agreed upon amount per additional acre acquired. The QStar and RRP transactions are expected to close on December 21, 2016, subject to the satisfaction of closing conditions customary for a transaction of this nature, but there can be no assurance that either of these transactions will close on the expected closing date or at all.

As a result of the above transactions, the Company expects to acquire an aggregate of approximately 4,100 net acres under the Howard County Agreement and the Additional Leases for total cash consideration of approximately \$120 million.

Pending Divestiture

As previously announced, the Company intends to divest its outside-operated Eagle Ford shale assets. The interest in the Company's marketing process for this divestiture has been significant to date. The Company expects to receive bids on these assets by December, and to the extent any of such bids are acceptable to the Company at that time, to close a transaction covering this divestiture within the first quarter of 2017. There can be no assurance, however, that any of the bids will be acceptable to the Company if and when received, or if received on acceptable terms that a subsequent transaction can be negotiated on acceptable terms or consummated when expected or at all.

Other Recent Developments

The Company recently completed a three-well pad in Howard County, Texas on the acreage it acquired from Rock Oil Holdings LLC. As of December 1, 2016, the 12-day average daily production rate for the three wells was 3,726 Boe/d, with a peak rate of 4,860 Boe/d.

As a result of closing the Divestiture of the Company's Williston Basin Assets, the borrowing base under the Fifth Amended and Restated Credit Agreement has been reduced to \$1.165 billion.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information.

The pro forma financial information for the Divestiture required by this Item 9.01 is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2016, has been prepared as if the Divestiture occurred on that date. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2016, and the year ended December 31, 2015, have been prepared as if the Divestiture occurred on January 1, 2015.

(d) Exhibits.

Exhibit Number	Description
99.1	Unaudited Pro Forma Financial Information
99.2	Press release of the Company dated December 1, 2016, entitled "SM Energy Announces Closing of Williston Basin Divestiture"

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.

SM ENERGY COMPANY

Date: December 1, 2016

By: /s/ David W. Copeland

David W. Copeland

Executive Vice President, General Counsel and
Corporate Secretary

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information is presented to illustrate the effect of the sale by SM Energy Company (the "*Company*") of effectively all of the Company's North Rocky Mountain assets outside of its Divide County, North Dakota program, including its Raven/Bear Den acreage (the "*Williston Basin Assets*") and the "*Divestiture*") on its historical financial position and operating results. The Divestiture had an effective date of October 1, 2016, and was completed on December 1, 2016. Cash proceeds from the Divestiture, after customary closing adjustments and before estimated selling costs, were \$765.8 million. The Divestiture is subject to customary post-closing purchase price adjustments that have not yet been finalized.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2016, is based on the historical financial statements of the Company as of September 30, 2016, after giving effect to the Divestiture as if it had occurred on September 30, 2016. The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2016, and the year ended December 31, 2015, are based on the historical financial statements of the Company for such periods after giving effect to the Divestiture as if it had occurred on January 1, 2015. The pro forma adjustments are based on available information and certain assumptions that the Company believes are reasonable as of the date of this Current Report on Form 8-K. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed consolidated financial statements.

The preparation of the unaudited pro forma condensed consolidated financial information is based on financial statements prepared in accordance with accounting principles generally accepted in the United States. These principles require the use of estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The Company determined that the Divestiture does not qualify for discontinued operations accounting under financial statement presentation authoritative guidance.

The unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and do not purport to indicate the financial condition or results of operations of future periods or the financial condition or results of operations that actually would have been realized had the Divestiture been consummated on the date or for the periods presented. The unaudited pro forma condensed consolidated financial information should be read in conjunction with the Company's historical consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 24, 2016, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed on November 2, 2016.

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of September 30, 2016
(in thousands, except share amounts)

ASSETS	As Reported	Pro Forma Adjustments	Notes	As Adjusted
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 980,666	\$ 777,026	(a)	\$ 1,757,692
Accounts receivable	140,799			140,799
Derivative asset	109,818			109,818
Prepaid expenses and other	15,326	(5,700)	(e)	9,626
Total current assets	1,246,609	771,326		2,017,935
Property and equipment (successful efforts method):				
Proved oil and gas properties	5,406,656			5,406,656
Less - accumulated depletion, depreciation, and amortization	(2,668,060)			(2,668,060)
Unproved oil and gas properties	177,787			177,787
Wells in progress	201,241			201,241
Oil and gas properties held for sale, net	1,109,517	(739,462)	(b)	370,055
Other property and equipment, net of accumulated depreciation of \$41,958 and \$32,956, respectively	137,553			137,553
Total property and equipment, net	4,364,694	(739,462)		3,625,232
Noncurrent assets:				
Derivative asset	107,029			107,029
Restricted cash	49,000			49,000
Other noncurrent assets	18,101			18,101
Total other noncurrent assets	174,130	—		174,130
Total Assets	\$ 5,785,433	\$ 31,864		\$ 5,817,297
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	\$ 277,571	\$ 3,800	(e)	\$ 281,371
Derivative liability	51,059			51,059
Total current liabilities	328,630	3,800		332,430
Noncurrent liabilities:				
Revolving credit facility	—			—
Senior Notes, net of unamortized deferred financing costs (note 5)	2,765,398			2,765,398
Senior Convertible Notes, net of unamortized discount and deferred financing costs	128,925			128,925
Asset retirement obligation	66,158			66,158
Asset retirement obligation associated with oil and gas properties held for sale	46,290	(18,678)	(c)	27,612
Net Profits Plan liability	1,162	(1,162)	(d)	—
Deferred income taxes	453,712	1,379	(e)	455,091
Derivative liability	104,705			104,705
Other noncurrent liabilities	42,538			42,538
Total noncurrent liabilities	3,608,888	(18,461)		3,590,427
Commitments and contingencies				
Stockholders' equity:				
Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 86,868,482 and 68,075,700, respectively	869			869
Additional paid-in capital	866,239			866,239
Retained earnings	994,969	46,525	(f)	1,041,494
Accumulated other comprehensive loss	(14,162)			(14,162)
Total stockholders' equity	1,847,915	46,525		1,894,440
Total Liabilities and Stockholders' Equity	\$ 5,785,433	\$ 31,864		\$ 5,817,297

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2016
(in thousands, except per share amounts)

	<u>As Reported</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>As Adjusted</u>
Operating revenues:				
Oil, gas, and NGL production revenue	\$ 832,130	\$ (108,226)	(g)	\$ 723,904
Net gain on divestiture activity	3,413			3,413
Other operating revenues	2,007			2,007
Total operating revenues and other income	<u>837,550</u>	<u>(108,226)</u>		<u>729,324</u>
Operating expenses:				
Oil, gas, and NGL production expense	445,658	(42,400)	(g)	403,258
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	619,193	(95,792)	(h)	523,401
Exploration	41,942			41,942
Impairment of proved properties	277,834			277,834
Abandonment and impairment of unproved properties	5,917			5,917
General and administrative	93,117			93,117
Change in Net Profits Plan liability	(6,449)			(6,449)
Derivative loss	121,086			121,086
Other operating expenses	14,180			14,180
Total operating expenses	<u>1,612,478</u>	<u>(138,192)</u>		<u>1,474,286</u>
Loss from operations	(774,928)	29,966		(744,962)
Non-operating income (expense):				
Interest expense	(112,329)			(112,329)
Gain on extinguishment of debt	15,722			15,722
Other, net	232			232
Loss before income taxes	(871,303)	29,966		(841,337)
Income tax benefit	314,505	(11,779)	(j)	302,726
Net loss	<u>\$ (556,798)</u>	<u>\$ 18,187</u>		<u>\$ (538,611)</u>
Basic weighted-average common shares outstanding	<u>71,574</u>			<u>71,574</u>
Diluted weighted-average common shares outstanding	<u>71,574</u>			<u>71,574</u>
Basic net loss per common share	<u>\$ (7.78)</u>			<u>\$ (7.53)</u>
Diluted net loss per common share	<u>\$ (7.78)</u>			<u>\$ (7.53)</u>

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2015
(in thousands, except per share amounts)

	<u>As Reported</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>As Adjusted</u>
Operating revenues:				
Oil, gas, and NGL production revenue	\$ 1,499,905	\$ (201,987)	(g)	\$ 1,297,918
Net gain on divestiture activity	43,031			43,031
Other operating revenues	14,029			14,029
Total operating revenues and other income	<u>1,556,965</u>	<u>(201,987)</u>		<u>1,354,978</u>
Operating expenses:				
Oil, gas, and NGL production expense	723,633	(61,501)	(g)	662,132
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	921,009	(135,188)	(h)	785,821
Exploration	120,569			120,569
Impairment of proved properties	468,679	(17,828)	(i)	450,851
Abandonment and impairment of unproved properties	78,643			78,643
Impairment of other property and equipment	49,369			49,369
General and administrative	157,668			157,668
Change in Net Profits Plan liability	(19,525)			(19,525)
Derivative gain	(408,831)			(408,831)
Other operating expenses	44,534			44,534
Total operating expenses	<u>2,135,748</u>	<u>(214,517)</u>		<u>1,921,231</u>
Loss from operations	(578,783)	12,530		(566,253)
Non-operating income (expense):				
Other, net	649			649
Interest expense	(128,149)			(128,149)
Loss on extinguishment of debt	(16,578)			(16,578)
Loss before income taxes	(722,861)	12,530		(710,331)
Income tax benefit	275,151	(5,284)	(j)	269,867
Net loss	<u>\$ (447,710)</u>	<u>\$ 7,246</u>		<u>\$ (440,464)</u>
Basic weighted-average common shares outstanding	<u>67,723</u>			<u>67,723</u>
Diluted weighted-average common shares outstanding	<u>67,723</u>			<u>67,723</u>
Basic net loss per common share	<u>\$ (6.61)</u>			<u>\$ (6.50)</u>
Diluted net loss per common share	<u>\$ (6.61)</u>			<u>\$ (6.50)</u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial statements reflect the following adjustments:

Pro Forma Condensed Consolidated Balance Sheet

“As Reported” - represents the historical condensed consolidated balance sheet of SM Energy Company as of September 30, 2016.

- a. To adjust cash and cash equivalents for the receipt of proceeds from the sale of the Company’s Williston Basin Assets, net of estimated commissions and payments to Net Profits Plan participants. The effective date of the Divestiture is October 1, 2016, therefore, customary closing purchase price adjustments related to the effective period were excluded from pro forma adjustments.
- b. To eliminate oil and gas properties related to the assets sold, which were previously classified as assets held for sale.
- c. To eliminate the asset retirement obligation liability related to the assets sold.
- d. To eliminate the Net Profits Plan liability associated with the assets sold.
- e. To reflect the estimated change in income tax receivables and payables and deferred income taxes related to additional utilization of gross federal and state net operating losses of \$980.0 million resulting in a decrease to deferred tax assets of \$246.2 million, offset by the reversal of \$225.1 million of net deferred tax liabilities associated with assets sold and the reversal of valuation allowances on deferred tax assets of \$10.2 million relating to state net operating losses and other deferred deductions which are now expected to be utilized.
- f. To record the gain on sale of oil and gas properties, net of tax effect, as illustrated in the table below. As the gain is directly attributable to the Divestiture and is not expected to have a continuing impact on Company’s operations, the estimated gain is only reflected in retained earnings on the unaudited pro forma condensed consolidated balance sheet.

	For the Nine Months Ended September 30, 2016
	(in thousands)
Gross purchase price	\$ 785,000
Less: Customary closing adjustments ⁽¹⁾	—
Cash proceeds received at closing ⁽¹⁾	785,000
Less: Commissions	(6,812)
Net Divestiture proceeds ⁽¹⁾⁽²⁾	778,188
Less: Cost basis of assets sold	(720,784)
Net gain on the Divestiture, before tax ⁽¹⁾⁽²⁾	57,404
Less: Tax expense	(10,879)
Net gain on the Divestiture ⁽¹⁾⁽²⁾	\$ 46,525

⁽¹⁾ See note (a) above regarding the exclusion of customary closing purchase price adjustments in the unaudited pro forma condensed balance sheet, as the effective date of the Divestiture is after the period presented. Net cash proceeds received at closing were \$765.8 million, which reflects a net downward purchase price adjustment of \$19.2 million for activity between the effective date and the closing date of the transaction.

⁽²⁾ Payments to Net Profits Plan participants were accrued in the historical financial statements, and therefore, have no impact on the estimated net gain on the Divestiture reflected in the adjustment to retained earnings. The actual payout will be calculated on proceeds, net of purchase price adjustments.

Pro Forma Condensed Consolidated Statement of Operations

“As Reported” - represents the historical condensed consolidated statement of operations of SM Energy Company for the nine months ended September 30, 2016, and the year ended December 31, 2015.

- g. To eliminate the revenues and direct operating expenses for the assets sold.
- h. To eliminate depletion, depreciation, amortization, and asset retirement obligation liability accretion expense based on

production volumes attributable to the assets sold.

- i. To eliminate the historical impairment of proved properties expense recorded for the assets sold.
- j. To adjust the income tax benefit for the effects of the pro forma adjustments at a 36.5 percent blended federal and state statutory rate and for changes to the state apportionment factor associated with the assets sold. The changes to the state apportionment factor resulted in a 0.1 percent revision to the applicable blended federal and state statutory rate from 36.5 percent to 36.4 percent. The cumulative effect is reflected in the unaudited pro forma condensed consolidated balance sheet, but not in the unaudited pro forma condensed consolidated statements of operations.

No pro forma adjustment was made for historical overhead costs reflected in general and administrative and exploration expense or for interest expense, as these costs are not directly attributable to the assets sold. The Divestiture proceeds will be used for acquisition and/or development activity, rather than paying down debt. Additionally, the Company's oil, gas, and NGL commodity derivative contracts are not directly attributable to the assets sold, and therefore, were not reflected in the unaudited pro forma condensed consolidated financial statements.

FOR IMMEDIATE RELEASE

SM ENERGY ANNOUNCES CLOSING OF WILLISTON BASIN DIVESTITURE

DENVER, CO December 1, 2016 - SM Energy Company (NYSE: SM) announced today that the Company closed the previously announced divestiture of its Williston Basin assets located outside of Divide County, North Dakota to Oasis Petroleum North America LLC for \$765.8 million of net cash proceeds, subject to customary post-closing purchase price adjustments. This divestiture had an effective date of October 1, 2016, and was completed on December 1, 2016. Third quarter 2016 production associated with these assets was approximately 14,350 Boe/d (78% oil). The Company plans to apply the proceeds from this divestiture towards its acquisition of assets from QStar LLC and a related entity, a transaction that the Company expects to close later in December, and for general corporate purposes.

FORWARD LOOKING STATEMENTS

This release contains forward-looking statements within the meaning of securities laws. The words “anticipate,” “assume,” “believe,” “budget,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “plan,” “project,” “will” 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. Forward-looking statements in this release include, among other things, expectations concerning the Company's pending acquisition of Permian Basin assets and the Company's liquidity position. General risk factors include the availability of and access to capital markets; the availability, proximity and capacity of gathering, processing and transportation facilities; the volatility and level of oil, natural gas, and natural gas liquids prices, including any impact on the Company's asset carrying values or reserves arising from price declines; uncertainties inherent in projecting future rates of production or other results from drilling and completion activities; the imprecise nature of estimating oil and gas reserves; uncertainties inherent in projecting future drilling and completion activities, costs or results, including from pilot tests; the uncertainty of negotiations to result in an agreement or a completed transaction; the uncertain nature of acquisition, divestiture, joint venture, farm down or similar efforts and the ability to complete any such transactions; the uncertain nature of expected benefits from the actual or expected acquisition, divestiture, joint venture, farm down or similar efforts; the availability of additional economically attractive exploration, development, and acquisition opportunities for future growth and any necessary financings; unexpected drilling conditions and results; unsuccessful exploration and development drilling results; 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 2015 Annual Report on Form 10-K, as 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 announcement. 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 acquisition, exploration, development, and production of crude oil, natural gas, and natural gas liquids in onshore North America. SM Energy routinely posts important information about the Company on its website.

INVESTOR CONTACT:

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