SM Energy Co
Form 424B5
August 09, 2016

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
1.50% Convertible Senior Notes Due 2021	$172,500,000(1)	100%(2)	$172,500,000(2)	$17,370.75
Common Stock, par value $0.01 per share	(3)			(4)

(1) Equals the aggregate principal amount of the 1.50% Convertible Senior Notes due 2021 (the "notes") being offered hereunder, including $22,500,000 in aggregate principal amount of notes that may be offered and sold pursuant to the exercise in full of the underwriters' over-allotment option.

(2) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457 under the Securities Act of 1933, as amended (the "Securities Act").

(3) Represents an indeterminate number of shares of common stock that may be issued from time to time upon conversion of the notes, subject to adjustment in accordance with the terms of the notes and the indenture governing the notes. Also includes, pursuant to Rule 416 under the Securities Act, such number of shares as may be issued as a result of stock splits, stock dividends and similar transactions.

(4) No additional consideration will be received for the shares of common stock issuable upon conversion of the notes registered hereby. Therefore, pursuant to Rule 457(i) under the Securities Act, no registration fee is required to be paid in connection with the common stock registered hereby.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-203936

Prospectus supplement
(To prospectus dated August 8, 2016)

SM ENERGY COMPANY

$150,000,000

1.50% Convertible Senior Notes due 2021

Interest payable January 1 and July 1

We are offering $150,000,000 principal amount of our 1.50% Convertible Senior Notes due 2021. The notes will bear interest at a rate of 1.50% per year, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2017. The notes will mature on July 1, 2021.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2021 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2016 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined below) per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events. On or after January 1, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The conversion rate will initially be 24.6914 shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $40.50 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

We may not redeem the notes prior to the maturity date, and no sinking fund is provided for the notes.

If we undergo a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The notes will be our senior unsecured obligations and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment to any of our unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Concurrently with this offering, we are also making a public offering of 16,000,000 shares of our common stock. The common stock will be offered pursuant to a separate prospectus supplement. The public offering price of our common stock is $30.00 per share. We have granted the underwriters of that offering an option to purchase up to an additional 2,400,000 shares of our common stock. The closing of our offering of the notes is not conditioned upon the closing of the concurrent offering of our common stock, and the closing of the concurrent offering of our common stock is not conditioned upon the closing of this offering of notes.

We do not intend to apply to list the notes on any securities exchange or any automated dealer quotation system. Our common stock is listed on The New York Stock Exchange under the symbol "SM." The last reported sale price of our common stock on The New York Stock Exchange on August 8, 2016 was $31.06 per share.

Investing in the notes involves a high degree of risk. See "Risk Factors" beginning on page S-19 of this prospectus supplement.

	Per Note	Total
Public offering price(1)	$1,000	$150,000,000
Underwriting discounts and commissions	$32.50	$4,875,000
Proceeds, before expenses, to us	$967.50	$145,125,000

(1) Plus accrued interest, if any, from August 12, 2016.

We have granted the underwriters the right to purchase, exercisable within a 30-day period, up to an additional $22,500,000 principal amount of notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about August 12, 2016.

Joint Book-Running Managers

Wells Fargo Securities **BofA Merrill Lynch** **J.P. Morgan**

Co-Managers

Barclays **BBVA**

Comerica Securities
Deutsche Bank Securities
Scotia Howard Weil
BOK Financial Securities, Inc.
KeyBanc Capital Markets
US Bancorp
Tudor, Pickering, Holt & Co.
Capital One Securities
Santander
Goldman, Sachs & Co.

The date of this prospectus supplement is August 8, 2016.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second

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part is the accompanying prospectus, which gives more general information about securities we may offer from time to time, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both this prospectus supplement and the accompanying prospectus. Before you invest in our notes, you should carefully read this prospectus supplement and the accompanying prospectus, in addition to the information contained in the documents we refer to under the heading "Where You Can Find More Information" and "Incorporation by Reference" in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus we may authorize to be delivered to you. If any information varies between this prospectus supplement, the accompanying prospectus or documents incorporated by reference herein prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

The information contained in this prospectus supplement and the accompanying prospectus or in any document incorporated by reference herein or therein is accurate and complete only as of the date hereof or thereof, respectively, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our notes by us or the underwriters. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise indicates, the terms "SM Energy," "the Company," "we," "us" and "our" in this prospectus supplement mean SM Energy Company, a Delaware corporation, and its subsidiaries. Certain oil and natural gas industry terms used in this prospectus supplement are defined in the "Glossary of Oil and Natural Gas Terms" beginning on page S-101 of this prospectus supplement.

Where You Can Find More Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), and we file annual, quarterly and other reports and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street NE, Washington, D.C. 20549-2521. Please call 1-800-732-0330 for further information concerning the operation of the public reference room. Our SEC filings are also available on the SEC's web site at *http://www.sec.gov*. Unless specifically listed under "Incorporation by Reference" below, the information contained on the SEC web site is not intended to be incorporated by reference in this prospectus supplement and you should not consider that information a part of this prospectus supplement.

We make available free of charge on or through our Internet website, *http://www.sm-energy.com*, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. In addition, information contained on our Internet website is not part of this prospectus supplement and does not constitute a part of this prospectus supplement.

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INCORPORATION BY REFERENCE

We "incorporate by reference" in this prospectus supplement certain documents that we have previously filed with the SEC. This means that we are disclosing important information to you without actually including that information in this prospectus supplement by referring you to other documents that we have filed separately with the SEC. The information incorporated by reference is an important part of this prospectus supplement. Information that we later provide to the SEC, and which is deemed "filed" with the SEC, will automatically update information that we previously filed with the SEC, and may replace information in this prospectus supplement and information that we previously filed with the SEC. We incorporate by reference the following documents in this prospectus supplement, which you should review in connection with this prospectus supplement:

- our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 24, 2016 ("2015 Form 10-K");
- our Quarterly Reports on Form 10-Q for the period ended March 31, 2016, filed with the SEC on May 4, 2016, and for the period ended June 30, 2016 ("Second Quarter 2016 Form 10-Q"), filed with the SEC on August 3, 2016;
- our Current Reports on Form 8-K filed with the SEC on February 22, 2016, March 25, 2016, April 13, 2016, May 26, 2016, August 8, 2016 and August 9, 2016, excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K); and
- the description of our common stock contained in our Form 8-A/A (File No. 001-31539) filed with the SEC on August 8, 2016, including any amendment to that form that we may file in the future for the purpose of updating the description of our common stock.

We also incorporate by reference each of the documents that we file with the SEC (excluding those filings made under Items 2.02 or 7.01 of Form 8-K or other information furnished to the SEC) under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act on or after the date of this prospectus supplement and before the termination of the offering of common stock under this prospectus supplement shall be deemed to be incorporated in this prospectus supplement by reference and to be a part hereof from the date of the filing of such documents. Any statements made in such documents will automatically update and supersede the information contained in this prospectus supplement, and any statements made in this prospectus supplement update and supersede the information contained in past SEC filings incorporated by reference into this prospectus supplement.

We will provide, at no cost to you, a copy of all documents incorporated by reference into this prospectus supplement to each person, including any beneficial owner, to whom we deliver this prospectus supplement, upon written or oral request. You may request a copy of these filings by writing or telephoning us at the following address or telephone number:

Investor Relations
SM Energy Company
1775 Sherman Street, Suite 1200
Denver, Colorado 80203
(303) 861-8140
information@sm-energy.com

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act. All statements, other than statements of historical facts, included in this prospectus supplement that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "assume," "believe," "budget," "estimate," "expect," "forecast," "intend," "plan," "project," "will," and similar expressions are intended to identify forward-looking statements. Forward-looking statements appear throughout this prospectus supplement, and include statements about such matters as:

- the amount and nature of future capital expenditures and the availability of liquidity and capital resources to fund capital expenditures;
- our ability to consummate acquisitions and the successful integration and future performance of such assets;
- our outlook on future oil, gas, and NGL prices, well costs, and service costs;
- the drilling of wells and other exploration and development activities and plans, as well as possible acquisitions;
- the possible divestiture or farm-down of, or joint venture relating to, certain properties;
- proved reserve estimates and the estimates of both future net revenues and the present value of future net revenues associated with those proved reserve estimates;
- future oil, gas, and NGL production estimates;
- cash flows, anticipated liquidity, and the future repayment of debt;
- business strategies and other plans and objectives for future operations, including plans for expansion and growth of operations or to defer capital investment, and our outlook on our future financial condition or results of operations; and
- other similar matters such as those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our 2015 Form 10-K.

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments, and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties, which may cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. Some of these risks are described in the *Risk Factors* section in Part I, Item 1A of our 2015 Form 10-K, and include such factors as:

- the volatility of oil, gas, and NGL prices, and the effect it may have on our profitability, financial condition, cash flows, access to capital, and ability to grow production volumes and/or proved reserves;

weakness in economic conditions and uncertainty in financial markets;

our ability to replace reserves in order to sustain production, including our ability to consummate acquisitions and the successful integration and future performance of such assets;

our ability to raise the substantial amount of capital required to develop and/or replace our reserves;

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our ability to compete against competitors that have greater financial, technical, and human resources;

our ability to attract and retain key personnel;

the imprecise estimations of our actual quantities and present value of proved oil, gas, and NGL reserves;

the uncertainty in evaluating recoverable reserves and estimating expected benefits or liabilities;

the possibility that exploration and development drilling may not result in commercially producible reserves;

our limited control over activities on outside-operated properties;

our reliance on the skill and expertise of third-party service providers on our operated properties;

the possibility that title to properties in which we have an interest may be defective;

the possibility that our planned drilling in existing or emerging resource plays using some of the latest available horizontal drilling and completion techniques is subject to drilling and completion risks and may not meet our expectations for reserves or production;

the uncertainties associated with acquisitions, divestitures, joint ventures, farm-downs, farm-outs and similar transactions with respect to certain assets, including whether such transactions will be consummated or completed in the form or timing and for the value that we anticipate;

the uncertainties associated with enhanced recovery methods;

our commodity derivative contracts may result in financial losses or may limit the prices we receive for oil, gas, and NGL sales;

the inability of one or more of our service providers, customers, or contractual counterparties to meet their obligations;

our ability to deliver necessary quantities of natural gas or crude oil to contractual counterparties;

price declines or unsuccessful exploration efforts resulting in write-downs of our asset carrying values;

the impact that lower oil, gas, or NGL prices could have on the amount we are able to borrow under our Credit Agreement (as defined herein);

the possibility our amount of debt may limit our ability to obtain financing for acquisitions, make us more vulnerable to adverse economic conditions, and make it more difficult for us to make payments on our debt;

the possibility that covenants in our debt agreements may limit our discretion in the operation of our business, prohibit us from engaging in beneficial transactions, or lead to the accelerated payment of our debt;

operating and environmental risks and hazards that could result in substantial losses;

the impact of seasonal weather conditions and lease stipulations on our ability to conduct drilling activities;

our ability to acquire adequate supplies of water and dispose of or recycle water we use at a reasonable cost in accordance with environmental and other applicable rules;

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- complex laws and regulations, including environmental regulations, that result in substantial costs and other risks;
- the availability and capacity of gathering, transportation, processing, and/or refining facilities;
- our ability to sell and/or receive market prices for our oil, gas, and NGLs;
- new technologies may cause our current exploration and drilling methods to become obsolete;
- the possibility of security threats, including terrorist attacks and cybersecurity breaches, against, or otherwise impacting, our facilities and systems; and
- litigation, environmental matters, the potential impact of legislation and government regulations, and the use of management estimates regarding such matters.

We caution you that forward-looking statements are not guarantees of future performance and actual results or performance may be materially different from those expressed or implied in the forward-looking statements. The forward-looking statements in this prospectus supplement speak as of the filing date of this prospectus supplement. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by securities laws.

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SUMMARY

This prospectus supplement summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus, and the documents we incorporate by reference. It does not contain all of the information that you should consider before making an investment decision. For a more complete understanding of our business and this offering, you should carefully read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, including our historical financial statements and the notes thereto, which are incorporated herein by reference from our 2015 Form 10-K and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2016 and June 30, 2016. You should read "Risk Factors" beginning on page S-19 of this prospectus supplement, on page 4 of the accompanying prospectus and Item 1A. "Risk Factors" in our 2015 Form 10-K and Quarterly Reports on Form 10-Q for the periods ended March 31, 2016 and June 30, 2016, for more information about important risks that you should consider before making a decision to invest in our notes.

Certain information with respect to our estimated proved reserves referred to and incorporated by reference herein is based in part upon the audit of our proved reserve estimates by Ryder Scott Company, L.P., a firm of independent petroleum engineers. Such information is included and incorporated herein in reliance on the authority of such firm as an expert in petroleum engineering.

SM Energy Company

We are an independent energy company engaged in the acquisition, exploration, development, and production of oil, natural gas, and NGLs in onshore North America. Our core assets and active development positions are located in the Eagle Ford shale in south Texas, the Bakken/Three Forks in North Dakota and the Permian Basin in west Texas. We also have a delineation and exploration program in the Powder River Basin in Wyoming.

Our strategic objective is to profitably build our ownership and operatorship of North American oil, natural gas, and NGL producing assets that have high operating margins and significant opportunities for additional economic investment. We pursue growth opportunities through both exploration and acquisitions, and we seek to maximize the value of our assets through industry leading technology application and outstanding operational execution. We focus on achieving high full-cycle economic returns on our investments and maintaining a simple, strong balance sheet through a conservative approach to leverage.

As of year-end 2015, our proved reserves were 471.3 MMBoe. In the second quarter of 2016, production averaged 157,200 Boe per day. As of the end of the second quarter of 2016, our leasehold acreage totaled approximately 390,000 net acres in the Eagle Ford shale in south Texas, the Bakken/Three Forks in North Dakota and the Permian Basin in west Texas, approximately 171,000 net acres in the Powder River Basin and 477,000 net acres in other areas, of which 79,000 acres we recently announced were subject to contracts for sale.

Corporate Information

We were founded in 1908 and incorporated in Delaware in 1915. Our initial public offering of common stock was in December 1992. Our common stock trades on the New York Stock Exchange (the "NYSE") under the ticker symbol "SM." Our principal offices are located at 1775 Sherman Street, Suite 1200, Denver, Colorado 80203, and our telephone number is (303) 861-8140. Our website address is *www.sm-energy.com*; information included or referred to on our website is not part of this prospectus supplement.

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Recent Developments

Pending Acquisition

On August 8, 2016, we entered into a definitive membership interest purchase agreement (the "Purchase Agreement") with Rock Oil Holdings LLC (the "Seller") to acquire (the "Acquisition") 100% of the membership interests in JPM EOC Opal, LLC (the "Target"), a Delaware limited liability company and wholly-owned subsidiary of Seller, which owns undeveloped leasehold interests, producing wells and associated infrastructure assets in the Midland Basin of west Texas. The Acquisition will complement and significantly expand our existing core position in the basin. The purchase price for the membership interests in Target is $980 million (the "Purchase Price"), subject to certain customary purchase price adjustments.

Pursuant to the Purchase Agreement, we will acquire approximately 24,783 net acres in Howard County, Texas that are predominantly contiguous; an estimated 6 MMBoe of proved developed producing reserves (based on internal estimates); and approximately 4,900 Boe per day of net production (as of July 2016) that is approximately 77% oil. The to be acquired leasehold has current production from wells in the Wolfcamp A, Wolfcamp B and Lower Spraberry formations, with a recently completed well producing approximately 1,600 Boe/d in the last 30 days. We have demonstrated superior operational execution in the Midland Basin and plan to utilize our extensive experience and expertise, including applying reservoir modeling, pad drilling and leading edge completion technologies to optimize the performance of the wells we expect to drill on the acquired assets.

We intend to fund the Acquisition with net proceeds from this offering, net proceeds from our Concurrent Equity Offering (as defined below), proceeds from asset sales pursuant to definitive agreements currently in place, proceeds from asset sales contemplated as part of our continued portfolio management (including the divestiture of our outside-operated position in the Eagle Ford shale), borrowings under our Credit Agreement or borrowings under the Bridge Facility (as defined below). There can be no assurances that any asset sales will be consummated.

The Acquisition is scheduled to close October 4, 2016, with an effective date of September 1, 2016, and is subject to the satisfaction of customary closing conditions. There can be no assurance that the transaction will close on the expected closing date or at all. Following the execution of the Purchase Agreement, we are required to deposit $49.0 million into an escrow account as a deposit to be applied against the Purchase Price at the closing of the Acquisition.

Neither the closing of this offering nor the closing of the Concurrent Equity Offering are conditioned on, or are a condition to, the consummation of the Acquisition. If the Acquisition is delayed, not consummated or consummated in a manner different than described herein, the price of our notes may decline. In addition, if the Acquisition is not consummated, our management will have broad discretion in the application of the net proceeds of this offering. Accordingly, if you decide to purchase notes in this offering, you should be willing to do so whether or not we complete the Acquisition.

Concurrent Equity Offering

Concurrently with this offering, we are also making a public offering of 16,000,000 shares of our common stock pursuant to a separate prospectus supplement (the "Concurrent Equity Offering"). In that offering, we have granted the underwriters of that offering a 30-day option to purchase up to an additional 2,400,000 shares of our common stock. The closing of our offering of the notes is not conditioned upon the closing of the concurrent offering of our common stock, and the closing of the concurrent offering of our common stock is not conditioned upon the closing of this offering of the notes.

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Bridge Facility

On August 8, 2016, we entered into a commitment letter by which a lender committed to make available to us a second lien bridge facility in a principal amount of up to $500 million (the "Bridge Facility") until November 11, 2016, subject to the terms and conditions set forth in the commitment letter. If we decide to use this facility, the proceeds would be used to fund a portion of the purchase price of the Acquisition and the payment of fees and expenses of the Acquisition.

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THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Debt Securities" section of the accompanying prospectus, as supplemented by the "Description of notes" section of this prospectus supplement, contain a more detailed description of the terms and conditions of the notes.

Issuer	SM Energy Company, a Delaware corporation.
Securities	$150,000,000 principal amount of 1.50% Convertible Senior Notes due 2021 (*plus* up to an additional $22,500,000 principal amount to cover over-allotments).
Maturity	July 1, 2021, unless earlier repurchased or converted.
Interest	1.50% per year. Interest will accrue from August 12, 2016 and will be payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2017. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under "Description of notes Events of default."
Conversion rights	Holders may convert all or any portion of their notes, in multiples of $1,000 principal amount, at their option at any time prior to the close of business on the business day immediately preceding January 1, 2021 only under the following circumstances:
	during any calendar quarter commencing after the calendar quarter ending on September 30, 2016 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
	during the five business day period after any five consecutive trading day period (the "measurement period") in which the "trading price" (as defined under "Description of notes Conversion rights Conversion upon satisfaction of trading price condition") per $1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day; or
	upon the occurrence of specified corporate events described under "Description of notes Conversion rights Conversion upon specified corporate events."
	On or after January 1, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

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	The conversion rate for the notes is initially 24.6914 shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $40.50 per share of common stock), subject to adjustment as described in this prospectus supplement. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as described herein) calculated on a proportionate basis for each trading day in a 20 trading day observation period (as described herein). See "Description of notes Conversion rights Settlement upon conversion." In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances as described under "Description of notes Conversion rights Increase in conversion rate upon conversion upon a make-whole fundamental change." You will not receive any additional cash payment or additional shares representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note.
No redemption	We may not redeem the notes prior to the maturity date and no "sinking fund" is provided for the notes, which means that we are not required to redeem or retire the notes periodically.
Fundamental change	If we undergo a "fundamental change" (as defined in this prospectus supplement under "Description of notes Fundamental change permits holders to require us to repurchase notes"), subject to certain conditions, holders may require us to repurchase for cash all or part of their notes in principal amounts of $1,000 or an integral multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the notes to be repurchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change repurchase date. See "Description of notes Fundamental change permits holders to require us to repurchase notes."
Ranking	The notes will be our senior unsecured obligations and will rank: senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the notes;

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- equal in right of payment to any of our unsecured indebtedness that is not so subordinated, including our 6.50% Senior Notes due 2021, 6.125% Senior Notes due 2022, 6.50% Senior Notes due 2023, 5.00% Senior Notes due 2024 and 5.625% Senior Notes due 2025 (collectively, the "Senior Notes");

- effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and

- structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

As of June 30, 2016, our total consolidated indebtedness was $2.6 billion, of which an aggregate of $2.3 billion was unsecured indebtedness and an aggregate of $330.5 million was secured indebtedness. As of June 30, 2016, our subsidiaries had $0.3 million of indebtedness and other liabilities (including trade payables, but excluding intercompany obligations and liabilities of a type not required to be reflected on a balance sheet of such subsidiaries in accordance with GAAP) to which the notes would have been structurally subordinated. After giving effect to the issuance of the notes (assuming no exercise of the underwriters' over-allotment option) and the use of proceeds therefrom, our total consolidated indebtedness would have been $2.8 billion.

The indenture governing the notes does not limit the amount of debt that we or our subsidiaries may incur.

Future subsidiary guarantors

If at any time the notes are outstanding, any of our Senior Notes (as such Senior Notes may be amended, extended, modified or refinanced from time to time) become guaranteed by any of our subsidiaries, we will cause each such subsidiary, on the effective date of such guarantee, to also guarantee the notes on the same basis as the guarantee of such Senior Notes. In addition, if such subsidiary guarantor is released from its guarantee under the Senior Notes, then it will also be automatically released from the guarantee of the notes.

Future liens

The notes are not secured by any of our assets. If, however, any of our Senior Notes or subsidiary guarantees of such Senior Notes (in each case, as may be amended, modified, extended or refinanced from time to time) is secured, then contemporaneously with the provision of such security, effective provision will be made to secure the notes or the relevant subsidiary guarantee of the notes on an equal and ratable basis with such Senior Notes or such subsidiary guarantee of such Senior Notes, as the case may be, for so long as such Senior Notes or such subsidiary guarantee of such Senior Notes are secured.

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	Any security created for the benefit of the holders of the notes pursuant to the preceding paragraph will provide by its terms that such security will be automatically and unconditionally released and discharged upon the release and discharge of the security under the applicable Senior Notes or subsidiary guarantee of such Senior Notes.
Use of proceeds	We estimate that the proceeds from this offering will be approximately $144.6 million (or $166.4 million if the underwriters exercise their option to purchase additional notes in full), after deducting fees and estimated expenses. We entered into capped call transactions with affiliates of the several underwriters (the "option counterparties"). We intend to use approximately $20.9 million of the net proceeds from this offering to pay the cost of the capped call transactions. If the Acquisition is consummated, we intend to use the remainder of the net proceeds from this offering to partially fund the Acquisition. If the Acquisition is not consummated, our management will have broad discretion in the application of the net proceeds of this offering. See "Use of proceeds." If the underwriters exercise their over-allotment option, we expect to use a portion of the net proceeds from the sale of the additional notes to enter into additional capped call transactions with the option counterparties.
Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company ("DTC") and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a public market for the notes	The notes are new securities and there is currently no established market for the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and they may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.
U.S. federal income tax consequences	For the U.S. federal income tax consequences of the holding, disposition and conversion of the notes, and the holding and disposition of shares of our common stock, see "Material United States Federal Income Tax Considerations."

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Capped call transactions	In connection with the pricing of the notes, we entered into capped call transactions with the option counterparties. The capped call transactions are expected generally to reduce potential dilution to our common stock upon any conversion of notes and/or offset any cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. If the underwriters exercise their over-allotment option, we expect to enter into additional capped call transactions with the option counterparties. In connection with establishing their initial hedge positions with respect to the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time. In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so during any observation period related to a conversion of notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs during any observation period related to a conversion of notes, it could affect the number of shares and value of the consideration that you will receive upon conversion of the notes. For a discussion of the potential impact of any market or other activity by the option counterparties or their respective affiliates in connection with these capped call transactions, see "Risk factors Risks related to the notes The capped call transactions may affect the value of the notes and our common stock" and "Underwriting Capped call transactions."
New York Stock Exchange symbol for our common stock	Our common stock is listed on The New York Stock Exchange under the symbol "SM."
Trustee, paying agent and conversion agent	U.S. Bank National Association

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SUMMARY CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

We derived the following summary historical financial data as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014, and 2013, from our audited financial statements, which are incorporated by reference into this prospectus supplement and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" included in our 2015 Form 10-K, which is incorporated by reference herein. The summary historical balance sheet data as of December 31, 2013 has been derived from our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 but not included or incorporated by reference in this prospectus supplement. The financial data for the six months ended June 30, 2016 and 2015, respectively, and as of June 30, 2016 was derived from our unaudited condensed consolidated financial statements included in our Second Quarter 2016 Form 10-Q, which is incorporated by reference into this prospectus supplement. The Consolidated Balance Sheet data as of June 30, 2015 was derived from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the period ended June 30, 2015, which is not included or incorporated by reference in this prospectus supplement. The following summary historical financial data should be read in conjunction with Part I,

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Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part I, Item 1, "Financial Statements" of our Second Quarter 2016 Form 10-Q.

	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2016	2015	2015	2014	2013
	(unaudited)				
	(in thousands, except per share amounts)				
Operating revenues:					
Oil, gas, and NGL production revenue	$ 502,965	$ 834,571	$ 1,499,905	$ 2,481,544	$ 2,199,550
Net gain (loss) on divestiture activity	(18,975)	36,082	43,031	646	27,974
Marketed gas system revenue		9,482	9,485	24,897	60,039
Other operating revenues	900	1,945	4,544	15,220	5,811
Total operating revenues and other income	484,890	882,080	1,556,965	2,522,307	2,293,374
Operating expenses:					
Oil, gas, and NGL production expense	293,134	369,836	723,633	715,878	597,045
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	425,227	437,105	921,009	767,532	822,872
Exploration	28,460	62,948	120,569	129,857	74,104
Impairment of proved properties	269,785	68,440	468,679	84,480	172,641
Abandonment and impairment of unproved properties	2,349	17,446	78,643	75,638	46,105
Impairment of other property and equipment			49,369		
General and administrative	60,438	86,244	157,668	167,103	149,551
Change in Net Profits Plan liability	1,865	(8,810)	(19,525)	(29,849)	(21,842)
Derivative (gain) loss	149,123	(73,238)	(408,831)	(583,264)	(3,080)
Marketed gas system expense		10,773	13,922	24,460	57,647
Other operating expenses	11,783	16,650	30,612	4,658	30,076
Total operating expenses	1,242,164	987,394	2,135,748	1,356,493	1,925,119
Income (loss) from operations	(757,274)	(105,314)	(578,783)	1,165,814	368,255
Non-operating income (expense):					
Other, net	11	596	649	(2,561)	67
Interest expense	(65,123)	(63,426)	(128,149)	(98,554)	(89,711)
Gain (loss) on extinguishment of debt	15,722	(16,578)	(16,578)		
Income (loss) before income taxes	(806,664)	(184,722)	(722,861)	1,064,699	278,611
Income tax (expense) benefit	290,773	74,156	275,151	(398,648)	(107,676)
Net income (loss)	$ (515,891)	$ (110,566)	$ (447,710)	$ 666,051	$ 170,935
Basic weighted-average common shares outstanding	68,090	67,473	67,723	67,230	66,615
Diluted weighted-average common shares outstanding	68,090	67,473	67,723	68,044	67,998
Basic net income (loss) per common share	$ (7.58)	$ (1.64)	$ (6.61)	$ 9.91	$ 2.57
Diluted net income (loss) per common share	$ (7.58)	$ (1.64)	$ (6.61)	$ 9.79	$ 2.51

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	As of June 30,		As of December 31,		
	2016	2015	2015	2014	2013
	(unaudited)				
	(in thousands)				
Consolidated Balance Sheets Data:					
Working capital	$ (16,367)	$ 3,551	$ 216,464	$ (39,617)	$ 8,370
Total property and equipment, net	$ 4,601,332	$ 5,485,045	$ 4,950,280	$ 5,503,903	$ 3,859,792
Total assets[(1)]	$ 5,044,475	$ 6,213,618	$ 5,621,643	$ 6,483,145	$ 4,678,023
Total noncurrent liabilities[(1)]	$ 3,374,798	$ 3,503,154	$ 3,466,717	$ 3,411,830	$ 2,432,071
Total stockholders' equity	$ 1,348,836	$ 2,188,307	$ 1,852,401	$ 2,286,655	$ 1,606,821

(1)
We adopted FASB ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs" effective November 1, 2015, which requires certain deferred financing costs to be presented on the balance sheets as a direct reduction from the carrying value of the related liability. Prior period amounts have been reclassified to conform with current period presentation in the 2015 Form 10-K.

	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2016	2015	2015	2014	2013
	(unaudited)				
	(in thousands)				
Consolidated Statements of Cash Flows:					
Net cash provided by operating activities	$ 256,873	$ 549,508	$ 978,352	$ 1,456,575	$ 1,338,514
Net cash used in investing activities	$ (351,254)	$ (646,726)	$ (1,144,639)	$ (2,478,749)	$ (1,192,903)
Net cash provided by financing activities	$ 94,381	$ 97,180	$ 166,185	$ 740,046	$ 130,711
Other Financial Data:					
Adjusted EBITDAX[(1)]	$ 399,408	$ 649,142	$ 1,124,775	$ 1,647,591	$ 1,477,274

(1)
See " Reconciliation of Adjusted EBITDAX."

Reconciliation of Adjusted EBITDAX

Adjusted EBITDAX represents net income (loss) before interest expense, other non-operating income or expense, income taxes, depletion, depreciation, amortization, and accretion expense, exploration expense, impairments, non-cash stock-based compensation expense, derivative gains and losses net of settlements, change in the Net Profits Plan liability, and gains and losses on divestitures. Adjusted EBITDAX excludes certain items that we believe affect the comparability of operating results and can exclude items that are generally one-time in nature or whose timing and/or amount cannot be reasonably estimated. Adjusted EBITDAX is a non-GAAP measure that we present because we believe it provides useful additional information to investors and analysts, as a performance measure, for analysis of our ability to internally generate funds for exploration, development, acquisitions, and to service debt. We are also subject to financial covenants under our Credit Agreement based on adjusted EBITDAX ratios as further described in Description of Other Indebtedness later in this prospectus. In addition, adjusted EBITDAX 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. Our credit facility provides a material source of liquidity for us. Under the terms of our Credit Agreement, if we fail to comply with the covenants that establish a maximum

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permitted ratio of senior secured debt to adjusted EBITDAX and a minimum permitted ratio of adjusted EBITDAX to interest, we will be in default, an event that would prevent us from borrowing under our credit facility and would therefore materially limit our sources of liquidity. In addition, if we default under our credit facility and are unable to obtain a waiver of that default from our lenders, lenders under that facility and under the indentures governing our outstanding Senior Notes would be entitled to exercise all of their remedies for a default.

Adjusted EBITDAX has limitations as an analytical tool and should not be considered in isolation or as a substitute for net income (loss), income (loss) from operations, net cash provided by (used in) operating activities, profitability, or liquidity measures prepared under GAAP. Because adjusted EBITDAX excludes some, but not all items that affect net income (loss) and may vary among companies, the adjusted EBITDAX amounts presented may not be comparable to similar metrics of other companies. Limitations to using adjusted EBITDAX as an analytical tool include:

- Adjusted EBITDAX does not reflect current or future requirements for capital expenditures or capital commitments;
- Adjusted EBITDAX does not reflect changes in, or cash requirements necessary to service interest or principal payments on debt;
- Adjusted EBITDAX does not reflect income taxes;
- Although depletion, depreciation and amortization are non-cash charges, the assets being depleted, depreciated or amortized will often have to be replaced in the future, and adjusted EBITDAX does not reflect any cash requirements for such replacements; and
- Other companies in our industry may calculate adjusted EBITDAX differently than we do, limiting its usefulness as a comparison measure.

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The following table provides reconciliations of our net income (loss) and net cash provided by operating activities to adjusted EBITDAX for the periods presented:

	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2016	2015	2015	2014	2013
	(unaudited)				
			(in thousands)		
Net income (loss) (GAAP)	$ (515,891)	$ (110,566)	$ (447,710)	$ 666,051	$ 170,935
Interest expense	65,123	63,426	128,149	98,554	89,711
Other non-operating (income) expense, net	(11)	(596)	(649)	2,561	(67)
Income tax expense (benefit)	(290,773)	(74,156)	(275,151)	398,648	107,676
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	425,227	437,105	921,009	767,532	822,872
Exploration[(1)]	25,013	59,500	113,158	122,577	65,888
Impairment of proved properties	269,785	68,440	468,679	84,480	172,641
Abandonment and impairment of unproved properties	2,349	17,446	78,643	75,638	46,105
Impairment of other property and equipment			49,369		
Stock-based compensation expense	13,915	13,215	27,467	32,694	32,347
Derivative (gain) loss	149,123	(73,238)	(408,831)	(583,264)	(3,080)
Derivative settlement gain[(2)]	248,738	274,024	512,566	12,615	22,062
Change in Net Profits Plan liability	1,865	(8,810)	(19,525)	(29,849)	(21,842)
Net (gain) loss on divestiture activity	18,975	(36,082)	(43,031)	(646)	(27,974)
(Gain) loss on extinguishment of debt	(15,722)	16,578	16,578		
Other, net	1,692	2,856	4,054		
Adjusted EBITDAX (Non-GAAP)	**399,408**	**649,142**	**1,124,775**	**1,647,591**	**1,477,274**
Interest expense	(65,123)	(63,426)	(128,149)	(98,554)	(89,711)
Other non-operating income (expense), net	11				