

## **SM ENERGY COMPANY**

### **CODE OF BUSINESS CONDUCT AND CONFLICT OF INTEREST POLICY**

We at SM Energy Company are committed to compliance with applicable laws, rules and regulations and to conducting our business with honesty, integrity and high ethical standards. Upholding this commitment and maintaining our reputation for doing what is right is critical for our continued success.

Beyond compliance with applicable laws, rules and regulations, we are each expected to observe high standards of business and personal ethics in our work and in our relationships, activities and interactions with third parties. Each of us is expected to practice honesty and integrity in every aspect of our dealings with other employees, the public, governmental and regulatory authorities, our stockholders, business partners, contractors, consultants, and representatives. Because no code or policy can possibly address every ethical choice that we may face in the conduct of our business, we also must rely on our good sense and judgment, including recognizing when it is advisable to seek guidance from others at SM Energy on the proper course of conduct.

Our Code of Business Conduct and Conflict of Interest Policy reflects our standards of business conduct and ethics, and applies to all SM Energy employees and members of our Board of Directors. We also expect our contractors, consultants and other representatives to observe high standards of business and personal ethics in their work on our behalf, or when providing services to us.

SM Energy requires that you read this Code carefully, ask questions of your supervisor or other member of management if you need to, and promptly sign and return the attached certification acknowledging your receipt of and commitment to this Code.

#### **I. Compliance with Laws, Rules and Regulations**

Our ethical standards are built upon the principle that everyone should obey the letter and respect the spirit of the law. When performing our work, we must strive to comply with all applicable governmental laws, rules and regulations. Although we do not expect everyone to know all of the details of these laws, rules and regulations, we are expected to understand the general legal and regulatory framework applicable to our job function and to know enough to determine when to seek advice from supervisors, managers or SM Energy's General Counsel with respect to any compliance issue that may arise.

#### **II. Conflicts of Interest**

A "conflict of interest" exists when an employee, director or other person subject to this Code has an interest or relationship that interferes, or could reasonably be perceived to interfere, with the interests of SM Energy. A conflict of interest can arise when a person subject to this Code takes actions or develops interests or relationships that may make it difficult to perform his or her work objectively and effectively or that could appear to bring into question such person's objectivity on behalf of SM Energy. Conflicts of interest may also arise if a person subject hereto,

or a member of his or her family, receives improper personal benefits as a result of such person's position with SM Energy.

Examples of conflicts of interest include, but are not limited to:

- (1) being a consultant to or employee, manager or director of, or otherwise operating directly or indirectly, an outside business that (a) supplies products or services to SM Energy, or (b) purchases products or services from SM Energy; however, a director of the company shall not have a conflict of interest arising solely from concurrent service as a director of another company;
- (2) having a financial interest in any such outside business that might create or give the appearance of a conflict of interest (ownership of an immaterial amount in a publicly-traded company is generally acceptable);
- (3) seeking or accepting any personal loan or services from any such outside business, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- (4) being a consultant to or employee, manager or director of, or otherwise operating directly or indirectly, an outside business that would interfere with your responsibilities for SM Energy; or
- (5) conducting business on behalf of SM Energy, or in your position or role with SM Energy, with a family member or anyone with whom you otherwise have a close personal relationship.

In addition to the foregoing, (i) no SM Energy employee that is exempt from the overtime pay provisions of the Fair Labor Standards Act may serve as an employee of, consultant to, or otherwise operate, any entity or business other than SM Energy; and (ii) no SM Energy employee may own, directly or indirectly, interests in any oil and gas property or any equity securities of any corporation or other entity organized for profit in the oil and gas industry; provided, however, this clause (ii) shall not prohibit ownership of less than 5% of the outstanding equity securities of any publicly traded entity. All direct or indirect interests in any oil and gas property owned must be disclosed to SM Energy. Any SM Energy employee may seek a written waiver of the provisions of this paragraph from the company's President or Chief Executive Officer.

Although employees, directors or other persons subject to this Code are free to participate in outside activities, actual or apparent conflicts of interest must be avoided, and conflicts of interest involving improper personal benefits are prohibited. If you have or are concerned that you have an interest that falls within any of the descriptions outlined above, you have an obligation to disclose that interest to your supervisor. Any transaction or relationship involving a potential conflict of interest (other than ownership of any direct or indirect interest in any oil and gas property) must be disclosed and approved by our Board of Directors if involving any director or officer of SM Energy, and by our Chief Executive Officer or President if involving any other employee of SM Energy or other person subject hereto.

### **III. Corporate Opportunities**

Persons subject to this Code owe a duty to SM Energy to advance the company's interests when the opportunity to do so arises. Persons subject to this Code shall not:

- take for themselves opportunities that arise as the result of SM Energy business or information or any such person's position or role with SM Energy;
- use SM Energy property, information, or position or role for improper personal gain; or
- compete with SM Energy directly or indirectly.

### **IV. Confidentiality**

Preserving the confidentiality of SM Energy information is absolutely imperative to our business. We must strictly maintain the confidentiality of information that is entrusted to us by the company, except when disclosure is (i) authorized under our Fair Disclosure Policy, (ii) consistent with your job function, or (iii) otherwise determined by our General Counsel to be appropriate. We must also strictly comply with all confidentiality agreements with our business partners. For purposes of this section, confidential information includes all information concerning SM Energy that is not publicly known, and also includes information that our business partners have entrusted to us. Our obligation to preserve confidential information continues even after our employment or other relationship with SM Energy ends. Strict maintenance of the confidentiality of confidential information is also required by our Fair Disclosure Policy and Securities Trading Policy, and every person subject hereto should refer to those documents for further details.

### **V. Competition and Fair Dealing**

We seek to compete fairly and honestly, and not through unethical or illegal business practices, and persons subject to this Code should endeavor to deal fairly and honestly with SM Energy's business partners, suppliers, contractors, consultants, competitors, other employees, and third parties with whom we have contact in the conduct of our business. No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice. Misappropriating a third party's proprietary information or inducing disclosures of such information from a third party's past or present employees is prohibited.

### **VI. Protection and Proper Use of Company Assets**

We should always take appropriate steps to protect and preserve SM Energy's assets and ensure their efficient and proper use in furtherance of our business purposes. Incidental, occasional personal use of certain company assets such as telephones, telecopiers, copiers, scanners, computers and other similar assets is generally allowed if the company incurs no significant direct or indirect cost and such usage does not interfere with the conduct of company business.

Our obligation to protect the company's assets includes the protection of its intangible proprietary assets such as trade secrets, business plans, engineering and production data, ideas,

databases, records, salary information, any unpublished financial, operating, and reserves data and other intellectual property. Unauthorized use or disclosure of SM Energy's proprietary information is a violation of this Code and possibly other company policies, including our Securities Trading Policy, and could also be illegal and result in civil or criminal penalties.

## **VII. Accounting and Other Business Records**

SM Energy relies on accounting and other business information records to support our financial statements and other reports provided to our Board of Directors, management, stockholders, creditors, governmental agencies and others. Applicable laws, rules and regulations require that we keep accurate books and records and maintain a system of internal controls to ensure that our records fairly reflect our transactions. In addition, our accounting records must accurately and fairly reflect in reasonable detail our assets, liabilities, revenues and expenses and facilitate the preparation of financial statements in accordance with generally accepted accounting principles. Compliance with our system of internal accounting controls is required. Therefore, unrecorded funds, assets, liabilities or other material items are prohibited and false or intentionally misleading entries, including intentional misclassification or mischaracterization of transactions as to accounts, departments, accounting periods or otherwise is prohibited. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper account and within the proper accounting period.

Employees that submit business expenses for reimbursement must document and report these expenses accurately and in accordance with company policies and procedures. Additionally, any use of business expense accounts for other than business purposes must be promptly reported and reimbursed to the company.

All business records and communications should be clear, truthful and accurate. Because business records and communications can become public through litigation, government or internal investigations or otherwise, exaggeration, inappropriate language, derogatory remarks, guesswork or inappropriate characterizations of people and companies must be avoided. This applies equally to e-mail, instant messaging, text messages, internal memos and formal communications. Records must be retained in accordance with applicable laws, rules and regulations and our Records and Information Management Policy.

## **VIII. Disclosures in SEC Reports and Other Public Communications**

SM Energy requires full, fair, accurate, and timely disclosure in reports and documents that are filed with or submitted to the SEC, and in other public communication we make. We maintain a system of disclosure controls and procedures that are designed for the purpose of ensuring that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our executive officers to allow timely decisions regarding required disclosure. Compliance with those disclosure controls and procedures is imperative. All of SM Energy's press releases and other similar public communications must be approved by the appropriate spokesperson(s) under our Fair Disclosure Policy and shall be the product of the good faith best efforts of all persons involved to present the information in a full, fair, accurate, and timely manner.

## **IX. Business Entertainment and Gifts**

SM Energy employees who deal with current or prospective vendors, contractors or suppliers to SM Energy (“Business Partners”) may occasionally give or receive gifts or entertainment as part of building and maintaining appropriate working relationships in furtherance of the company’s business. However, it is the company’s goal to avoid even the appearance of impropriety in dealing with its Business Partners. No gift or entertainment should ever be offered or received unless it meets the following guidelines:

- (1) No gift or entertainment should be given or received to gain or permit unfair advantage in business dealings or give even the appearance of a bribe, payoff or other improper inducement of a business relationship.
- (2) No gift or entertainment either given or received should have more than a nominal value, and gifts and entertainment should be infrequent.
- (3) No gifts of cash or cash equivalents (*e.g.*, gift cards or coupons) should ever be given or received.
- (4) All gifts or entertainment should be unsolicited. No SM Energy employee or Business Partner employee should have any expectation that gifts or entertainment are due them for any reason.
- (5) All gifts and entertainment must not violate any law, rule or regulation.
- (6) All gifts and entertainment should conform to high standards of decorum and decency.

On occasion it may be appropriate for an SM Energy employee or group of employees to attend an industry event sponsored by a Business Partner or for SM Energy to sponsor such an event for its Business Partners. Participation or sponsoring any event for which the costs involved exceed or may reasonably be expected to exceed nominal value must be pre-approved by an officer of SM Energy.

In all instances, you should discuss with your supervisor any proposed gifts or entertainment that you are not certain are in compliance with these guidelines.

## **X. Administration of the Code**

SM Energy’s Board of Directors administers this Code and reserves the right to amend or rescind this Code or any portion of it as it deems appropriate at any time. This Code shall be made available to our employees, directors and other persons subject to it, and shall be disclosed in accordance with the requirements of the SEC and the New York Stock Exchange. Our General Counsel shall annually certify to the Board of Directors that all employees and directors have annually executed certificates of compliance with this Code. Any waiver of the application of any provision of this Code to any officer or director may only be made in writing by our Board of Directors and shall be promptly disclosed as required by law, SEC rules and regulations, and New York Stock Exchange rules. Any other waiver may only be made in writing by our Chief Executive Officer or President.

## **XI. Reporting and Investigating Violations**

Each SM Energy employee is encouraged to talk to his or her supervisor or manager when in doubt about the best course of action in a particular situation. If you become aware of conduct or a matter that you or your supervisor or manager reasonably believes constitutes a violation of this Code or applicable law, rule or regulation, you must promptly report your concern to SM Energy's General Counsel, another executive officer, or if it involves an executive officer or director, to the Lead Independent Director or to the Chair of the Audit Committee of the Board of Directors. If you are more comfortable in doing so, you may utilize SM Energy's confidential employee hotline at 1-800-461-9330 or visit the website at [www.mysafeworkplace.com](http://www.mysafeworkplace.com) to report any concerns.

SM Energy prohibits retaliation, discrimination or intimidation in any form against any person who in good faith and pursuant to the provisions of this Code reports conduct or a matter that the reporting person reasonably believes constitutes a violation of this Code or applicable laws, rules or regulations; however, appropriate disciplinary action may be taken against the reporting person if such person intentionally and falsely makes such a report or was involved in the violation. The confidentiality of a reporting person shall be protected to the extent possible, consistent with law and the requirements necessary to conduct an effective investigation or resolution of the conduct or matter, and within the company's sole discretion.

If, through compliance monitoring, internal or independent audit procedures, reports under this Code or otherwise, SM Energy receives information regarding a potential violation of this Code, an executive officer (or if the matter involves an executive officer or director, the Board of Directors or its designee) shall as appropriate:

- evaluate such information as to credibility and gravity;
- initiate an informal inquiry or a formal investigation with respect thereto;
- prepare a report of the results of such inquiry or investigation, including recommendations as to the disposition of such matter;
- determine and implement any appropriate disciplinary action; and
- recommend any changes in this Code necessary or desirable to prevent further similar violations.

All employees, directors and other persons subject to this Code are required to cooperate in any investigation conducted hereunder.

## **XII. Disciplinary Measures**

Compliance with this Code is mandatory. This Code will be enforced through appropriate means of discipline, which may include, but are not limited to, counseling, oral or written reprimands or warnings, probation or suspension without pay, demotions, reductions in salary or other compensation, termination of employment or other relationship, as appropriate to the Code violation and within the company's sole discretion.

Persons subject to disciplinary measures shall include: (a) any person in violation of this Code, (b) persons directly or indirectly involved in a violation, (c) persons who fail to use reasonable care to detect or report a violation, (d) persons who withhold information about a violation, (e) supervisors who approve, condone or ignore a violation, and (f) persons who retaliate or attempt to retaliate against a person who reported a violation .

ADOPTED effective as of January 1, 2013.