

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)
March 10, 2017

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 March 10, 2017, SM Energy Company (the “*Company*”) completed its previously announced divestiture (the “*Divestiture*”) of its non-operated Eagle Ford shale assets, including its ownership interest in related midstream assets (the “*Eagle Ford Assets*”) to Venado EF L.P., an affiliate of KKR (“*Venado*”), for net cash proceeds of approximately \$754.0 million, subject to customary post-closing purchase price adjustments. The Divestiture closed pursuant to the Membership Interest Purchase Agreement (the “*Purchase Agreement*”), dated as of January 1, 2017, and amended on March 4, 2017, by which Venado purchased from the Company all of the outstanding membership interests in SM Energy ST LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company. Other than the Divestiture, there is no material relationship between the Company and Venado.

The foregoing summary of the Purchase Agreement does not purport to be complete and is subject to, and qualified in its entirety by reference to, the description of the Purchase Agreement in the Current Report on Form 8-K/A filed on January 9, 2017, and the amendment thereto described in the Current Report on Form 8-K filed on March 6, 2017.

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 March 13, 2017, the Company issued a press release announcing that it completed its previously announced divestiture of its non-operated Eagle Ford shale Assets. A copy of the press release is furnished as Exhibit 99.2 to this report and is incorporated herein by reference.

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 consolidated balance sheet as of December 31, 2016, has been prepared as if the Divestiture occurred on that date. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2016, has been prepared as if the Divestiture occurred on January 1, 2016.

(d) Exhibits.

Exhibit Number	Description
99.1	Unaudited Pro Forma Financial Information
99.2	Press release of the Company dated March 13, 2017, entitled “SM Energy Announces Closing the Sale of Non-Operated Eagle Ford Assets”

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: March 13, 2017

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 its non-operated Eagle Ford shale assets, including its ownership interest in related midstream assets (the "*Eagle Ford Assets*" and the "*Divestiture*") on its historical financial position and operating results. The Divestiture had an effective date of November 1, 2016, and was completed on March 10, 2017. Net proceeds from the Divestiture, after customary closing adjustments and estimated selling costs, were \$747.4 million. The Divestiture is subject to customary post-closing purchase price adjustments that have not yet been finalized.

The unaudited pro forma consolidated balance sheet as of December 31, 2016, is based on the historical financial statements of the Company as of December 31, 2016, after giving effect to the Divestiture as if it had occurred on December 31, 2016. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2016, is based on the historical financial statements of the Company for such period after giving effect to the Divestiture as if it had occurred on January 1, 2016. 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 consolidated financial statements.

The preparation of the unaudited pro forma 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 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 period presented. The unaudited pro forma 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, 2016, filed on February 23, 2017.

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of December 31, 2016
(in thousands, except share amounts)

ASSETS	As Reported	Pro Forma Adjustments	Notes	As Adjusted
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,372	\$ 747,395	(a)	\$ 756,767
Accounts receivable	151,950	(644)	(d)	151,306
Derivative asset	54,521			54,521
Prepaid expenses and other	8,799			8,799
Total current assets	224,642	746,751		971,393
Property and equipment (successful efforts method):				
Proved oil and gas properties	5,700,418			5,700,418
Less - accumulated depletion, depreciation, and amortization	(2,836,532)			(2,836,532)
Unproved oil and gas properties	2,471,947			2,471,947
Wells in progress	235,147			235,147
Oil and gas properties held for sale, net	372,621	(372,621)	(b)	—
Other property and equipment, net of accumulated depreciation of \$42,882	137,753			137,753
Total property and equipment, net	6,081,354	(372,621)		5,708,733
Noncurrent assets:				
Derivative asset	67,575			67,575
Other noncurrent assets	19,940			19,940
Total other noncurrent assets	87,515	—		87,515
Total Assets	\$ 6,393,511	\$ 374,130		\$ 6,767,641
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	\$ 299,708	\$ 13,902	(d)	\$ 313,610
Derivative liability	115,464			115,464
Total current liabilities	415,172	13,902		429,074
Noncurrent liabilities:				
Revolving credit facility	—			—
Senior Notes, net of unamortized deferred financing costs	2,766,719			2,766,719
Senior Convertible Notes, net of unamortized discount and deferred financing costs	130,856			130,856
Asset retirement obligation	96,134			96,134
Asset retirement obligation associated with oil and gas properties held for sale	26,241	(26,241)	(c)	—
Deferred income taxes	315,672	128,493	(d)	444,165
Derivative liability	98,340			98,340
Other noncurrent liabilities	47,244			47,244
Total noncurrent liabilities	3,481,206	102,252		3,583,458
Commitments and contingencies				
Stockholders' equity:				
Common stock, \$0.01 par value - authorized: 200,000,000 shares; issued and outstanding: 111,257,500	1,113			1,113
Additional paid-in capital	1,716,556			1,716,556
Retained earnings	794,020	257,976	(e)	1,051,996
Accumulated other comprehensive loss	(14,556)			(14,556)
Total stockholders' equity	2,497,133	257,976		2,755,109
Total Liabilities and Stockholders' Equity	\$ 6,393,511	\$ 374,130		\$ 6,767,641

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 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 and other income:				
Oil, gas, and NGL production revenue	\$ 1,178,426	\$ (216,844)	(f)	\$ 961,582
Net gain on divestiture activity	37,074		(g)	37,074
Other operating revenues	1,950			1,950
Total operating revenues and other income	<u>1,217,450</u>	<u>(216,844)</u>		<u>1,000,606</u>
Operating expenses:				
Oil, gas, and NGL production expense	597,565	(96,829)	(f)	500,736
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	790,745	(68,911)	(h)	721,834
Exploration	65,641			65,641
Impairment of proved properties	354,614	(269,610)	(i)	85,004
Abandonment and impairment of unproved properties	80,367			80,367
General and administrative	126,428			126,428
Change in Net Profits Plan liability	(7,200)			(7,200)
Net derivative loss	250,633			250,633
Other operating expenses	17,972			17,972
Total operating expenses	<u>2,276,765</u>	<u>(435,350)</u>		<u>1,841,415</u>
Loss from operations	(1,059,315)	218,506		(840,809)
Non-operating income (expense):				
Interest expense	(158,685)			(158,685)
Gain on extinguishment of debt	15,722			15,722
Other, net	362			362
Loss before income taxes	(1,201,916)	218,506		(983,410)
Income tax benefit	444,172	(79,099)	(j)	365,073
Net loss	<u>\$ (757,744)</u>	<u>\$ 139,407</u>		<u>\$ (618,337)</u>
Basic weighted-average common shares outstanding	76,568			76,568
Diluted weighted-average common shares outstanding	76,568			76,568
Basic net loss per common share	\$ (9.90)			\$ (8.08)
Diluted net loss per common share	\$ (9.90)			\$ (8.08)

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

Pro Forma Consolidated Balance Sheet

“As Reported” - represents the historical consolidated balance sheet of the Company as of December 31, 2016.

- a. To adjust cash and cash equivalents for the receipt of proceeds from the sale of the Company’s Eagle Ford Assets, net of estimated selling costs.
- 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 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 \$632.8 million resulting in a decrease to deferred tax assets of \$176.2 million, offset by the reversal of \$28.9 million of net deferred tax liabilities associated with assets sold, and the reversal of valuation allowances on deferred tax assets of \$4.3 million relating to state net operating losses and other deferred deductions which are now expected to be utilized.
- e. To record the estimated gain on sale of oil and gas properties, net of tax effect, as illustrated in the table below.

	For the Year Ended December 31, 2016
	(in thousands)
Gross purchase price	\$ 800,000
Less: customary closing adjustments	(45,965)
Cash proceeds received at closing	754,035
Less: estimated selling costs	(6,640)
Net divestiture proceeds	747,395
Less: cost basis of assets and liabilities sold	(346,380)
Net gain on the Divestiture, before tax	401,015
Less: income tax expense	(143,039)
Net gain on the Divestiture	\$ 257,976

Pro Forma Consolidated Statement of Operations

“As Reported” - represents the historical consolidated statement of operations of the Company for the year ended December 31, 2016.

- f. To eliminate the revenues and direct operating expenses for the assets sold.
- g. The gain directly attributable to the Divestiture is not expected to have a continuing impact on the Company’s operations, and therefore, is not reflected in the unaudited pro forma consolidated income statement.
- h. To eliminate depletion, depreciation, amortization, and asset retirement obligation liability accretion expense attributable to the assets sold.
- i. To eliminate the 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 36.2 percent blended federal and state statutory rate.

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 primarily for development activity. If market conditions are favorable, the Company may use a portion of the Divestiture proceeds to pay down debt; however, the amount and timing is uncertain. 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 consolidated financial statements.

FOR IMMEDIATE RELEASE

SM ENERGY ANNOUNCES CLOSING THE SALE OF NON-OPERATED EAGLE FORD ASSETS

DENVER, CO March 13, 2017 - SM Energy Company (NYSE: SM) announced today that it closed the previously announced sale of its third party operated assets in the Eagle Ford, including ownership interest in midstream assets, for \$800.0 million gross or \$754.0 million net cash proceeds adjusted for post-effective date revenue and expenses, before final customary purchase price adjustments. The buyer is Venado EF L.P., an affiliate of KKR, and the effective date of the transaction is November 1, 2016. Fourth quarter 2016 production associated with these assets was 24,250 Boe per day (33% oil). The Company plans to apply proceeds from this divestiture towards its 2017 capital program, general debt reduction and 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, planned use of proceeds. 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 2016 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. For more information about SM Energy, please visit its website at www.SM-Energy.com.

INVESTOR CONTACT:

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