SM Energy Co
Form S-4
March 04, 2014

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As filed with the Securities and Exchange Commission on March 4, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SM Energy Company
(Exact name of registrant as specified in its charter)

Delaware	**1311**	**41-0518430**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1775 Sherman Street, Suite 1200
Denver, Colorado 80203
(303) 861-8140
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David W. Copeland
Executive Vice President, General Counsel and Corporate Secretary
SM Energy Company
1775 Sherman Street, Suite 1200
Denver, Colorado 80203
(303) 861-8140
(Name, address, including zip code, and telephone number, including area code, of agent for service)

with copies to:
Lucy Schlauch Stark
Scott A. Berdan
Holland & Hart LLP
555 Seventeenth St., Suite 3200
Denver, Colorado 80202
(303) 295-8000

Approximate date of commencement of proposed sale of the securities to the public:
As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

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(1)**	**Amount of registration fee**
$500,000,000 5% senior notes due 2024	$500,000,000	100%	$500,000,000	$64,400

(1) Exclusive of accrued interest, if any, and estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS

$500,000,000

SM ENERGY COMPANY

Offer to Exchange

All outstanding 5% senior notes due 2024
(CUSIP Nos. 78454L AG5 and U83067 AD7)
for new 5% senior notes due 2024
that have been registered under the Securities Act of 1933

This exchange offer will expire at 5:00 p.m., New York City time, on , 2014, unless extended.

The Exchange Notes:

- The terms of the 5% senior notes due 2024 to be issued in the exchange offer (the "exchange notes") are substantially identical to the terms of the outstanding 5% senior notes due 2024 (the "outstanding notes"), except for the elimination of transfer restrictions, registration rights and certain provisions regarding additional interest relating to the outstanding notes.

- We are offering the exchange notes pursuant to a registration rights agreement that we entered into in connection with the issuance of the outstanding notes.

Material Terms of the Exchange Offer:

- The exchange offer expires at 5:00 p.m., New York City time, on , 2014, unless extended.

- Upon expiration of the exchange offer, all outstanding notes that are validly tendered and not validly withdrawn will be exchanged for an equal principal amount of the applicable series of exchange notes.

You may withdraw tendered outstanding notes at any time at or prior to the expiration of the exchange offer.

The exchange notes will be issued in minimum denominations of $2,000 and any integral multiple of $1,000 and the exchange offer is subject to certain other conditions.

The exchange of the exchange notes for outstanding notes should not be a taxable exchange for U.S. federal income tax purposes.

There is no existing public market for the outstanding notes or the exchange notes.

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it acquired the outstanding notes for its own account as a result of market-making or other trading activities and must agree that it will deliver a prospectus meeting the requirements of the Securities Act of 1933, as amended (the "Securities Act"), in connection with any resale of the exchange notes. A participating broker-dealer may use this prospectus, as it may be amended or supplemented from time to time, in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired as a result of market-making activities or other trading activities.

See "*Risk Factors*" beginning on page 15 for a discussion of the factors you should consider in connection with the exchange offer.

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

The date of this prospectus is , 2014.

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You should rely only on the information contained in this prospectus and the documents incorporated by reference in this prospectus. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this prospectus or incorporated by reference in this prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers. We are not, and the initial purchasers are not, making an offer to sell the exchange notes in any jurisdiction where an offer or sale is not permitted.

You should not assume that the information contained in this prospectus or in any document incorporated by reference in this prospectus is accurate as of any date other than the date on the front of those documents.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and we file annual, quarterly and other reports and other information with the Securities and Exchange Commission, or 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 and you should not consider that information a part of this prospectus. Our SEC filings can also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, 17^{th} Floor, New York, New York 10005.

We make available free of charge on or through our Internet website, *http://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 Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our Internet website is not part of this prospectus and does not constitute a part of this prospectus.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. We will provide this information and any and all of the documents referred to herein, including the registration rights agreement and the indenture for the notes, which are summarized in this prospectus, without charge to each person to whom a copy of this prospectus has been delivered, who makes a written or oral request 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

In order to ensure timely delivery, you must request the information no later than five business days before the expiration of the exchange offer.

INCORPORATION BY REFERENCE

We "incorporate by reference" in this prospectus 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 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. 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 and information that we previously filed with the SEC. We incorporate by reference the following documents in this prospectus, which you should review in connection with this prospectus:

- our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 19, 2014 (our "2013 10-K");

- the information included in our definitive proxy statement on Schedule 14A filed with the SEC on April 11, 2013, under the headings "Corporate Governance," "Certain Relationships and Related Transactions," "Security Ownership of Certain Beneficial Owners and Management,"

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- "Section 16(a) Beneficial Ownership Reporting Compliance," "Executive Compensation," "Director Compensation," "Proposal 1 Election of Directors," "Independent Registered Public Accounting Firm," and "Audit Committee Preapproval Policy and Procedures"; and

- our Current Reports on Form 8-K filed with the SEC on January 15, 2014, January 24, 2014, and February 21, 2014 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K).

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 and corresponding information furnished under Item 9.01 of Form 8-K or included as an exhibit, or other information furnished to the SEC) under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act on or after the date of the initial registration statement and prior to effectiveness of the registration statement and on or after the date of this prospectus and prior to the completion of the exchange offer. Any statements made in such documents will automatically update and supersede the information contained in this prospectus, and any statements made in this prospectus update and supersede the information contained in past SEC filings incorporated by reference into this prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus, including information in documents incorporated by reference, includes "forward-looking statements" within the meaning of applicable state and federal securities law. All statements, other than statements of historical facts, included in this prospectus 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 in a number of places in this prospectus 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;

- the drilling of wells and other exploration and development activities and plans, as well as possible future acquisitions;

- the possible divestiture or farm-down of, or entry into a 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 crude oil, natural gas and natural gas liquids (also referred to as "oil," "gas," and "NGLs," respectively, throughout this document) production estimates;

- our outlook on future oil, gas and NGL prices, well costs and service costs;

- 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 2013 10-K.

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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 this prospectus under "Risk Factors" and in our 2013 10-K or incorporated by reference herein 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;
- the continued weakness in economic conditions and uncertainty in financial markets;
- our ability to replace reserves in order to sustain production;
- our ability to raise the substantial amount of capital that is required to replace our reserves;
- 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 the actual quantities and present value of our 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 non-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 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 timeframe 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 that 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;

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- the impact that lower oil, gas or NGL prices could have on the amount we are able to borrow under our credit facility;
- the possibility that 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 maturity 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;
- complex laws and regulations, including environmental regulations, that result in substantial costs and other risks;
- the availability and capacity of gathering, transportation, processing, and refining facilities;
- our ability to sell and 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 that 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 speak as of the date hereof. 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.

GLOSSARY OF OIL AND NATURAL GAS TERMS

The oil and natural gas terms defined in this section are used in this prospectus. The definitions of the terms developed reserves, field, proved reserves, and undeveloped reserves have been abbreviated from the respective definitions under Rule 4-10(a) of Regulation S-X promulgated by the SEC. The entire definitions of those terms under Rule 4-10(a) of Regulation S-X can be located through the SEC's website at *www.sec.gov*.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

Bcf. Billion cubic feet, used in reference to natural gas.

BOE. Barrels of oil equivalent. Oil equivalents are determined using the ratio of six Mcf of natural gas to one Bbl of oil or NGLs.

BTU. One British thermal unit, the quantity of heat required to raise the temperature of a one-pound mass of water by one degree Fahrenheit.

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Developed reserves. Reserves that can be expected to be recovered: (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Exploratory well. A well drilled to find and produce oil or natural gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir, or to extend a known reservoir beyond its known horizon.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature or stratigraphic condition.

Formation. A succession of sedimentary beds that were deposited under the same general geologic conditions.

MBOE. One thousand barrels of oil equivalent.

Mcf. One thousand cubic feet, used in reference to natural gas.

Mcfe. One thousand cubic feet of natural gas equivalent. Natural gas equivalents are determined using the ratio of six Mcf of natural gas (including natural gas liquids) to one Bbl of oil.

MMBbl. One million barrels of oil or other liquid hydrocarbons.

MMBOE. One million barrels of oil equivalent.

MMBtu. One million British thermal units.

NGLs. The combination of ethane, propane, butane, and natural gasolines that when removed from natural gas become liquid under various levels of higher pressure and lower temperature.

NYMEX. New York Mercantile Exchange.

PV-10 value. The present value of estimated future gross revenue to be generated from the production of estimated net proved reserves, net of estimated production and future development costs, based on prices used in estimating the proved reserves and costs in effect as of the date indicated (unless such costs are subject to change pursuant to contractual provisions), without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expenses, or depreciation, depletion, and amortization, discounted using an annual discount rate of ten percent. While this measure does not include the effect of income taxes as it would in the use of the standardized measure of discounted future net cash flows calculation, it does provide an indicative representation of the relative value of the Company on a comparative basis to other companies and from period to period.

Proved reserves. Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined, and the price to be used is the average price during the 12-month period prior to the ending date of the period covered by the report,

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determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Recompletion. The completion of an existing wellbore in a formation other than that in which the well has previously been completed.

Standardized measure of discounted future net cash flows. The discounted future net cash flows relating to proved reserves based on prices used in estimating the reserves, year-end costs, and statutory tax rates, and a ten percent annual discount rate. The information for this calculation is included in the note regarding disclosures about oil and gas producing activities contained in the Notes to Consolidated Financial Statements included in this prospectus.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas, regardless of whether such acreage contains estimated net proved reserves.

Undeveloped reserves. Reserves that are expected to be recovered from new wells on undeveloped acreage, or from existing wells where a relatively major expenditure is required for recompletion. The applicable SEC definition of undeveloped reserves provides that undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

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SUMMARY

This summary represents highlights of information contained elsewhere or incorporated by reference in this prospectus. Because it is a summary, it is not complete and does not contain all the information that is important to you. You should carefully read the entire prospectus, including the "Risk Factors" section included herein, and our consolidated financial statements and related notes incorporated by reference into this prospectus. As used in this prospectus, all references to "SM Energy," "we," "our," "us," and "the Company" and all similar references are to SM Energy Company and its consolidated subsidiaries, unless otherwise noted or the context otherwise requires. Certain oil and natural gas industry terms used in this prospectus are defined in the "Glossary of Oil and Natural Gas Terms" beginning on page v of this prospectus.

Certain information with respect to our estimated proved reserves referred to and incorporated by reference herein is based in part upon engineering reports of 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, gas, and NGLs in onshore North America. Our assets include leading positions in the Eagle Ford shale and Bakken/Three Forks resource plays, oil-focused plays in the Permian Basin, and positions in emerging plays in East Texas and the Powder River Basin in Wyoming. We have built a portfolio of onshore properties in the contiguous United States primarily through early entry into existing and emerging resource plays. This portfolio is comprised of properties with established production and reserves, prospective drilling opportunities, and unconventional resource prospects. We believe our strategy provides for stable and predictable production and reserve growth. Furthermore, by entering these plays early, we believe we can capture larger resource potential at a lower cost.

Our operations, production, and proved reserves are focused in four core operating areas in the United States:

South Texas & Gulf Coast Region. Our Eagle Ford shale program is in our South Texas & Gulf Coast region, which consists primarily of properties located in Texas. Our operated Eagle Ford shale project is the most significant asset of our company, and our non-operated Eagle Ford shale program is a meaningful light oil asset. Our South Texas & Gulf Coast region accounted for approximately 64% of our consolidated full year 2013 production.

Rocky Mountain Region. Our Bakken/Three Forks program in North Dakota is our most significant program in our Rocky Mountain region, which is comprised primarily of properties located in the Williston Basin and the Powder River Basin. Our recent activity in this region has focused largely on the development of assets targeting the Bakken/Three Forks formations in Williams, McKenzie and Divide Counties of North Dakota. Our Rocky Mountain region accounted for approximately 15% of our consolidated full year 2013 production.

Permian Region. Our Permian region includes our assets in western Texas and southeastern New Mexico. Our current focus in this region is the testing of emerging shale potential in the Midland Basin. Our Permian region accounted for approximately 5% of our consolidated full year 2013 production.

Mid-Continent Region. Our Mid-Continent region is comprised of our assets in the Haynesville shale and Woodford shale. In December 2013, we closed the divestiture of both our Anadarko Basin assets, which included our interests in the Granite Wash, and an additional package of non-operated Cotton Valley assets. Although gas prices improved in 2013, we expect activity in our Mid-Continent region to be minimal because of the current natural gas price environment.

Our Mid-Continent region accounted for approximately 16% of our consolidated full year 2013 production.

Business Strategy

Our business strategy is to focus on the early capture of resource plays in order to create and then enhance value for our stockholders, while maintaining a strong balance sheet. We strive to leverage industry-leading acquisition, exploration and operations teams to quickly acquire and test new resource play concepts at a reasonable cost. Once we have identified potential value through these efforts, our goal is to develop such potential through top-tier operational and project execution, and as appropriate, to mitigate our risks by selectively divesting certain assets. We continually examine our portfolio for opportunities to improve the quality of our asset base in order to optimize our returns and preserve our financial strength.

Business Strengths

We believe that the following strengths allow us to successfully execute our business strategy:

Quality positions in attractive unconventional resource plays. We have meaningful acreage positions in attractive unconventional resource plays in North America. As of December 31, 2013, we had approximately 189,000 net acres in the Eagle Ford shale play in south Texas, approximately three-quarters of which we operate with a nearly 100% working interest. In the Williston Basin, we are currently focused on the development of approximately 79,000 net acres that is prospective for the Bakken and Three Forks formations in North Dakota, out of our approximately 159,000 net acres in that basin. In our Permian Region, we had approximately 130,000 net acres as of December 31, 2013. As of December 31, 2013, we also had approximately 140,000 net acres in the Powder River Basin and 215,000 net acres in East Texas. We believe these programs provide us with a large, multi-year inventory of drilling projects with lower geological risk from which we can implement development programs with economies of scale and operational efficiencies that optimize our capital investment.

Significant oil and high BTU gas reserves and production. A large portion of our Eagle Ford shale acreage produces condensate and rich, high BTU gas, which improves the economics of this asset. Additionally, our Bakken/Three Forks assets produce oil with associated high BTU gas. We also have assets in other liquid-rich basins, such as our programs in the Permian Basin and the Powder River Basin.

Long track record of financial discipline and conservatism. We strive to maintain a strong balance sheet with an appropriate level of liquidity to fund our business. On an ongoing basis, we seek to limit our credit facility borrowing to 50% of the borrowing base and limit our long-term debt to twelve-month trailing EBITDAX (which term we define in " Summary Condensed Consolidated Historical Financial and Operating Information") ratio to 2.5 times. We also aim to keep our long-term debt to book capitalization ratio around 50%. At December 31, 2013, we had approximately $1,299.2 million of liquidity in the form of additional borrowing capacity under our credit facility. We seek to consistently hedge at least 50% of our expected volumes from estimated proved developed producing reserves to mitigate the effect of volatility of oil, gas and NGL prices on our cash flows. We maintain a diversified group of hedge counterparties, all of whom are lenders under our credit facility.

Experienced management team with leading local operations teams. Our executive management team averages over 27 years of experience in the industry. At the operational level, our regional operations are run by individuals who have all worked on large-scale projects at larger exploration and production companies. In order to attempt to maximize local knowledge and experience and reduce operational risk, we maintain regional offices in Billings, Montana;

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Houston, Texas; Midland, Texas; and Tulsa, Oklahoma. Each office is staffed with a full complement of geologists, geophysicists, engineers, and landmen who have extensive experience in the region or basin where they work.

Corporate Information

We were founded in 1908, incorporated in 1915, and have been a publicly-traded company since our initial public offering in 1992. Our principal executive offices are located at 1775 Sherman Street, Suite 1200, Denver, Colorado 80203. 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. Our common stock trades on the New York Stock Exchange under the ticker symbol "SM."

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SUMMARY OF EXCHANGE OFFER

The following is a summary of the principal terms of the exchange offer. A more detailed description is contained in the section "The Exchange Offer." The term "outstanding notes" refers to our outstanding $500 million 5% senior notes due 2024, all of which were issued on May 20, 2013. The term "exchange notes" refers collectively to our $500 million 5% senior notes due 2024 offered by this prospectus, which have been registered under the Securities Act. The term "notes" refers collectively to the outstanding notes and the exchange notes offered in the exchange offer. The term "indenture" refers to the indenture that governs both the outstanding notes and the exchange notes.

The Exchange Offer	We are offering to exchange $1,000 principal amount of exchange notes, which have been registered under the Securities Act, for each $1,000 principal amount of outstanding notes, subject to a minimum exchange of $2,000. As of the date of this prospectus, $500.0 million aggregate principal amount of the outstanding notes is outstanding. We issued the outstanding notes in a private transaction for resale pursuant to Rule 144A and Regulation S of the Securities Act. The terms of the exchange notes are substantially identical to the terms of the outstanding notes, except that provisions relating to transfer restrictions, registration rights, and rights to increased interest in addition to the stated interest rate on the outstanding notes ("Additional Interest") will not apply to the exchange notes. In order to exchange your outstanding notes for exchange notes, you must properly tender your outstanding notes at or before the expiration of the exchange offer.
Expiration Time	The exchange offer will expire at 5:00 p.m., New York City time, on , 2014, unless the exchange offer is extended, in which case the expiration time will be the latest date and time to which the exchange offer is extended. See "The Exchange Offer Terms of the Exchange Offer; Expiration Time."
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, see "The Exchange Offer Conditions to the Exchange Offer." The exchange offer is not conditioned upon any minimum principal amount of outstanding notes being tendered.
Procedures for Tendering Outstanding Notes	Unless you comply with the procedures described under the caption "The Exchange Offer Procedures for Tendering Guaranteed Delivery," you must do one of the following on or prior to the expiration of the exchange offer to participate in the exchange offer:

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	tender your outstanding notes by using the book-entry transfer procedures described below and transmitting a properly completed and duly executed letter of transmittal, with any required signature guarantees, or an agent's message instead of the letter of transmittal, to the exchange agent. In order for a book-entry transfer to constitute a valid tender of your outstanding notes in the exchange offer, U.S. Bank National Association, as registrar and exchange agent, must receive a confirmation of book-entry transfer of your outstanding notes into the exchange agent's account at The Depository Trust Company prior to the expiration of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent's message, please read the discussion under the caption "The Exchange Offer Procedures for Tendering Book-Entry Transfer"; or
	tender your outstanding notes by sending the certificates for your outstanding notes, in proper form for transfer, a properly completed and duly executed letter of transmittal, with any required signature guarantees, and all other documents required by the letter of transmittal, to U.S. Bank National Association, as registrar and exchange agent, at the address listed under the caption "The Exchange Offer Exchange Agent."
Guaranteed Delivery Procedures	If you are a registered holder of the outstanding notes and wish to tender your outstanding notes in the exchange offer, but:
	the outstanding notes are not immediately available,
	time will not permit your outstanding notes or other required documents to reach the exchange agent before the expiration of the exchange offer, or
	the procedure for book-entry transfer cannot be completed prior to the expiration of the exchange offer,
	then you may tender outstanding notes by following the procedures described under the caption "The Exchange Offer Procedures for Tendering Guaranteed Delivery."
Special Procedures for Beneficial Owners	If you are a beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your outstanding notes in the exchange offer, you should promptly contact the person in whose name the outstanding notes are registered and instruct that person to tender on your behalf.

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	If you wish to tender in the exchange offer on your own behalf, prior to completing and executing the letter of transmittal and delivering the certificates for your outstanding notes, you must either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the person in whose name the outstanding notes are registered.
Withdrawal of Tenders	You may withdraw any outstanding notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on , 2014. If we decide for any reason not to accept any outstanding notes tendered for exchange, the outstanding notes will be returned to the registered holder at our expense promptly after the expiration or termination of the exchange offer. In the case of outstanding notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company, any withdrawn or unaccepted outstanding notes will be credited to the tendering holder's account at The Depository Trust Company. For further information regarding the withdrawal of tendered outstanding notes, please read "The Exchange Offer Withdrawal Rights."
Acceptance of Outstanding notes and Delivery of Exchange Notes	Upon consummation of the exchange offer, we will accept any and all outstanding notes that are properly tendered in the exchange offer and not withdrawn at or prior to the expiration time. The exchange notes issued pursuant to the exchange offer will be delivered promptly after acceptance of the tendered outstanding notes. See "The Exchange Offer Terms of the Exchange Offer; Expiration Time."
Registration Rights Agreement	We are making the exchange offer pursuant to the registration rights agreement that we entered into on May 20, 2013, with the initial purchasers of the outstanding notes.
Resales of Exchange Notes	We believe that the exchange notes issued in the exchange offer may be offered for resale, resold, or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:
	you are not an "affiliate" of ours;
	the exchange notes you receive pursuant to the exchange offer are being acquired in the ordinary course of your business;
	you have no arrangement or understanding with any person to participate in the distribution of the exchange notes issued to you in the exchange offer;
	if you are not a broker-dealer, you are not engaged in, and do not intend to engage in, a distribution of the exchange notes issued in the exchange offer; and

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	if you are a broker-dealer, you will receive the exchange notes for your own account, the outstanding notes were acquired by you as a result of market-making or other trading activities, and you will deliver a prospectus when you resell or transfer any exchange notes issued in the exchange offer. See "Plan of Distribution" for a description of the prospectus delivery obligations of broker-dealers in the exchange offer. If you do not meet these requirements, your resale of the exchange notes must comply with the registration and prospectus delivery requirements of the Securities Act. Our belief is based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties. The staff of the SEC has not considered this exchange offer in the context of a no-action letter, and we cannot assure you that the staff of the SEC would make a similar determination with respect to this exchange offer. If our belief is not accurate and you transfer an exchange note without delivering a prospectus meeting the requirements of the federal securities laws or without an exemption from these laws, you may incur liability under the federal securities laws. We do not and will not assume, or indemnify you against, this liability. See "The Exchange Offer Consequences of Exchanging Outstanding Notes."
Consequences of Failure to Exchange Outstanding Notes	If you do not exchange your outstanding notes in the exchange offer, your outstanding notes will continue to be subject to the restrictions on transfer provided in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold unless registered or sold in a transaction exempt from registration under the Securities Act and applicable state securities laws. If a substantial amount of the outstanding notes is exchanged for a like amount of the exchange notes, the liquidity and the trading market for your untendered outstanding notes could be adversely affected. See "The Exchange Offer Consequences of Failure to Exchange Outstanding Notes."
Exchange Agent	The exchange agent for the exchange offer is U.S. Bank National Association. For additional information, see "The Exchange Offer The Exchange Agent" and the accompanying letter of transmittal.

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Material U.S. Federal Income Tax Consequences	The exchange of your outstanding notes for exchange notes should not be a taxable exchange for U.S. federal income tax purposes. **You should consult your own tax advisor as to the tax consequences to you of the exchange offer, as well as tax consequences of the ownership and disposition of the exchange notes**. For additional information, see "Material U.S. Federal Income Tax Consequences."

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SUMMARY OF THE TERMS OF EXCHANGE NOTES

The following summary contains basic information about the exchange notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled "Description of Notes" in this prospectus.

Issuer	SM Energy Company.
Exchange Notes	$500,000,000 aggregate principal amount of 5% senior notes due 2024.
Maturity Date	January 15, 2024.
Interest Payment Dates	Interest is payable on the exchange notes on January 15 and July 15 of each year, beginning on July 15, 2014.
Interest	Interest on the exchange notes will accrue at a rate of 5.00% per annum on the principal amount, from the most recent date on which interest was paid on the outstanding notes.
Ranking	The exchange notes will be our senior unsecured obligations and will:
	rank equally in right of payment with all of our existing and future senior indebtedness;
	rank senior in right of payment to all of our future subordinated indebtedness;
	be structurally subordinated in right of payment to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness (including all of our borrowings under our credit facility); and
	be effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our subsidiaries, except to the extent they guarantee the exchange notes as provided herein.
	At December 31, 2013, we had total consolidated indebtedness of approximately $1.6 billion, consisting of $350.0 million of our outstanding 6.625% Senior Notes due 2019 (the "2019 Senior Notes"), $350.0 million of our outstanding 6.50% Senior Notes due 2021 (the "2021 Senior Notes"), $400.0 million of our outstanding 6.50% Senior Notes due 2023 (the "2023 Senior Notes," and together with the 2019 Senior Notes and the 2021 Senior Notes, the "Existing Senior Notes"), and $500.0 million outstanding of the notes to be exchanged hereunder, and we were able to incur an additional $1,299.2 million of secured indebtedness under our credit facility.

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Guarantees

The exchange notes initially will not be guaranteed by any of our subsidiaries. Currently, our subsidiaries do not guarantee our indebtedness under our credit facility. Our subsidiaries generated approximately 3% of our revenues for the year ended December 31, 2013, and held approximately 1% of our consolidated total assets as of such date. Our subsidiaries may in the future guarantee our obligations under the exchange notes if they guarantee certain of our other indebtedness as set forth under "Description of Notes Certain Covenants Future Subsidiary Guarantors."

Optional Redemption

We will have the option to redeem the exchange notes, in whole or in part, at any time on or after July 15, 2018, in each case at the redemption prices described in this prospectus under the heading "Description of Notes Optional Redemption," together with any accrued and unpaid interest to the date of redemption.

Prior to July 15, 2018, we may redeem the exchange notes, in whole or in part, at a "make-whole" redemption price described under "Description of Notes Optional Redemption," together with any accrued and unpaid interest to the date of redemption.

In addition, prior to July 15, 2016, we may, at any time or from time to time, redeem up to 35% of the exchange notes with the proceeds of certain equity offerings at the price described in this prospectus under the heading "Description of Notes Optional Redemption," together with any accrued and unpaid interest to the date of redemption.

Certain Covenants

We will issue the exchange notes under an indenture with U.S. Bank National Association, as trustee. The indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt;
- make certain dividends or pay dividends or distributions on our capital stock or purchase, redeem or retire capital stock;
- sell assets, including capital stock of our restricted subsidiaries;
- restrict dividends or other payments of our restricted subsidiaries;
- create liens that secure debt;
- enter into transactions with affiliates; and
- merge or consolidate with another company.

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	These covenants are subject to a number of important limitations and exceptions. See "Description of Notes Certain Covenants." However, most of the covenants will terminate if both Standard & Poor's Ratings Services and Moody's Investors Service, Inc. assign the exchange notes an investment grade rating and no default exists with respect to the exchange notes.
Change of Control Offer	Upon the occurrence of a change of control, holders of the exchange notes will have the right to require us to repurchase all or a portion of the exchange notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest, if any, to the date of repurchase.
Form and Denominations	The exchange notes will be issued in minimum denominations of $2,000 and any integral multiple of $1,000.
Governing Law	The indenture provides that it and the exchange notes will be governed by, and construed in accordance with, the laws of the State of New York.
Trading	The exchange notes will not be listed on any securities exchange or included in any automated quotation system. The exchange notes will be new securities for which there is currently no public market.
Use of Proceeds	We are making the exchange offer to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the exchange of the exchange notes for the outstanding notes pursuant to the exchange offer.
Risk Factors	**See "Risk Factors" and other information included or incorporated by reference in this prospectus for a discussion of the factors you should carefully consider before deciding to invest in the exchange notes.**

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SUMMARY CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING INFORMATION

We derived the following summary historical financial data as of December 31, 2012 and 2013, and for each of the three years in the period ended December 31, 2013, from our audited financial statements, which are incorporated by reference herein and should be read in conjunction with the 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 2013 10-K, which is also incorporated by reference in this prospectus. The following financial data as of and for the years ended December 31, 2009, 2010, and as of 2011 has been prepared from our accounting records.

	As of and for the Years Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Operating revenues and other income:					
Oil, gas and NGL production revenue(1)	$ 615,953	$ 836,288	$ 1,332,392	$ 1,473,868	$ 2,199,550
Realized hedge gain (loss)	140,648	23,465	(20,707)	3,866	(1,777)
Marketed gas system revenue	58,459	70,110	69,898	52,808	60,039
Gain (loss) on divestiture activity	11,444	155,277	220,676	(27,018)	27,974
Other operating revenue	5,697	7,694	1,059	1,578	7,588
Total operating revenues and other income	832,201	1,092,834	1,603,318	1,505,102	2,293,374
Operating expenses:					
Oil, gas and NGL production expense	206,800	195,075	290,111	391,872	597,045
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	304,201	336,141	511,103	727,877	822,872
Exploration	62,235	63,860	53,537	90,248	74,104
Impairment of proved properties	174,813	6,127	219,037	208,923	172,641
Abandonment and impairment of unproved properties	45,447	1,986	7,367	16,342	46,105
Impairment of materials inventory	14,223				
General and administrative	76,036	106,663	118,526	119,815	149,551
Bad debt expense (recovery)	(5,189)				
Change in Net Profits Plan liability	(7,075)	(34,441)	(25,477)	(28,904)	(21,842)
Marketed gas system expense	57,587	66,726	64,249	47,583	57,647
Derivative (gain) loss	20,469	8,899	(37,086)	(55,630)	(3,080)
Other operating expenses	13,489	3,027	17,567	6,993	30,076
Total operating expenses	963,036	754,063	1,218,934	1,525,119	1,925,119
Income (loss) from operations	(130,835)	338,771	384,384	(20,017)	368,255
Non-operating income (expense):					
Interest income	227	321	466	220	67
Interest expense	(28,856)	(24,196)	(45,849)	(63,720)	(89,711)
Income (loss) before income taxes	(159,464)	314,896	339,001	(83,517)	278,611
Income tax (expense) benefit	60,094	(118,059)	(123,585)	29,268	(107,676)
Net income (loss)	$ (99,370)	$ 196,837	$ 215,416	$ (54,249)	$ 170,935
Balance Sheet Data (end of period):					
Cash and cash equivalents	$ 10,649	$ 5,077	$ 119,194	$ 5,926	$ 282,248
Total assets	2,360,936	2,744,321	3,798,980	4,199,529	4,705,165
Total noncurrent liabilities	1,090,695	1,023,742	1,830,235	2,243,517	2,459,213
Total stockholders' equity	973,570	1,218,526	1,462,940	1,414,466	1,606,821

(1) Beginning in the first quarter of 2011, we changed our reporting for natural gas volumes to show natural gas and NGL production volumes consistent with title transfer for each product. NGL production revenues for 2010 and prior years have not been reclassified to conform to the current presentation given the immateriality of NGL volumes in that period. Please see the additional discussion below under the section entitled "Summary Reserve, Production and Operating Data."

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SUMMARY RESERVE, PRODUCTION AND OPERATING DATA

The following table presents summary data with respect to our estimated net proved oil, gas, and NGL reserves as of the dates indicated. At least 80 percent of the PV-10 value of our estimated proved reserves as of December 31, 2011, 2012 and 2013 was audited by Ryder Scott Company, L.P., which is a firm of independent reserve engineers. Our estimated proved reserves and related PV-10 value at December 31, 2011, 2012 and 2013 were determined in accordance with the reserve disclosure rules of the SEC using the 12-month unweighted arithmetic average of the first-day-of-the-month price for the periods of January 2011 through December 2011, January 2012 through December 2012, and January 2013 through December 2013, respectively, without giving effect to derivative transactions, and were held constant throughout the life of the properties. These prices were $96.19 per Bbl for oil, $4.12 per MMBtu for gas and $59.37 per Bbl for NGLs at December 31, 2011, $94.71 per Bbl for oil, $2.76 per MMBtu for gas and $45.65 per Bbl for NGLs at December 31, 2012, and $96.94 per Bbl for oil, $3.67 per MMBtu for gas and $40.29 per Bbl for NGLs at December 31, 2013.

	As of and for the Years Ended December 31,		
	2011	**2012**	**2013**
Reserve Information:			
Estimated proved reserves:			
Oil (MMBbl)	71.7	92.2	126.6
Gas (Bcf)	664.0	833.4	1,189.3
NGLs (MMBbl)	27.5	62.3	103.9
Equivalents (MMBOE)*	209.9	293.4	428.7
Percentage proved developed	67%	57%	49%
Standardized measure of discounted future net cash flows (in millions)	$ 2,580.0	$ 3,021.0	$ 4,009.4
PV-10 (in millions)	$ 3,461.2	$ 3,849.1	$ 5,528.5
Estimated reserve life (in years)	7.4	8.0	8.9
Costs incurred in oil and gas producing activities (in millions)	$ 1,553.3	$ 1,687.9	$ 1,721.1

* At year-end 2012, our reserves shifted from being majority gas to majority liquids. As a result, beginning with the first quarter of 2013, we now report volumes on a BOE basis rather than on a Mcfe basis. Prior period presentations have been conformed accordingly.

The following table reconciles the standardized measure of discounted future net cash flows (GAAP) to the PV-10 value (Non-GAAP) of proved reserves. The PV-10 value measure excludes the impact of income taxes. Please see the definitions of standardized measure of discounted future net cash flows and PV-10 value in the "Glossary of Oil and Natural Gas Terms."

	As of December 31,		
	2011	**2012**	**2013**
		(in millions)	
Standardized measure of discounted future net cash flows	$ 2,580.0	$ 3,021.0	$ 4,009.4
Add: 10 percent annual discount, net of income taxes	1,727.6	1,742.1	2,500.6
Add: future undiscounted income taxes	1,740.4	1,609.4	2,722.2
Undiscounted future net cash flows	6,048.0	6,372.5	9,232.2
Less: 10 percent annual discount without tax effect	(2,586.8)	(2,523.4)	(3,703.7)
PV-10 value	$ 3,461.2	$ 3,849.1	$ 5,528.5

We sell the majority of our natural gas under contracts that use first-of-the-month index pricing, which means that gas produced in a given month is sold at the first-of-the-month price regardless of

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the spot price on the day the gas is produced. For assets where high BTU gas is sold at the wellhead, we also receive additional value for the high energy content contained in the gas stream.

	For the Years Ended December 31,		
	2011	**2012**	**2013**
Production and operating data:			
Production:			
Oil (MMBbl)	8.1	10.4	13.9
Natural gas (Bcf)	100.3	120.0	149.3
Natural gas liquids (MMBbl)	3.5	6.1	9.5
Equivalents (MMBOE)*	28.3	36.5	48.3
Realized sales prices (before derivative cash settlements)			
Oil ($/Bbl)	$ 88.23	$ 85.45	$ 91.19
Natural gas ($/Mcf)	$ 4.32	$ 2.98	$ 3.93
Natural gas liquids ($/Bbl)	$ 53.32	$ 37.61	$ 35.95
Equivalent ($/BOE)*	$ 47.10	$ 40.39	$ 45.50
Realized sales prices (after impact of derivative cash settlements)			
Oil ($/Bbl)	$ 78.89	$ 83.52	$ 89.92
Natural gas ($/Mcf)	$ 4.80	$ 3.48	$ 4.14
Natural gas liquids ($/Bbl)	$ 47.90	$ 38.90	$ 36.66
Equivalent ($/BOE)*	$ 45.46	$ 41.71	$ 45.92
Average costs per BOE*			
Production expense	$ 8.35	$ 8.74	$ 10.16
Production taxes	$ 1.90	$ 2.00	$ 2.19
Depreciation, depletion, amortization, and accretion	$ 18.07	$ 19.95	$ 17.02
General and administrative	$ 4.19	$ 3.28	$ 3.09

* At year-end 2012, our reserves shifted from being majority gas to majority liquids. As a result, beginning with the first quarter of 2013, we now report volumes on a BOE basis rather than on a Mcfe basis. Prior period presentations have been conformed accordingly.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for each of the periods indicated is as follows:

	Year Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Ratio of earnings to fixed charges(1)	3.7x	(2)	6.7x	11.6x	(3)

(1) The ratio of earnings to fixed charges has been computed by dividing earnings available for fixed charges (earnings from continuing operations before income taxes plus fixed charges and amortization of capitalized interest, less capitalized interest) by fixed charges (interest expense, plus capitalized interest plus our estimate of the interest component of rental expense).

(2) Earnings were inadequate to cover fixed charges for the year ended December 31, 2012, by a deficiency of $86.6 million.

(3) Earnings were inadequate to cover fixed charges for the year ended December 31, 2009, by a deficiency of $158.7 million.

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RISK FACTORS

The exchange notes involve substantial risks similar to those associated with the outstanding notes. To understand these risks you should carefully consider the risks and uncertainties described below and in Item 1A "Risk Factors" in our 2013 10-K, which are incorporated by reference in this prospectus, together with all of the other information in this prospectus and in the documents incorporated by reference herein, including the financial statements and related notes. If any of these risks actually occur, our business, financial condition or results of operations may suffer. As a result, we might be unable to repay the principal of and interest on the notes, and you could lose all or part of your investment.

Risks Relating to the Exchange Offer

We cannot assure you that an active trading market for the exchange notes will exist if you desire to sell the exchange notes.

There is no existing public market for the outstanding notes or the exchange notes. The exchange notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their exchange notes; or
- the price at which the holders would be able to sell their exchange notes.

If a trading market were to develop, the exchange notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance, as well as declines in the prices of securities, or the financial performance or prospects, of similar companies.

Any market-making activity with respect to the exchange notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act, and may be limited during the exchange offer. There can be no assurance that an active trading market will exist for the exchange notes or that any trading market that does develop will be liquid.

You may have difficulty selling any outstanding notes that you do not exchange.

If you do not exchange your outstanding notes for exchange notes in the exchange offer, you will continue to hold outstanding notes subject to restrictions on their transfer. Those transfer restrictions are described in the indenture governing the outstanding notes and in the legend contained on the outstanding notes, and arose because we originally issued the outstanding notes under an exemption from the registration requirements of the Securities Act.

Outstanding notes that are not tendered or are tendered but not accepted for exchange will, following the consummation of the exchange offer, continue to be subject to the provisions in the indenture and the legend contained on the outstanding notes regarding the transfer restrictions of the outstanding notes. In general, outstanding notes, unless registered under the Securities Act, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently anticipate that we will take any action to register under the Securities Act or under any state securities laws the outstanding notes that are not tendered in the exchange offer or that are tendered in the exchange offer but are not accepted for exchange. If a substantial amount of the outstanding notes are exchanged for a like amount of the exchange notes issued in the exchange offer, the liquidity of your outstanding notes could be adversely affected. See "The Exchange Offer Consequences of Failure to Exchange Outstanding Notes" for a discussion of additional consequences of failing to exchange your outstanding notes.